The Co-operative Bank p.l.c.

This announcement amends and replaces the announcement of the '1st Quarter Results' made by the Bank on 20 May 2016 at 9.35 BST, issued under RNS number 8590Y. The following amendment has been made to the second bullet of the Regulatory and Capital Update section:

- "Total Bank RWAs reduced to £7.3bn at March 31 2016 from £7.4bn at December 31 2015"

All other details remain unchanged. The full amended text is shown below.

20 May 2016

Q1 2016 Trading Update

Viable Core Bank franchise continues to emerge

- Total Core Bank net customer loans increased to £15.2bn as at March 31 2016 (£14.7bn at December 31 2015) as mortgage origination continued to improve with completions for the three months to 31 March 2016 totalling £0.8bn (£0.5bn in Q1 2015) and redemptions (excluding contractual repayments) falling to £0.4bn during the same period (£0.5bn in Q1 2015). In addition, £348m of performing PFI and REAF assets were transferred into Business and Commercial Banking (BaCB)
- New business asset spreads remain under pressure due to strong competition in the mortgage market. This has been partially offset by the endowed effect of last year's pricing actions on deposits
- The Core Bank recorded an operating profit for the three months to March 31 2016 compared with an operating loss in the same period in 2015
- In the first quarter, the number of current accounts experienced a small decrease to 1,425k accounts, of which 643k were prime accounts (1,431k and 656k respectively at December 31 2015) primarily driven by heightened competition in the current account market as evidenced by the material increase in competitors' switching incentives. Notwithstanding the modest decrease in current accounts, current account balances increased during the same period
- Continued investment in the brand with a new advertising campaign based around ethical credentials and supporting the Bank's distinct new 'Everyday Rewards' current account proposition. In addition, a new £150 current account switching offer was launched in May 2016
- The Bank's current account Net Promoter Score increased to 28 at the end of the first quarter (24 at the end of 2015), the Bank's highest score since October 2013. The Bank is still ranked #3 vs peers
- Outsourcing of mortgage servicing to Capita for existing operations is fully operational, whilst work continues on progressing the challenging and complex mortgage transformation programme with Capita
- New and improved online banking site launched recently in May 2016

Cost reduction programme remains on track for 2016

- Total Bank operating costs for Q1 2016 were 10% lower than the same period last year
- 54 branch closures announced in January 2016 are on track to be completed in the first half of 2016

Continued progress on the cornerstone IBM Enterprise Services Outsourcing (ESO) programme

- Since the programme entered implementation mode in early 2016, IBM has completed the build of the Primary (Warwick) and Secondary (Birmingham) data centres to Bank requirements. Connectivity between old and new data centres is in place and commissioning tests are at an advanced stage
- The successful move of the first set of systems (SWIFT, CHAPS and Treasury back office applications) into a new data centre operated by IBM in April 2016 was a significant milestone and the programme is on track to meet its key 2016 disaster recovery deliverables
- The overall project portfolio remains challenging and continues to be subject to rigorous ongoing prioritisation to manage resource and budget contention and there remains a risk of cost over-run. We will continue to actively manage the project portfolio with the result that some projects may be stopped, curtailed or re-prioritised

Progress addressing legacy issues

- Non-core has continued to perform broadly in line with expectations although there have been signs of weakness in demand and consequently pricing for certain kinds of assets which could impact the pace and cost of deleverage if it is sustained into the second half of the year
- Redress for Payment Protection Insurance (PPI) during Q1 2016 was marginally below forecast with lower inbound complaint levels partially offset by higher valid claims and uphold rates for selected products. The volume of future inbound complaints may ultimately depend on when the FCA start their proposed communications campaign
- In relation to Consumer Credit Act (CCA), the daily interest loss rate has reduced further to £7k at the end of April 2016 from >£100k in 2015. The programme was 87% complete at the end of April 2016
- Mortgage remediation activities were substantially progressed in Q1 2016 and the programme was 86% complete at the end of April 2016. A portion of the outstanding work includes potential redress and remediation in respect of auto capitalised arrears payments where we are waiting to see if the FCA issues guidance before determining our approach

Regulatory and capital update

- Common Equity Tier 1 (CET1) ratio stood at 14.1% at March 31 2016 (15.5% at December 31 2015) in line with expectations
- Total Bank RWAs reduced to £7.3bn at March 31 2016 from £7.4bn at December 31 2015
- As forecasted in the Bank's Updated Plan, accepted by the PRA, the Bank does not now meet its Individual Capital Guidance (ICG) and Combined Buffer. As noted in our Annual Report and Accounts, under the PRA rulebook, not meeting the Combined Buffer prevents the Bank from creating an obligation to pay variable remuneration during the period of non-compliance. To remain competitive and to enable the attraction and retention of employees, the Bank will need to change its remuneration structure and this is likely to increase costs

Niall Booker, Chief Executive Officer, said:

"During the first quarter of 2016, we have continued to make progress implementing the Bank's turnaround plan. Encouragingly, the performance of the Core Bank continues to improve particularly in terms of mortgage originations. Alongside this, we have seen an increase in our current account NPS scores which further emphasises the consistently strong service levels being delivered in our contact centres and branches alongside continued improvement in our digital channels. Progress has also been made in delivering the IT transformation and resilience required to address the historic underinvestment in systems and processes and to meet threshold conditions.

"Market conditions for asset sales meant that the pace of deleveraging in Non-core slowed during the first quarter and macroeconomic conditions remain uncertain which may affect the Bank's operating environment during the course of the turnaround plan. There is still considerable work ahead; the impact of CRDIV as well as the sheer breadth and complexity of the remediation programme continue to create additional cost pressure and the overall execution of the turnaround plan remains challenging. However, notwithstanding these issues, the achievements outlined above provide confidence that we are gradually developing a more resilient and sustainable bank."

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Forward looking statements

This document contains certain forward looking statements with respect to the business, strategy and plans of The Co-operative Bank and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about The Co-operative Bank's or its Directors' and/or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Bank or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally including the United Kingdom referendum on membership of the European Union scheduled to take place on 23 June 2016; inflation, deflation, interest rates and policies of the Bank of England, the European Central Bank and other G8 central banks; fluctuations in exchange rates, stock markets and currencies; changes to The Co-operative Bank's credit ratings; changing demographic developments, including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes; natural and other disasters, adverse weather and similar contingencies outside The Co-operative Bank's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices; regulatory capital or liquidity requirements and similar contingencies outside The Co-operative Bank's control; the policies and actions of governmental or regulatory authorities in the UK, the European Union, the US or elsewhere; the implementation of the EU Bank Recovery and Resolution Directive and banking reform, following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and the success of The Co-operative Bank in managing the risks of the foregoing.
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 publicly any updates of revisions to any forward-looking statements contained in this document to reflect any change in The Co-operative Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Note: all figures contained in this trading update are unaudited