2016 Interim Results

18 August 2016

Agenda

1)	Introduction	Dennis Holt
2)	CEO update	Niall Booker
3)	Financial performance	John Baines
4)	Conclusion	Niall Booker

Q&A

Section 1

Introduction

Dennis Holt

Section 2

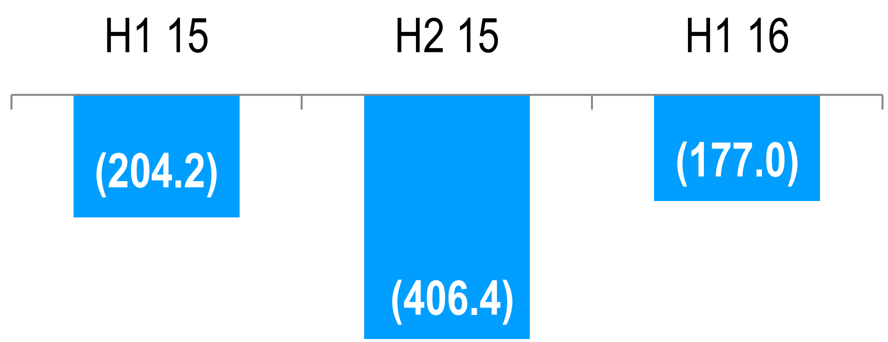
CEO update

Niall Booker

Viable Core Bank emerging

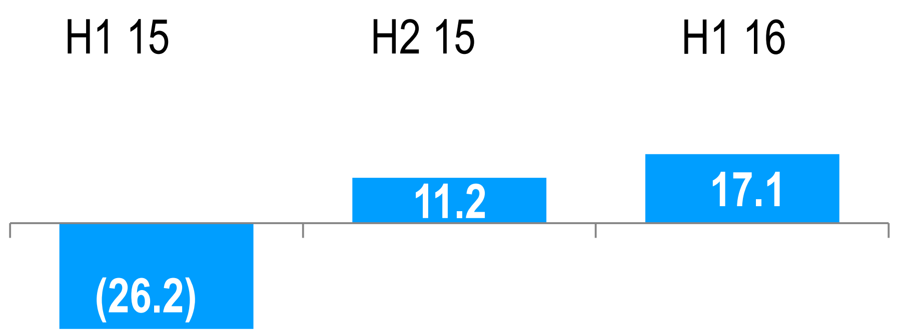
Bank losses narrowed, ahead of plan

Bank Statutory Loss Before Tax (£m)



- Continues to be driven by legacy issues:
  - Fair value amortisation (£97.2m)
  - Remediation and strategic project costs remained high (£106.0m) to address historic underinvestment
- Conduct and legal risk charges (£21.1m)
- Gain from the sale of Visa Europe share of £58.1m

Core Bank Operating Result[1] (£m)



- Positive operating result in the Core Bank
  - Decrease in net interest income (£20.8m) is more than offset by reduced cost base (£39.0m)
  - Operating project costs decreased to £19.7m
  - Other significant items include reduced FSCS levy (£14.3m) and gain on sale of gilts (£15.9m)

Sustainable Core Bank operating profitability still targeted for late 2017

1. Revised basis. Refer to Revised basis of preparation slide in appendix

H1 2016 highlights

Continued implementation of the Bank's turnaround plan

Core Bank Rebuild

Core business performance

- £0.4bn growth in the mortgage book
- £0.2bn growth in current account balances
- Deposits managed down to £21.8bn (31 Dec 15: £22.4bn)
- Current account NPS increased to 26
- Moved back into Top 50 UK Customer Satisfaction Index – most improved banking brand

Cost reduction programme on track for 2016

- 15% reduction in operating expenditure to £223m
- 54 branches closed in H1 2016

Digital enhancement programme

- New and improved online banking site launched in May 2016

Improving Resilience

Operational and IT resilience

- First set of systems moved successfully into a new IBM data centre (April 2016)
- Continued to embed Risk Management Framework and remediate risk models
- Significantly progressed key existing conduct remediation programmes

Non-core deleveraging

- Challenging market conditions slowed pace of deleveraging
- Non-core RWAs reduced further to £2.0bn

Liquidity and capital

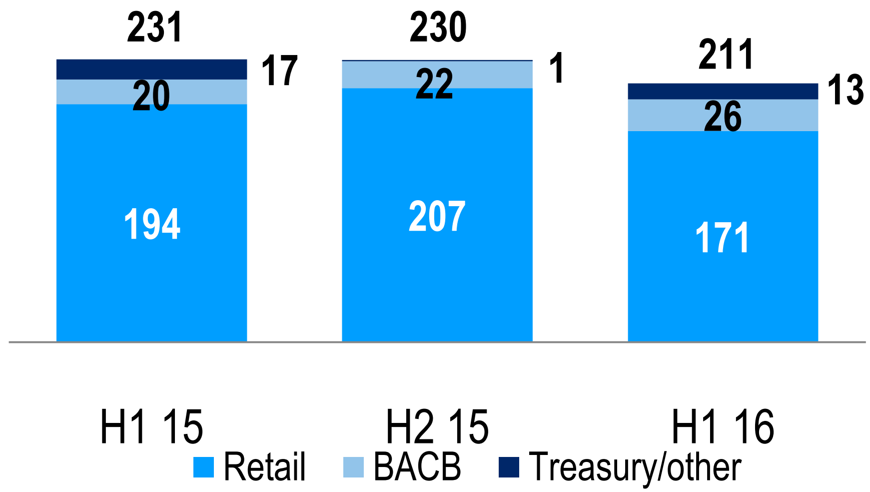
- Primary liquidity actively managed down to £3.6bn (31 Dec 15: £4.5bn)
- As expected, the losses incurred during H1 16 led to reduction in CET1 ratio to 13.4% (31 Dec 15: 15.5%)

Creating an efficient and financially sustainable UK retail and SME bank

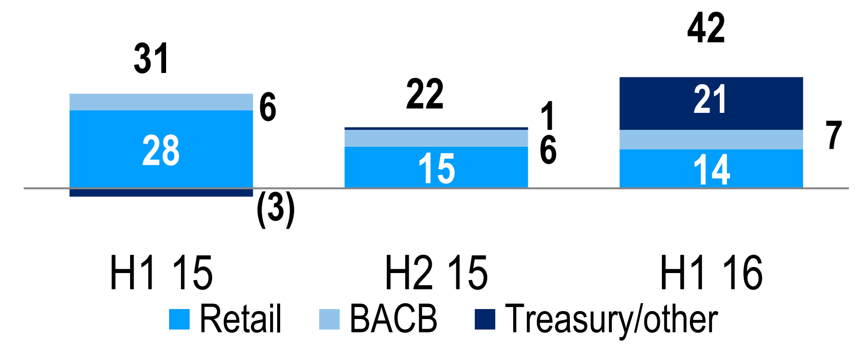
Core income

Reduced net interest income partially offset by higher other income, including one-off gain from sale of gilts. NIM has reduced given lower mortgage margins

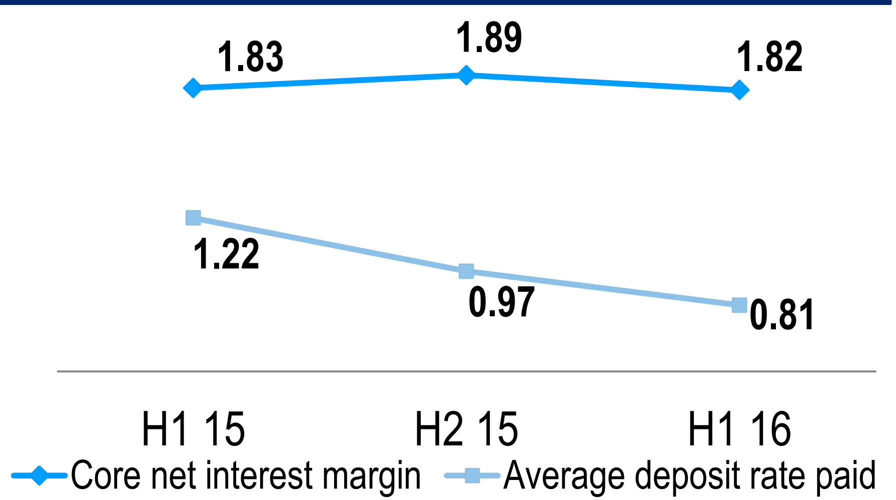
Net Interest Income (£m)



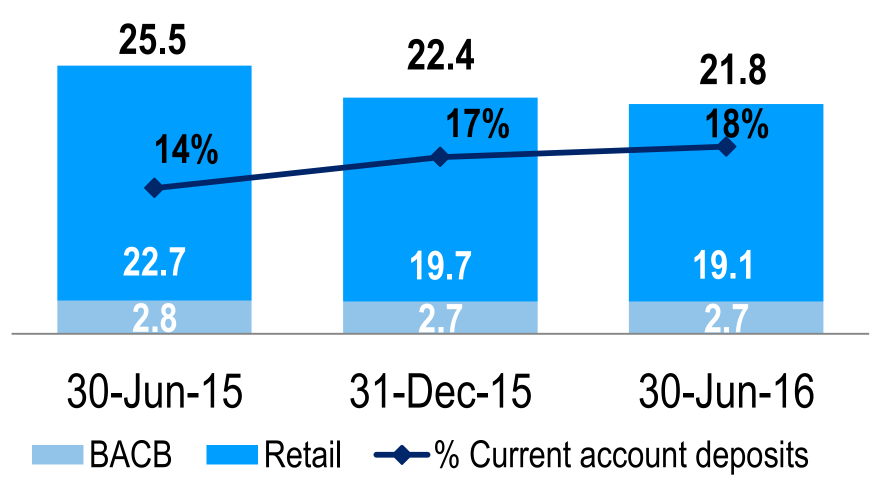
Other Income (£m)



Core NIM and Average Deposit Rate Paid (%)



Deposits (£bn)

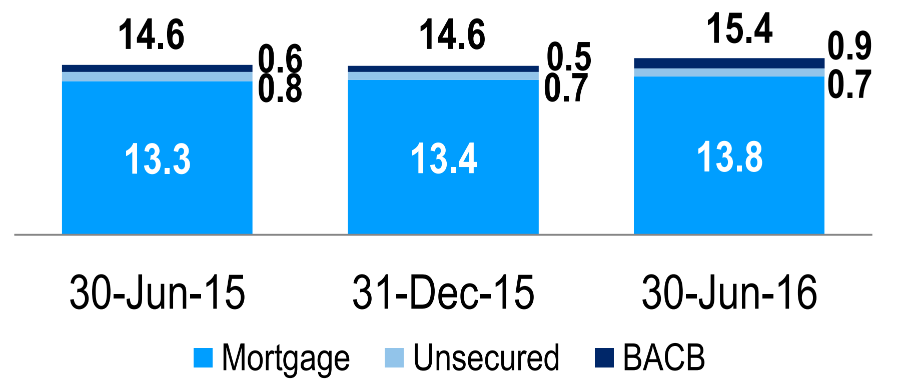


1. Includes Retail, BACB and Treasury/other. Net interest income has been restated to reflect the reallocation of income generated from hedging Bank's free reserves from the Retail to the Treasury segment of £10.6m in H1 15 and £9.5m in H2 15

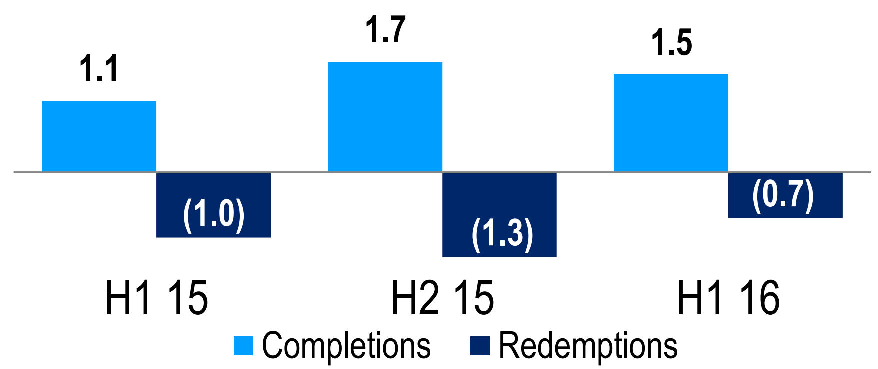
Core Bank performance update

Growth in the loan book driven by improved mortgage performance and transfer of performing assets from Non-core. Current account franchise stable, NPS score continues to improve

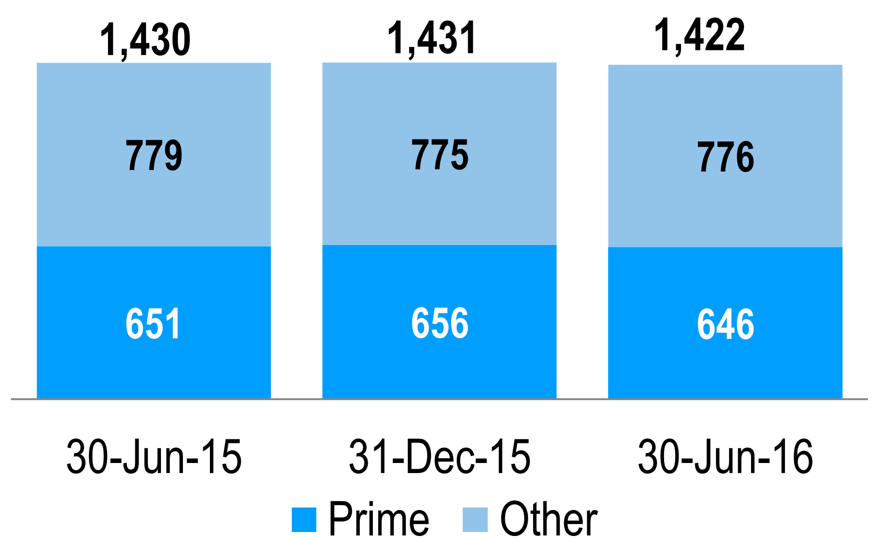
Net Customer Loans[1] (£bn)



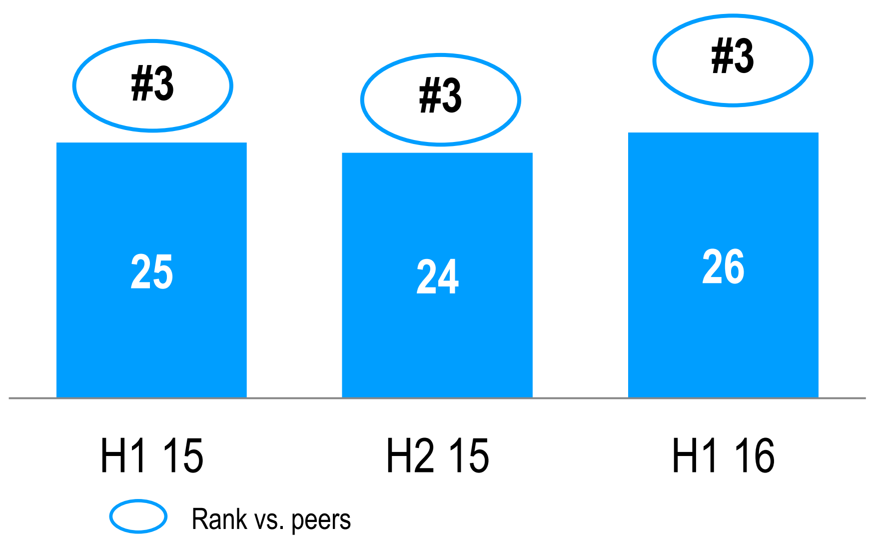
Mortgage Flow[2] (£bn)



Current Accounts (thousands)



Current Account Net Promoter Score[3]

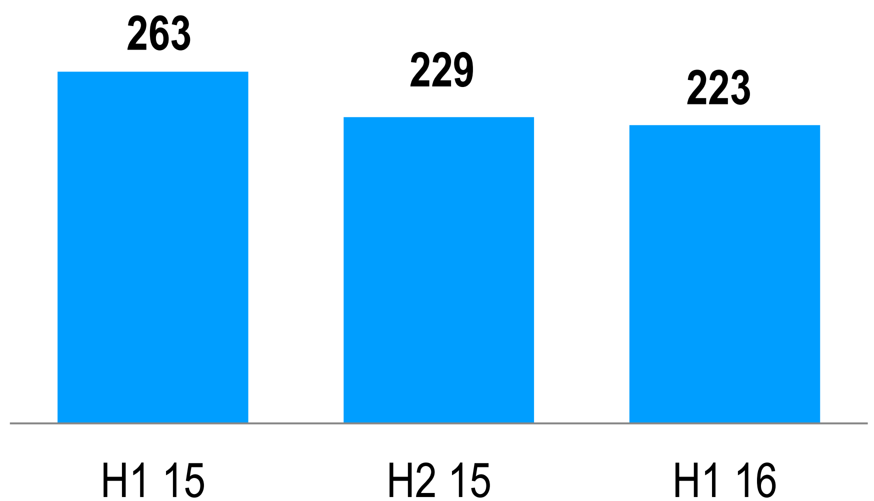


1. Now presented on a chargeable balances basis. Previously reported numbers included an accounting adjustment
2. Excludes contractual repayments
3. Source: GfK FRS

Cost reduction

Cost reduction on track for 2016

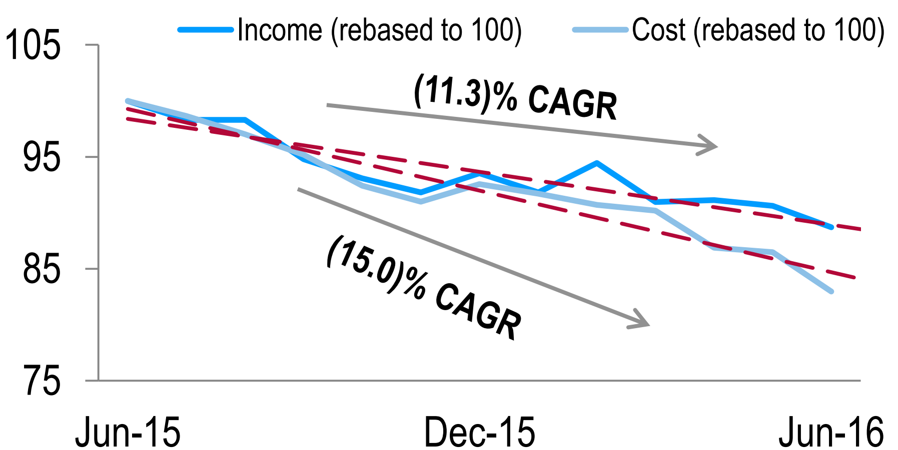
Operating Costs[1] (£m)



H2 2016 Cost Initiatives

- Implementation of Target Operating Model to drive further organisational simplification and efficiencies
- Digital programme savings (paperless, call centres)
- Separation (ES, facilities management outsourcing)
- Premises strategy (Balloon Street refurbishment)
- 2016 branch closures delivering savings in H2

Improving Cost / Income Relationship



Cost Challenges

- Significant challenges remain in meeting long term operating cost targets:
  - Particularly in relation to IT and Risk cost bases
  - Limited capacity for additional investment to alleviate cost pressures

Moving towards a simpler and more efficient retail bank

1. Operating costs presented on revised basis – see appendix for reconciliation

The co-operative bank

Transformation update

Progress on major transformation and remediation programmes – challenges remain

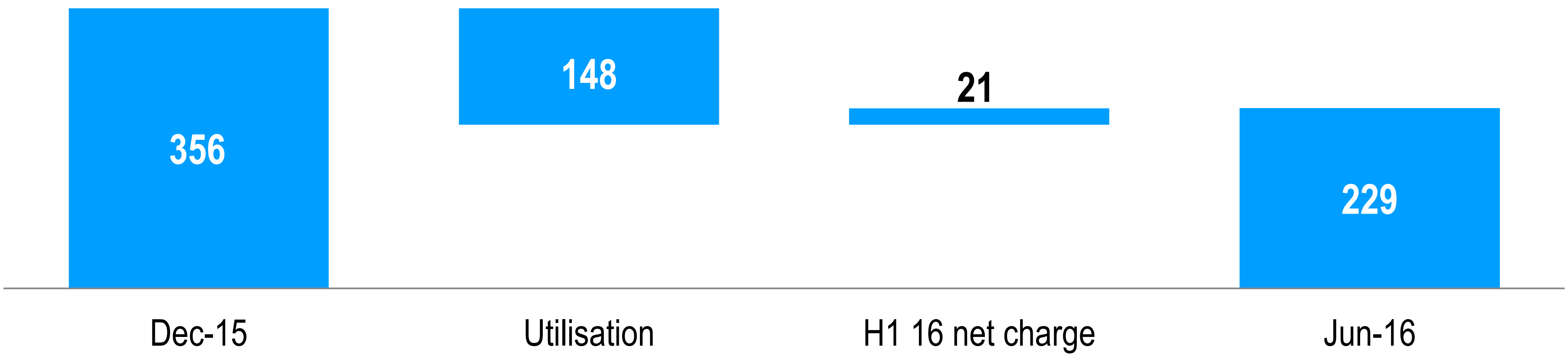
Status of Key Programmes	
ESO	• New Primary and Backup data centres fully operational – on track for the major migration event in November 2016 • Bank SWIFT, CHAPS and Treasury systems already migrated, proving the infrastructure and processes • Failure to migrate in November would create a delay until late-January 2017
Mortgage outsourcing	• Outsourcing of mortgage servicing to Capita for existing operations is fully operational • Delivery of challenging and complex mortgage transformation programme subject to significant delays • Programme re-plan currently underway to determine potential timing, cost, scope impacts and mitigants
Risk models	• Rebuild of credit models infrastructure and governance in order to maintain IRB status underway with PRA fully engaged • Ongoing remediation work of IRB model estate during 2016-2017. Regulatory approval of remediated secured IRB models targeted for August 2017

- Management of transformation budget will be impacted by re-plan of mortgage transformation, receipt of regulatory approvals for new models, improving transformation capabilities, and prioritisation including cancellation or delay of other programmes

Conduct

Continued progress made in addressing legacy conduct issues

Conduct and Legal Risk Provisions (£m)



PPI *H1 charge – £33.5m*	• Primarily driven by extension of FCA-proposed time bar to 30 June 2019
CCA *H1 net release – £10.7m*	• Daily interest loss rate reduced further to £3.5k at end June 2016 from >£100k in 2015 • Programme was 95% complete at end June 2016 • Release in provision following a detailed review of remaining cases yet to be remediated • Forward fix activity underway to eliminate risk of accounts becoming non-compliant in future
Mortgages *H1 net release – £0.9m*	• Existing remediation programme was 91% complete at end June 2016

EU referendum implications

Low immediate operational impact from the EU referendum result but increased macro-economic risks to the Plan

Operational impacts	- No immediate operational impact on the Bank given UK-only footprint:
	  - No corporate restructuring necessary
	  - No EU-based branches or customers
	- Continue to engage with our customers in the same way
	- Predominantly deposit funded so low reliance on wholesale funding remains

Macro-economic impacts	- Macro-economic uncertainty following the EU referendum – possible impacts include:
	  - UK banks' reaction to the BoE stimulus package (base rate, gilt purchases, Term Funding Scheme)
	  - Possible contraction of UK mortgage market would impact Core bank loan book growth
	  - Lower for longer interest rates will restrict ability to widen NIM and consequently organic capital generation, Core Bank profitability as well as RoTE and cost:income ratio development
	  - Consequential impact on timing of the Bank meeting Individual Capital Guidance (ICG) and compliance with PRA Buffer – Bank now expects to meet ICG by the end of the Plan
	  - Consequential impact on management of project portfolio as reductions in income may drive further reductions in costs and project spend
	  - Higher unemployment and lower property prices could mean higher levels of impairments
	  - Timing and loss-characteristics of CoAM deleverage programme

Precise impacts are dependent on economic and political outcomes which remain uncertain

Section 3

Financial performance

John Baines

Income statement

Presented on a management accounts basis

Bank Performance (£m)	H1 2015	H1 2016	Change
Net interest income	233.6	201.5	(32.1)
Losses on asset sales	(38.2)	(11.6)	26.6
Non interest income	41.1	38.3	(2.8)
Operating income	**236.5**	**228.2**	**(8.2)**
Operating costs	(262.9)	(222.8)	40.1
Operating projects	(28.0)	(19.7)	8.3
Impairment gains	44.6	11.6	(33.0)
Operating result	**(9.8)**	**(2.7)**	**7.1**
Remediation projects	(45.4)	(71.3)	(25.9)
Strategic projects	(39.3)	(34.7)	4.6
Severance	(6.4)	(8.5)	(2.1)
Sale of Visa Europe	-	58.1	58.1
Conduct / legal risk	(49.0)	(21.1)	27.9
Fair value amortisation	(54.3)	(97.2)	(42.9)
Share of post tax profits from JV	-	0.4	0.4
Loss before taxation	**(204.2)**	**(177.0)**	**27.2**
NIM	**1.32%**	**1.42%**	**10bps**

Reduced income from lower asset base and margin narrowing

Reflects lower Non-core deleveraging in the period

Reduction in income from overdraft fees following launch of the new overdraft proposition and lower Link interchange fees partially offset by one off gain following gilt disposal

Reduced pace of deleveraging has resulted in fewer write-backs

CCA provision release, no additional packaged account provision, a further £33.5m for PPI

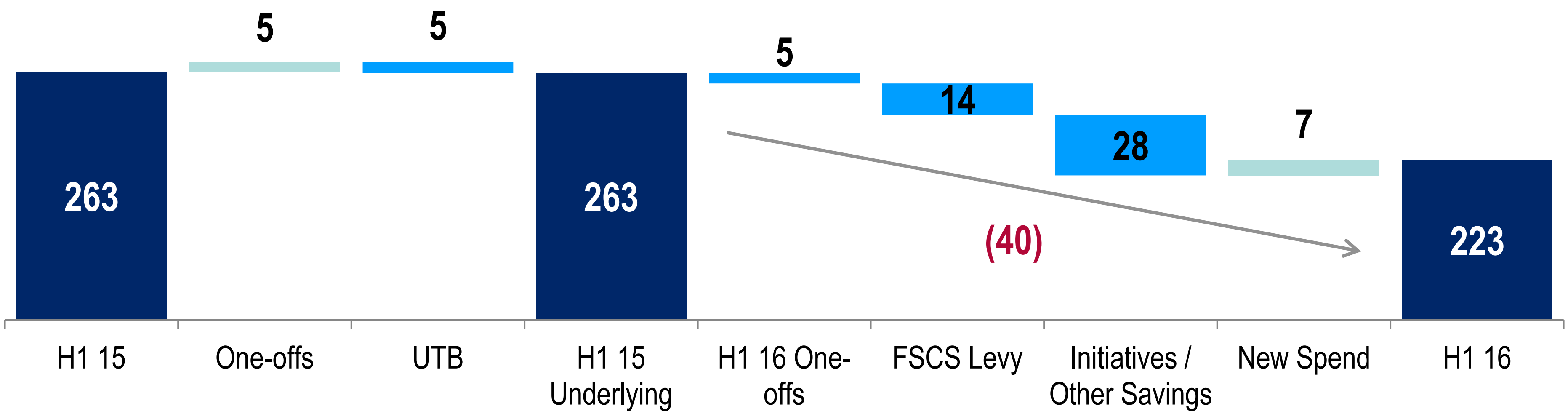
Acceleration of fair value unwind as a result of the remaining liabilities approaching maturity

1. A reconciliation of these numbers to the statutory accounts basis is provided in the segmental information in Note 3
2. H1 15 operating and project expenditure are now presented on the current basis as per the revised basis of preparation – see appendix for reconciliation

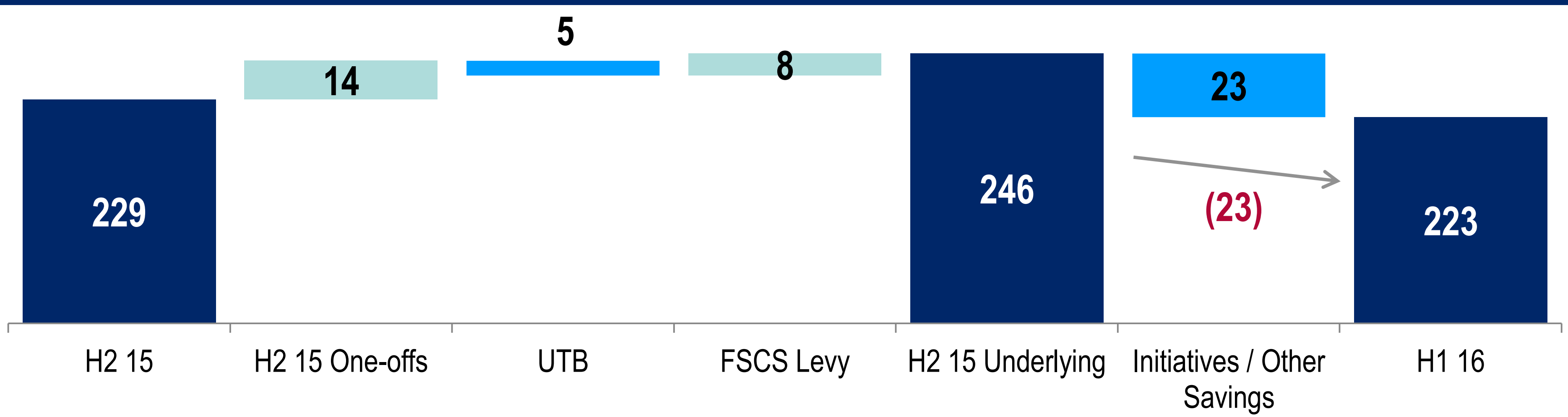
Operating costs bridge

£40m net cost reduction during H1 2016 vs H1 2015

H1 2015 vs H1 2016 Operating Costs (£m)



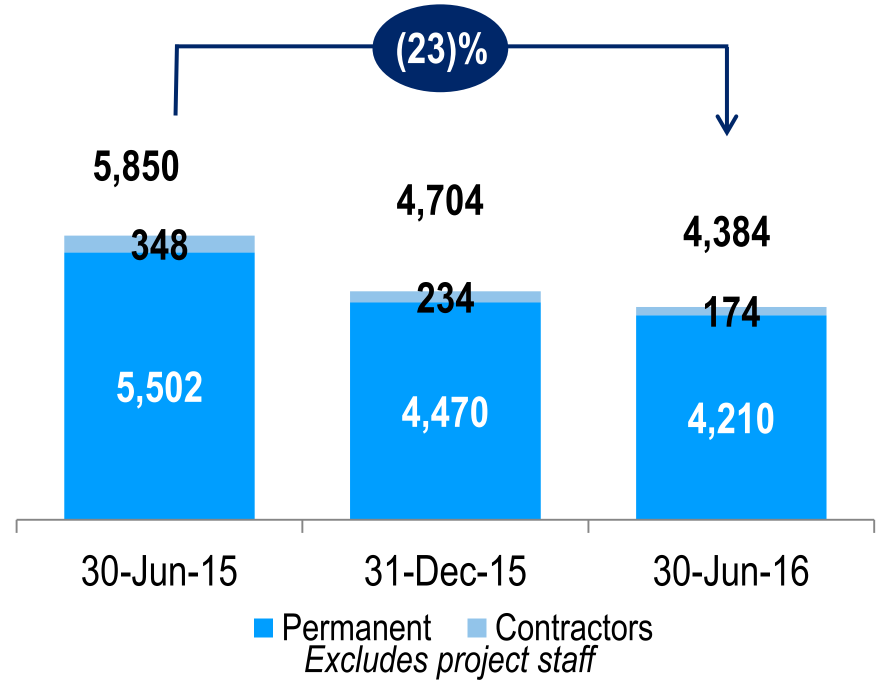
H2 2015 vs H1 2016 Operating Costs (£m)



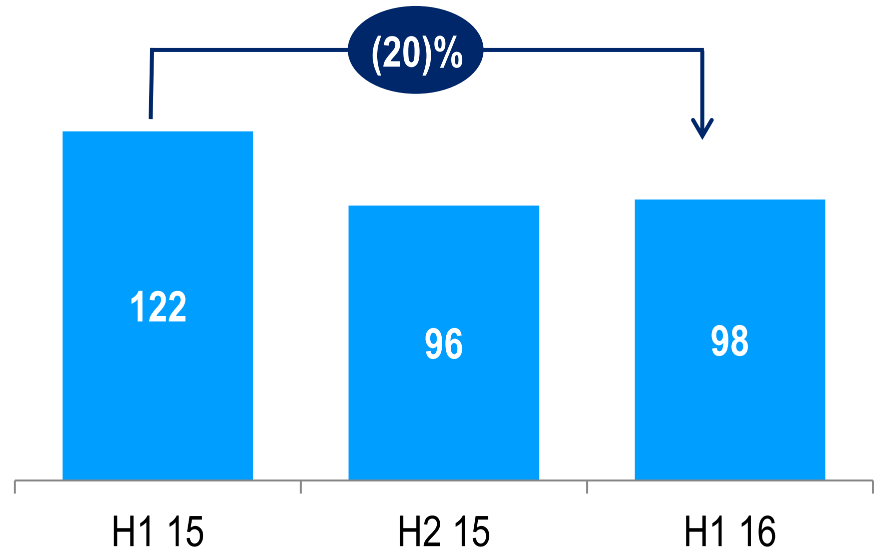
Operating costs – staff

Headcount reduction and branch closures are delivering sustainable cost savings

FTE Headcount



Staff Costs (£m)

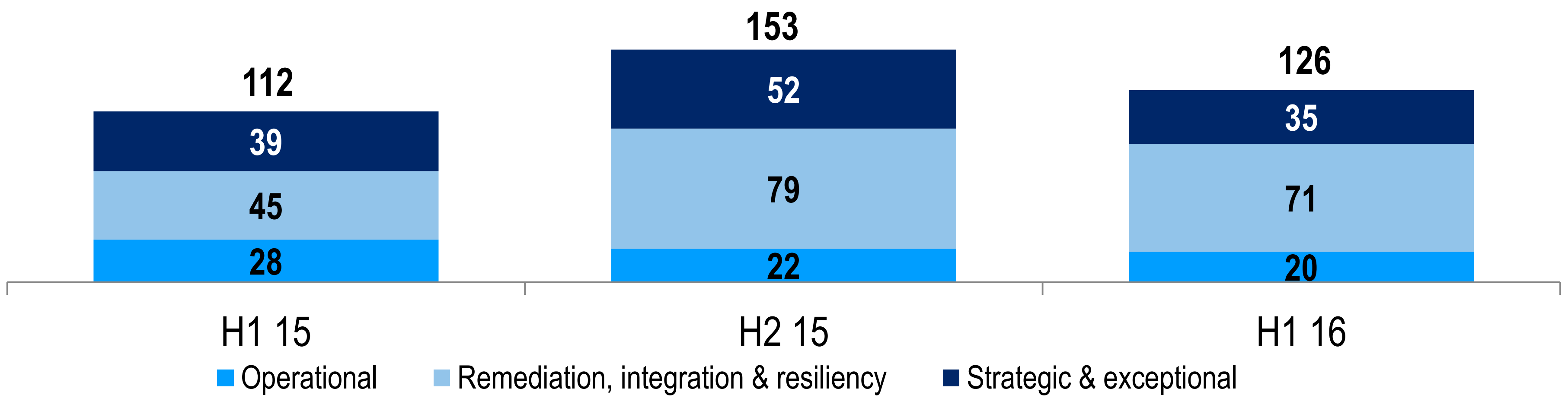


- Permanent staff period on period reduction of 23% delivered through Branch closures, the outsourcing of mortgage processing operations to Capita on 1 August 2015 and process simplification and efficiencies
- Contractor reduction of 50% through removal of roles and conversion to permanent roles
- Net £24m reduction in staff costs - £19m reduction in direct staff costs and £5m reduction in contractor costs
- H2 15 staff costs reflect one-off pension-related provision releases – excluding these items, H2 15 adjusted staff costs were £104.7m (H1 16 staff costs were 6.9% lower than H2 15 on an adjusted basis)

Project costs

Greater than expected project costs in H1 due to timing of expenditure on key programmes and delays

Project Costs (£m)



Operational	Remediation, integration and resiliency	Strategic & Exceptional
• H1 16 spend to ensure regulatory and mandatory minimums are met (cheque imaging, EU Mortgage and Payment Account Directives, customer complaints handling and reporting) • Includes depreciation* of £7.5m	• H1 16 IT remediation and separation • £74.8m – ESO/separation (Provision utilisation of £35.8m) • £10.9m – data and reporting • £7.1m – IT remediation • Includes depreciation* of £3.1m	• H1 16 transformational in nature and deliver significant cost savings or income benefits to the business • £9.9m – branch transformation • £3.7m – mortgage outsourcing • £9.1m – digital • £5.6m – loans outsourcing • Includes depreciation* of £1.7m

* Revised basis of preparation – project costs include associated depreciation from previous investments and exclude severance

Core Business

A viable Core Bank emerging – simpler and more efficient

Core Contribution (£m)

	H1 2015	H1 2016	Change
Net interest income	231.3	210.5	(20.8)
Gain on asset sales / (losses)	(0.1)	0.5	0.6
Non-interest income	30.5	41.5	11.0
Net income	**261.7**	**252.5**	**(9.2)**
Direct costs	(75.1)	(61.9)	13.2
Impairment gains / (losses)	(2.7)	2.5	5.2
Contribution result	**183.9**	**193.1**	**9.2**
Head office overheads	(182.1)	(156.3)	25.8
Operating projects	(28.0)	(19.7)	8.3
Operating result	**(26.2)**	**17.1**	**43.3**

Margin narrowed, driven by the competition in UK mortgage market partially offset by reduction in funding costs

Retail non-interest income decreased due to lower overdrafts fees, reduced link commission and card transaction income. Mainly offsetting this was a £15.9m gain on sale of gilts

15% reduction in total costs – primarily driven by 2015 initiatives and further efficiency savings during H1 16 as well as the reduced FSCS levy

1. Revised basis. Refer to Revised basis of preparation slide in appendix

Non-core Business — Contribution

Result driven by lower net interest income, slower pace of deleveraging and reduced net impairment gains

Non-core Contribution (£m)

	H1 2015	H1 2016	Change
Net interest income	2.3	(9.0)	(11.3)
Losses on asset sales	(38.1)	(12.1)	26.0
Non-interest income	10.6	(3.2)	(13.8)
Net income	**(25.2)**	**(24.3)**	**0.9**
Direct costs	(5.7)	(4.6)	1.1
Impairment gains	47.3	9.1	(38.2)
Contribution result	**16.4**	**(19.8)**	**(36.2)**

Significant reduction in net interest income following deleveraging and transfer of assets to BaCB

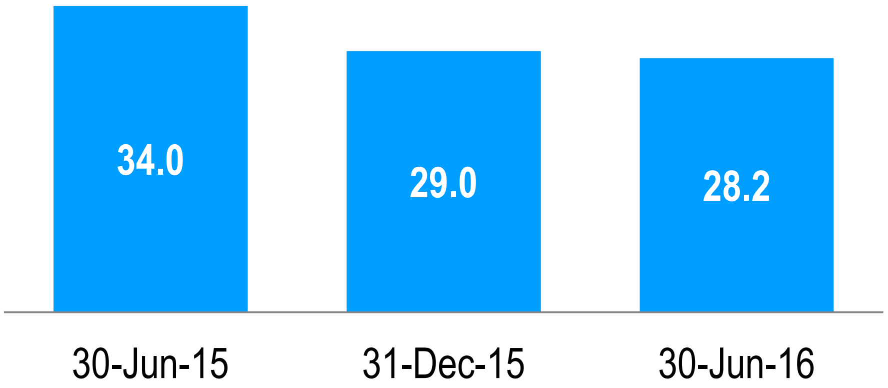
(£m)	H1 15	H1 16
PFI	(14.5)	(5.3)
Corporate mortgage backed securities	(14.9)	-
Portfolio of corporate assets	-	(6.8)
Optimum	(5.8)	-
Other	(2.9)	-
Gains / (losses)	**(38.1)**	**(12.1)**

(£m)	H1 15	H1 16
Workout	50.5	8.8
New Impairments	(17.1)	-
Revaluations	10.7	(0.3)
Modelling and other	3.2	0.6
Gains (losses)	**47.3**	**9.1**

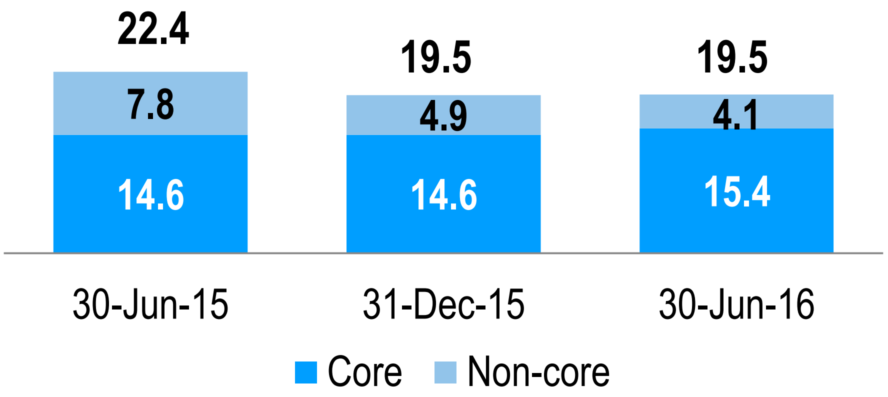
Balance sheet highlights

Core loan book growth. Further managed reduction in deposits

Total Assets (£bn)



Net Customer Loans (£bn)



Other Selected Balance Sheet Data

	31/12/15	**30/06/16**	*Change*
Equity (£bn)	1.4	1.3	*(0.1)*
Loan-to-deposit ratio[1]	86%	89%	*3pp*
NPL ratio[2]	5.2%	4.4%	*(0.8)pp*
NPL coverage ratio[3]	25.5%	24.9%	*(0.6)pp*

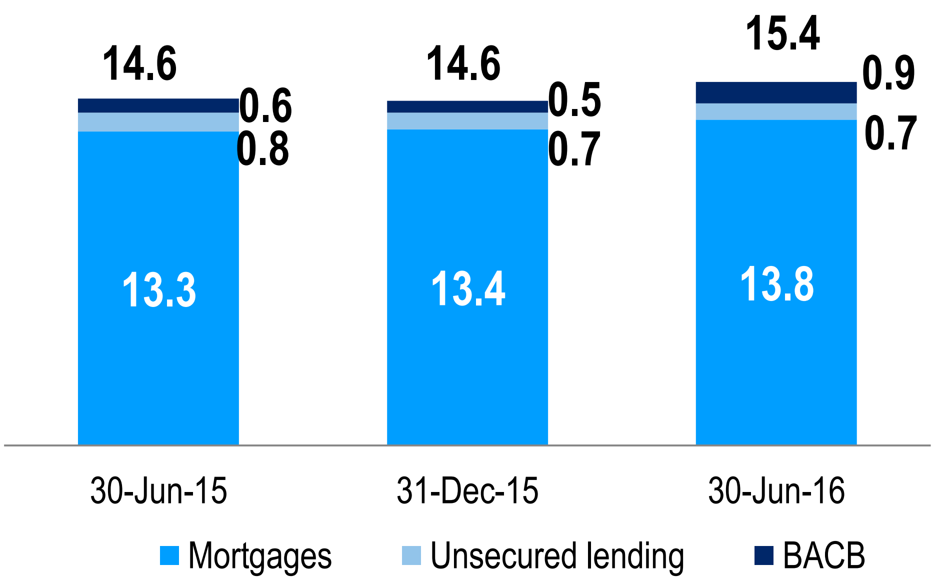
Customer Deposits (£bn)

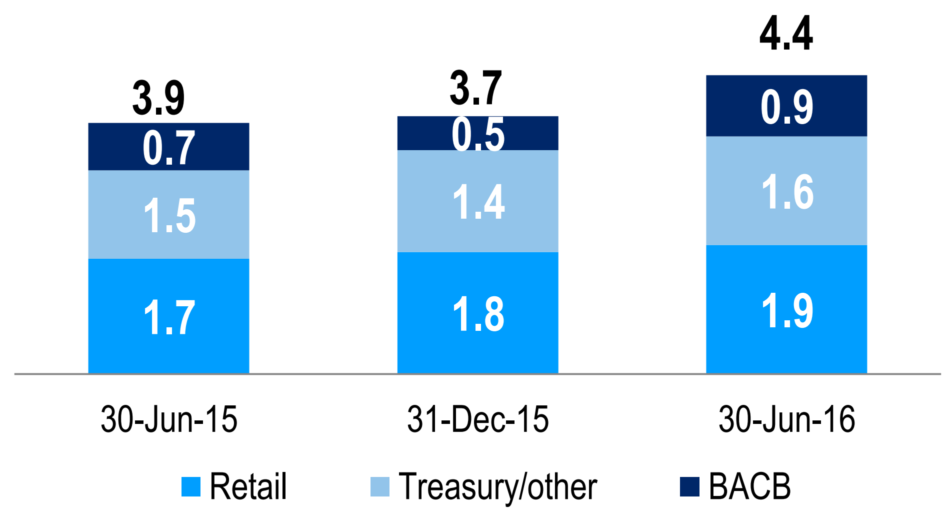
1. LTD ratio calculated as net customer loans including fair value adjustments for hedged risk /customer deposits
2. Calculated as impaired customer balances (incl. watchlist) / gross customer balances
3. Calculated as allowance for losses (excluding losses for hedging risk) on customer balances / impaired customer balances (including watchlist)

Core Business — Loans & RWAs

Continued growth in mortgage book

Net Loans[1] (£bn)	Credit RWAs (£bn)





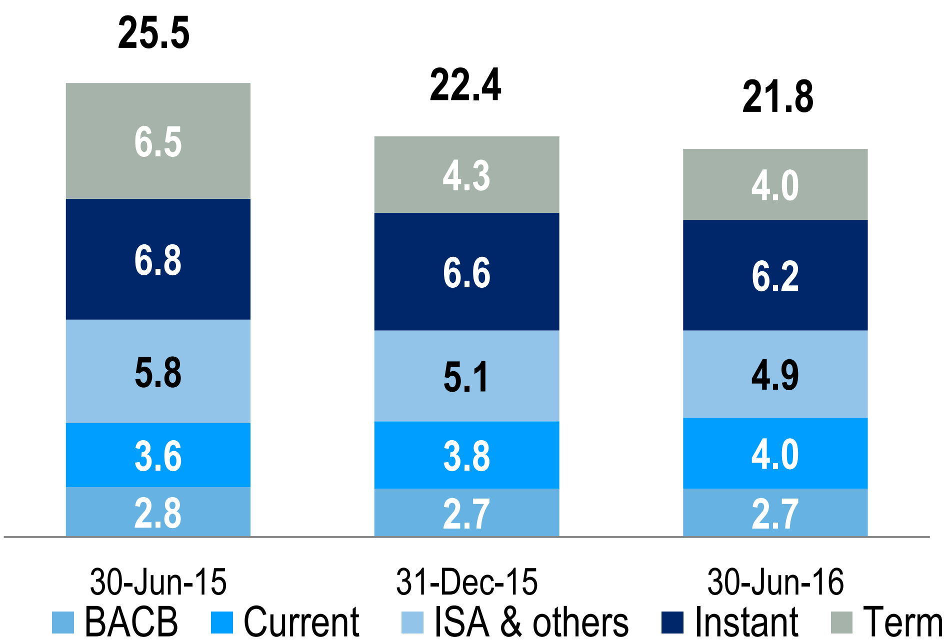
- £0.4bn net increase in the mortgage loan book and transfer of £348m of performing assets from Non-core
- Credit RWAs increased by £0.7bn primarily driven by transfer of assets (£0.4bn) from CoAM and net new mortgage lending contributing

1. Now presented on a chargeable balances basis. Previously reported numbers included an accounting adjustment

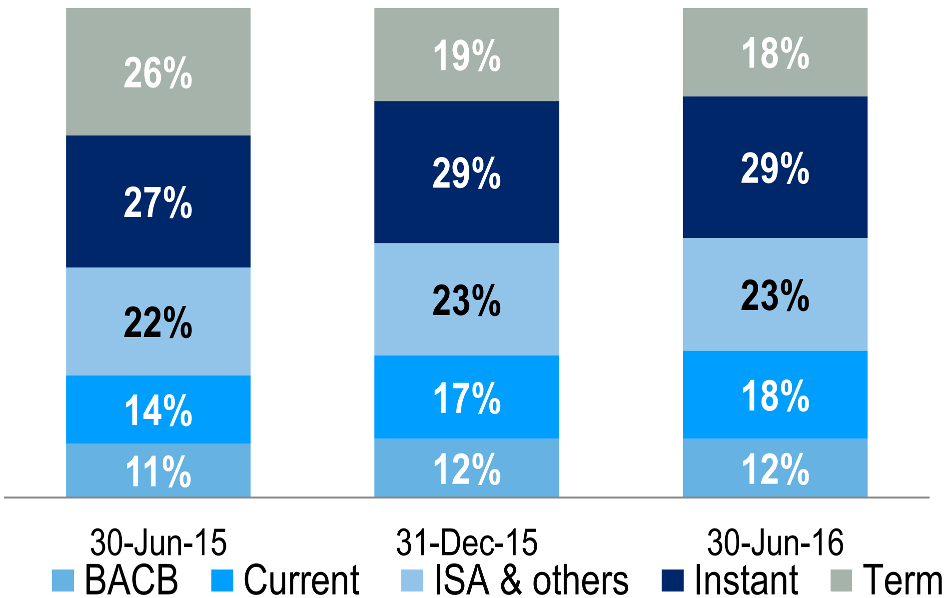
Core Business — Deposits

Continued managed reduction in liquidity

Customer Deposits (£bn)



Customer Deposits Composition

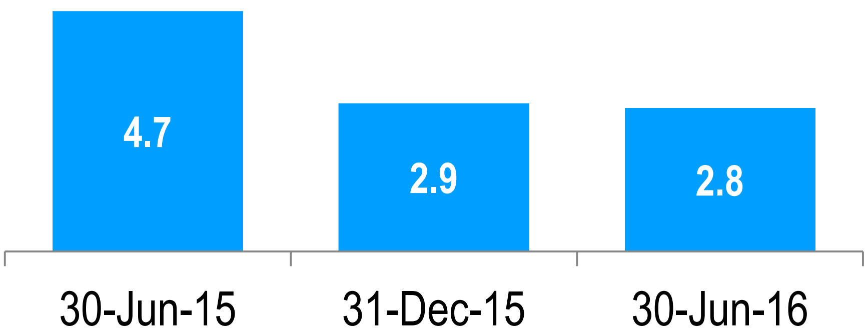


- £0.6bn managed reduction in deposits focused on the most expensive term funding (Term and ISAs & other books)
- Current account deposit balances increased by £0.2bn since 31 December 2015

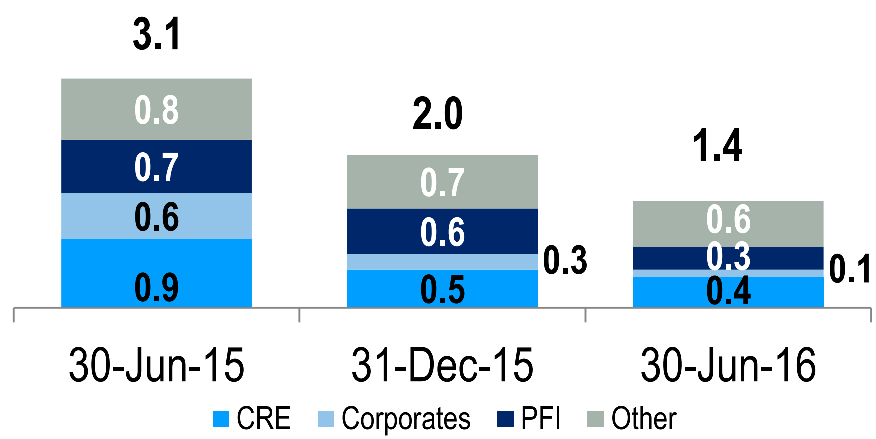
Non-core Business — Balance sheet dynamics

Non-core represents 21% of total net customer loans and 31% of Credit RWAs[2]

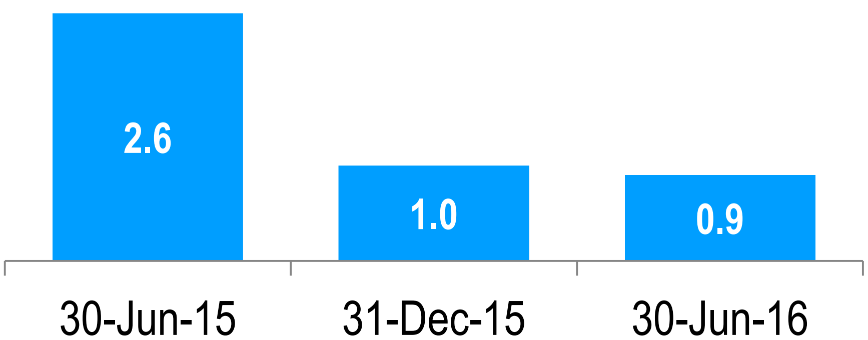
Non-core Net Loans[1] - Optimum (£bn)



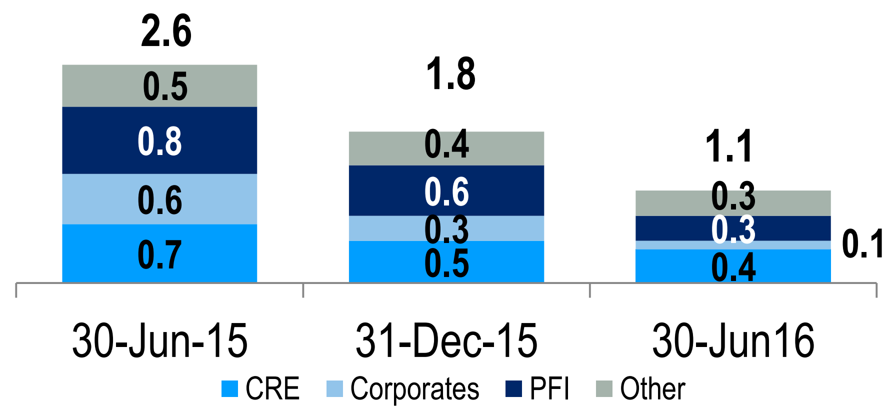
Non-core Net Loans[1] - Other (£bn)



Non-core Credit RWAs[2,3] - Optimum (£bn)



Non-core Credit RWAs[2] - Other (£bn)

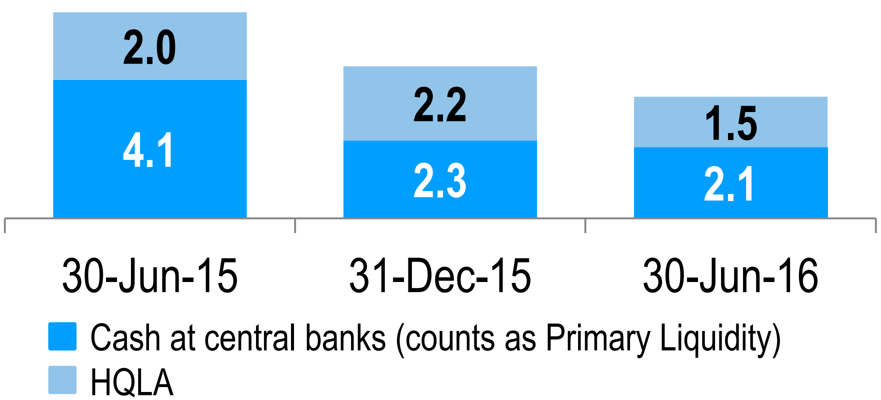


1. Now presented on a chargeable balances basis. Previously reported numbers included an accounting adjustment
2. CRD IV Credit RWAs
3. Includes a temporary RWA adjustment of £0.3m (30 June 2015: £1.0bn)

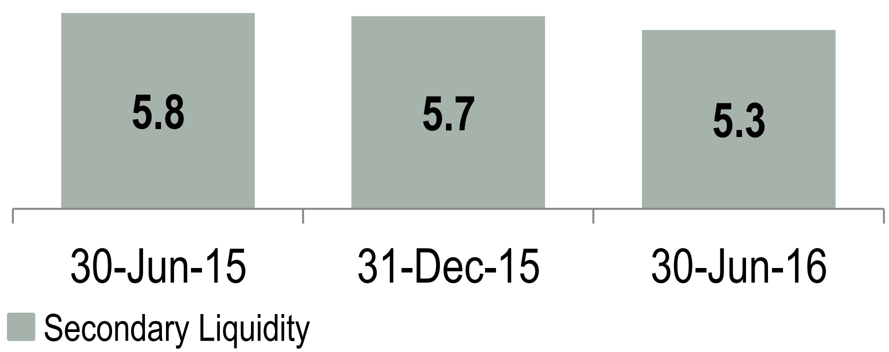
Liquidity

Bank has actively managed down primary liquidity

Primary Liquidity (£bn)



Secondary Liquidity (£bn)



- Primary liquidity of £3.6bn – reduced by £0.9bn
- Liquid asset ratio[1] of 12.7% (15.6% as at 31 Dec 15)
- Sale of AFS gilts as LME subordinated debt is now hedged with derivatives
- FLS – final repayment of £150m in January 2016

Secondary liquidity was reduced through:

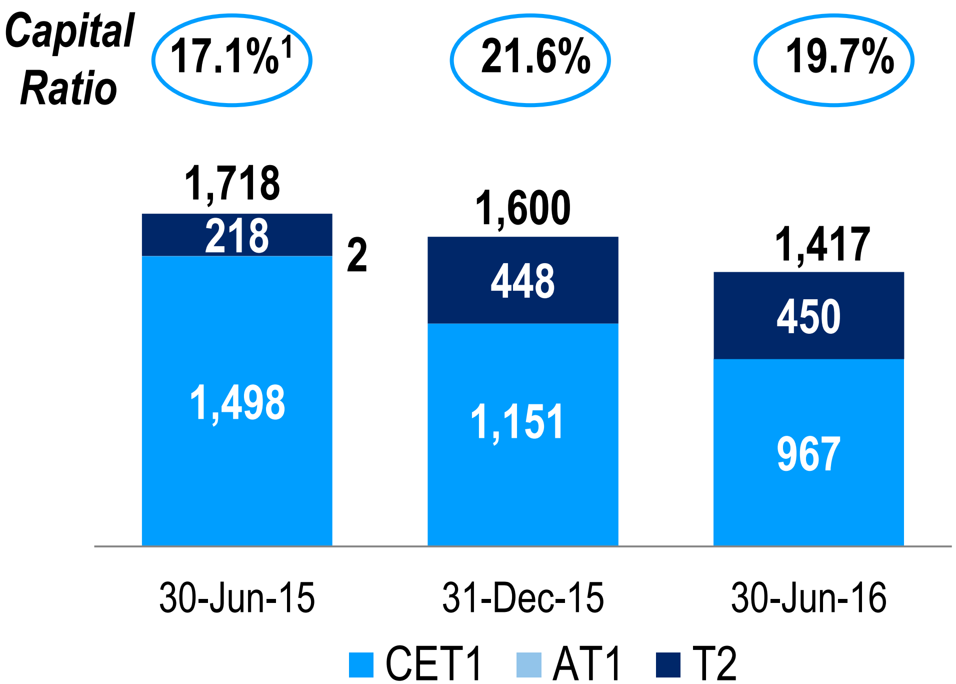
- £100m secondary market sale of retained Warwick RMBS notes
- Amortisation of Warwick RMBS notes
- Encumbrance of Warwick RMBS notes within secured funding transactions

1. Calculated as primary liquidity divided by total assets

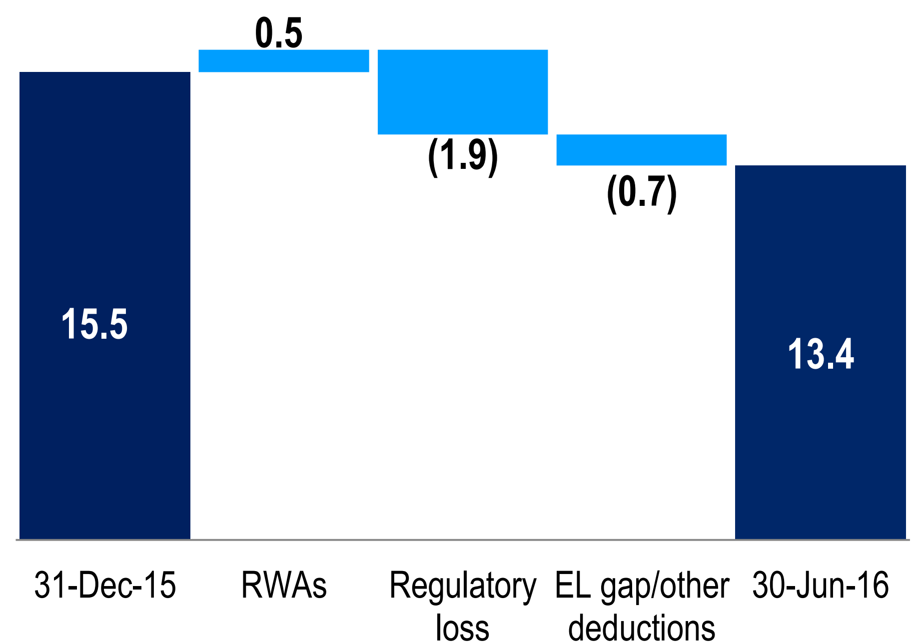
Capital position

As expected, continued losses are reducing capital ratios as the pace of RWA reduction slows

Capital Position (£m)



CET1 Ratio Development (%)



- Bank does not currently meet its Individual Capital Guidance (ICG) and Combined Buffer
  - As at 30 June 2016, Bank's Pillar 2A increased to 12.0% of RWAs or £864m mainly driven by the models fixed add-on as well as the reduction in RWAs
- CET1 ratio development and ability to remain at all times above previous 10% guidance impacted by management of transformation portfolio, timing of new IRB model approvals, interest rate environment, conduct charges and deleveraging – in any event will remain above regulatory minimums

1. £250m of Tier 2 capital raised in July 2015 did not feature in the 30 June 2015 capital position

Section 4

Conclusion

Niall Booker

Executive succession

Orderly executive succession plans in place for key roles

Chief Executive Officer	• Liam Coleman, Deputy CEO, to become CEO on 1 January 2017, subject to regulatory approvals • Handover process in Q4 2016
Chief Financial Officer	• John Worth to become CFO in September 2016, subject to regulatory approvals • Handover process during September 2016
Chief Risk Officer	• Steven Pickering appointed Chief Risk Officer effective 8 August 2016
HR Director	• New HR Director appointment agreed, subject to regulatory approvals • Full details to follow
Other	• Ashley Lillie, Treasurer, to manage CoAM going forward and joined ExCo on 1 July 2016 • Heather Lauder, Distribution Director, also joined ExCo on 1 July 2016

The co-operative bank

Outlook and focus

Core Bank Rebuild	Digital and product development
	Continued improvement in NPS scores
	Cost reduction programme
	Manage smooth executive succession handover process
Improving resilience	Significantly progress ESO programme
	Continue to embed Risk Management Framework CRR model improvements
	Significant progress in conduct remediation

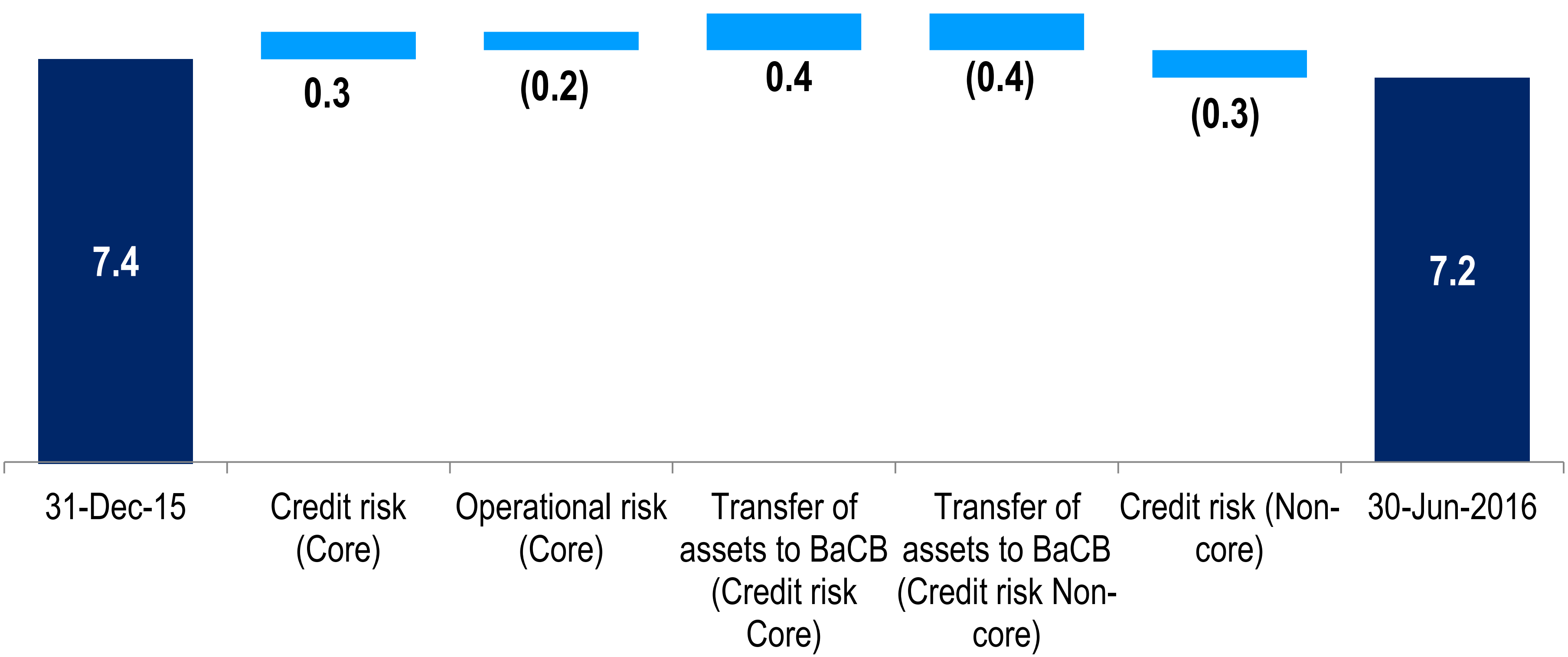
Q&A

Appendix

Risk Weighted Assets

RWAs have decreased by £0.2bn. Core RWAs increased by £0.5bn, primarily driven by transfer of performing assets from Corporate CoAM. Operational risk RWAs decreased by £0.2bn

Risk Weighted Assets (£bn)

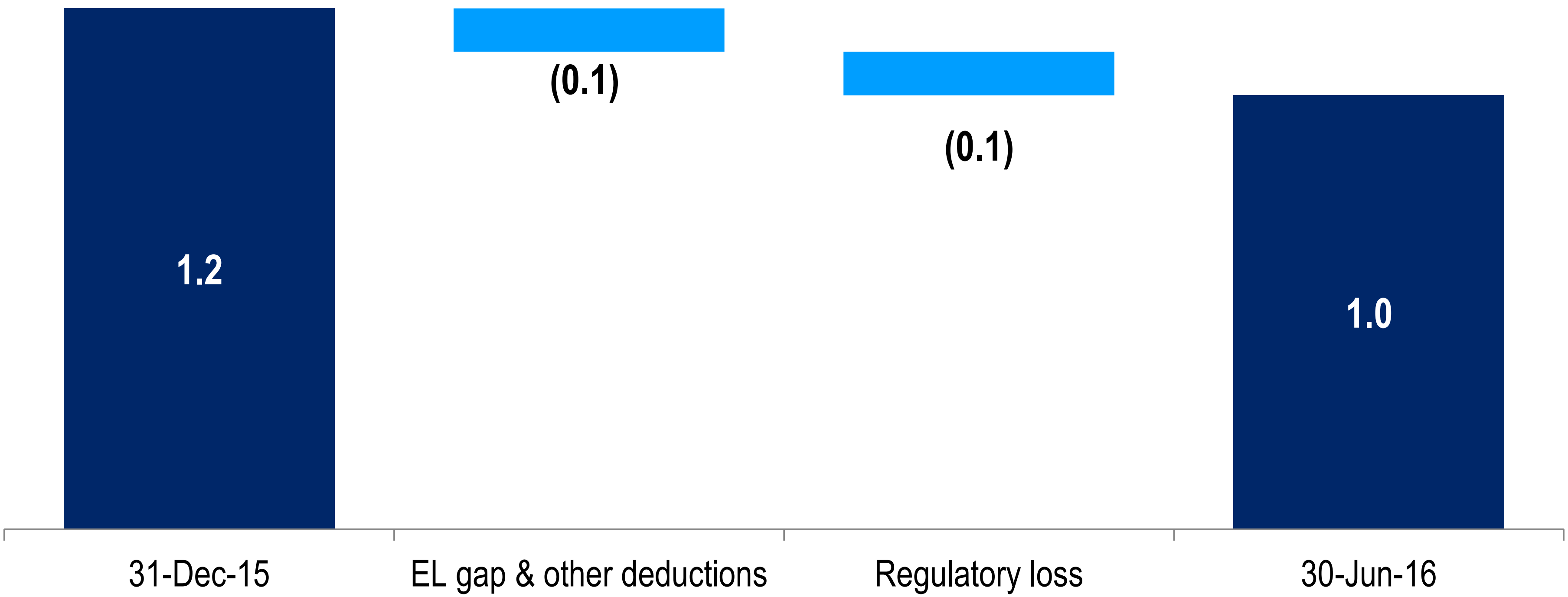


Includes Optimum temporary RWA adjustment of £0.3m

Common Equity Tier 1

The Bank's CET1 position has decreased primarily as a result of the statutory loss after tax for the year of £132.1m

Common Equity Tier 1 (£bn)



Revised basis of preparation – costs

June 2015 Cost Reclassification	Prior basis £m	Reclass project depreciation £m	Reclass Operating costs £m	Reclass Project category £m	Reclass FSCS levy £m	Current Basis £m
Total direct costs	96.6	(3.8)	(12.0)	-	-	80.8
Operations and Head office overheads	163.0	(13.4)	12.0	-	20.5	182.1
Total operating costs	**259.6**	**(17.2)**	**-**	**-**	**20.5**	**262.9**
Operating projects	21.5	11.7	-	(5.2)	-	28.0
Remediation projects	40.5	1.8	-	3.1	-	45.4
Strategic projects	39.9	3.7	-	(4.3)	-	39.3
Severance	-	-	-	6.4	-	6.4
Total projects expenditure	**101.9**	**17.2**	**-**	**-**	**-**	**119.1**
FSCS levy	20.5	-	-	-	(20.5)	-
Total costs	**382.0**	**-**	**-**	**-**	**-**	**382.0**

Business segmental contribution

Improvement in operating result as Non-core loss is offset by increased Core contribution as well as reduced costs

Bank Operating Result (£m)

	H1 15	H1 16	Change
Retail contribution	156.9	133.7	(23.2)
BACB contribution	21.8	28.3	6.5
Core ex. Treasury / other	**178.7**	**162.0**	**(16.7)**
Treasury / Other contribution	5.2	31.1	25.9
Core contribution result	**183.9**	**193.1**	**9.2**
Non-core contribution result	**16.4**	**(19.8)**	**(36.2)**
Operations & central costs	(182.1)	(156.3)	25.8
Project costs	(28.0)	(19.7)	8.3
Operating result	**(9.8)**	**(2.7)**	**7.1**

Margin narrowed, driven by the competition in UK mortgage market partially offset by reduction in funding costs

Lower non-interest income due to reduction in overdraft fees and Link interchange income

Primarily benefiting from one-off gain on sale of gilts

Driven by deleveraging strategy – reduced net interest income and lower write-back partially offset by lower losses on assets sales

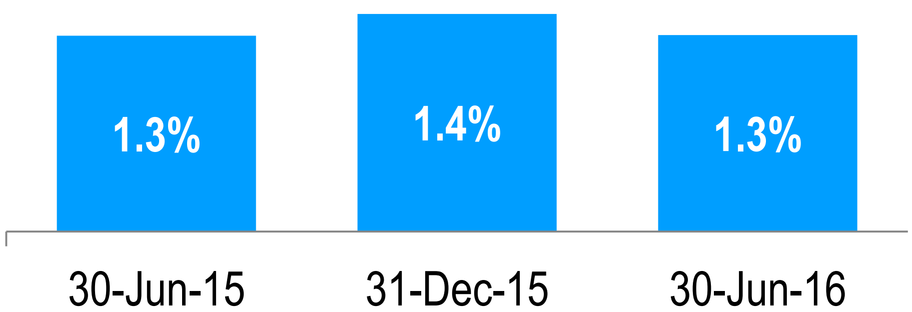
Excluding remediation and strategic projects

1. Revised basis. Refer to Revised basis of preparation slide in appendix. Net interest income has been restated to reflect the reallocation of income generated from hedging Bank's free reserves from the Retail to the Treasury segment of £10.6m in H1 15 and £9.5m in H2 15

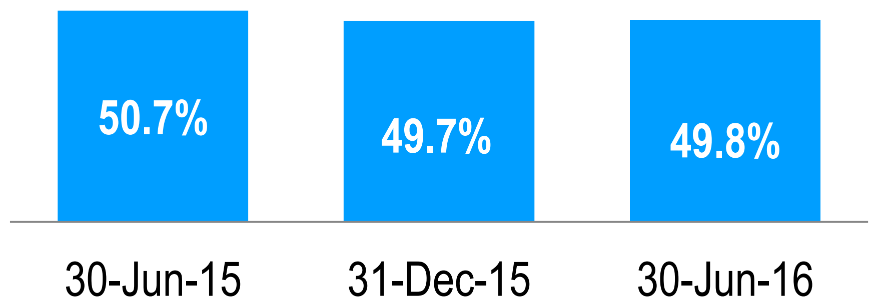
Core Business — Mortgage quality & split

High quality mortgage portfolio with low average LTVs

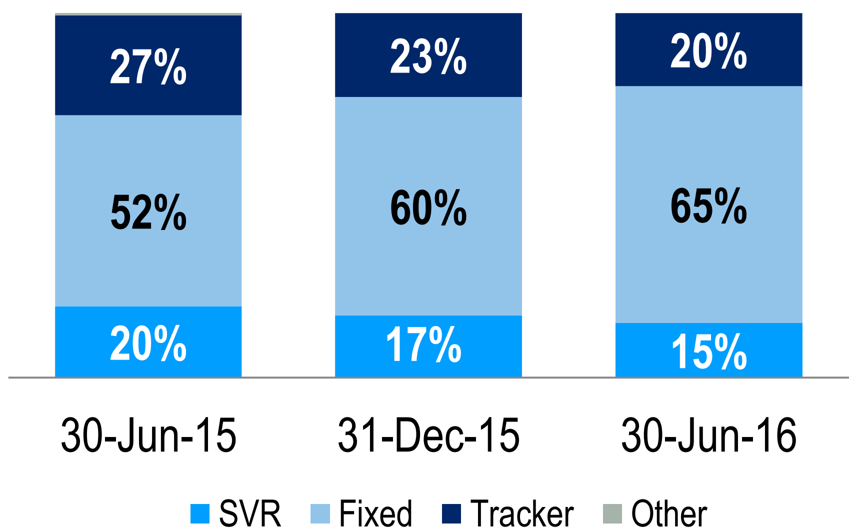
Impairments[1] as % of Gross Loans and Advances



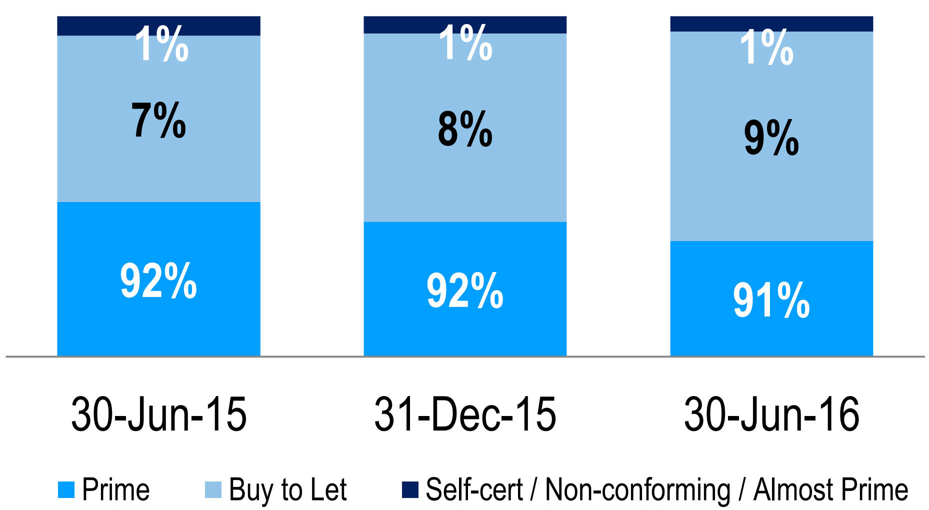
Average Mortgage LTV [2]



Mortgage Book Split[3]



Mortgage Asset Class[3]



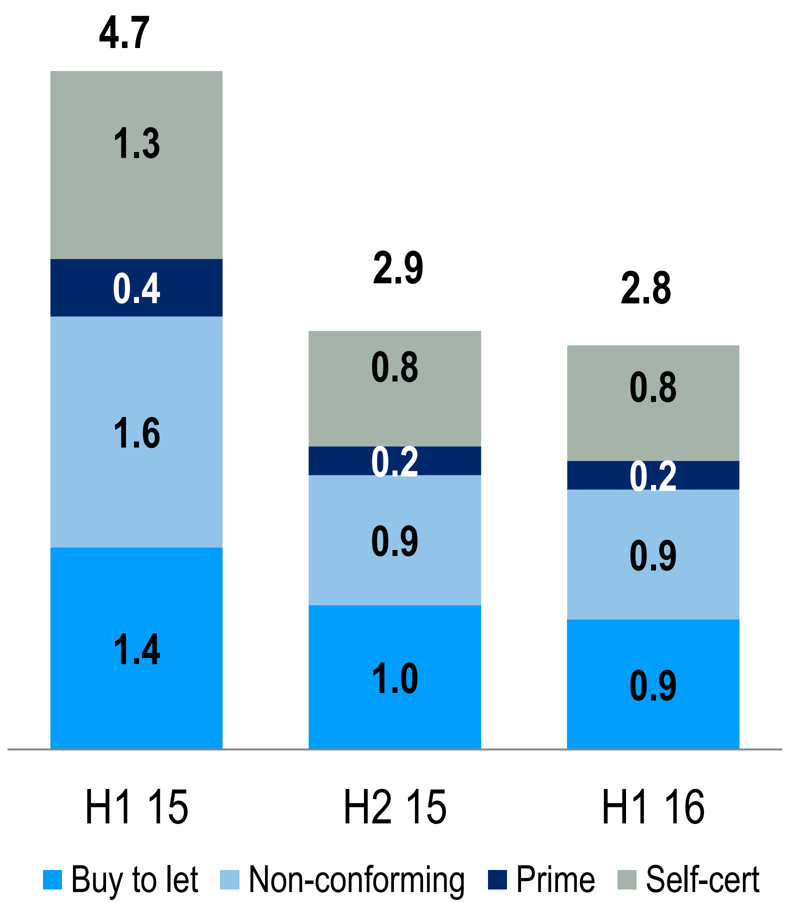
1. Impaired loans defined as greater than or equal to one payment past due, forborne or in default
2. Indexed and weighted by gross loans and advances
3. Expressed as a % of gross loans and advances

The co-operative bank

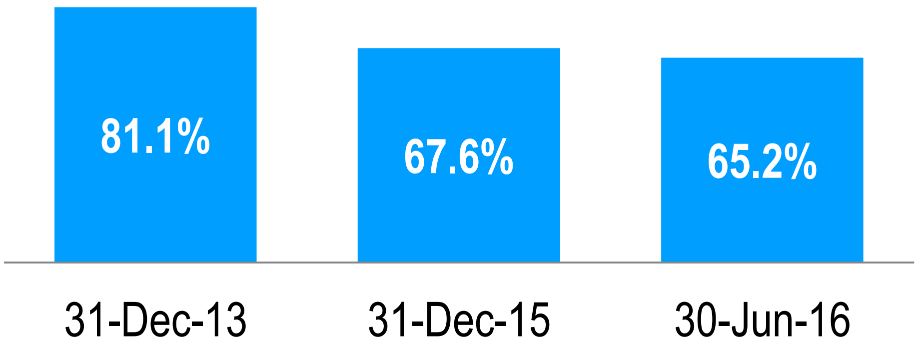
Optimum overview

Portfolio continues to amortise and LTVs continue to reduce

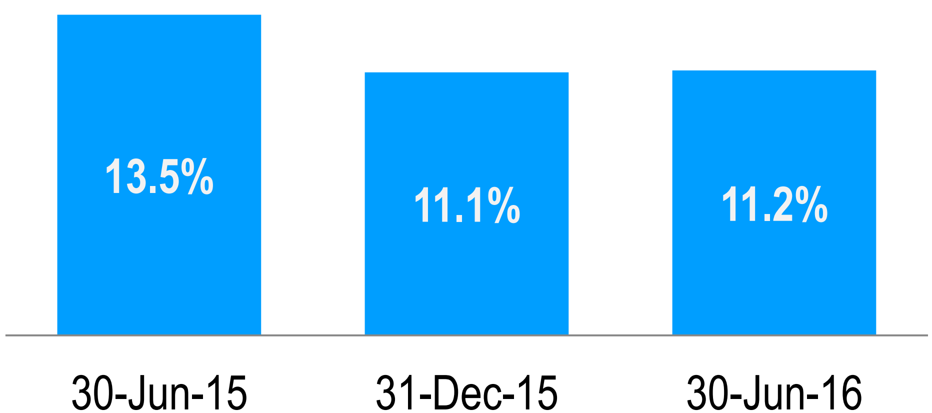
Gross Loans and Advances (£bn)



Average Mortgage LTV [1]



Impairments[2] as % of Gross Loans and Advances



1. Indexed and weighted by gross loans and advances
2. Impaired loans defined as greater than or equal to one payment past due, forborne or in default

Fair value amortisation

Fair value associated with the Britannia merger continue to impact the accounts

Overview

- At the time of the merger with Britannia in 2009, Leek note securitisations were brought on to the balance sheet as liabilities below par. This created a credit in the merger reserve account (retained earnings) and a debit in carrying value
- As the notes redeem to par, generates a fair value amortisation unwind as per p95 of the 2016 Interim Financial Report, which is a below the line item on the income statement
- Note that the Fair Value Amortisation line item in the management income statement reflects total bank fair value amortisation not just the Leek notes
- Note that the deferred tax liabilities offset part of the Leek note unwind from a balance sheet perspective

Illustrative Impact

	H1 2016	H2 2016	2017
Leek unwind	**(95)**	**(82)**	**(58)**
Deferred tax liabilities	16	17	12
Income statement impact			
Profit before tax	(95)	(82)	(58)
Tax	16	17	12
Net	(79)	(65)	(47)
Balance sheet impact			
Assets	-	-	-
Debt securities in issue	95	82	58
Deferred tax liabilities	(16)	(17)	(12)
Liabilities	79	65	47
Equity	(79)	(65)	(47)
CET1 impact	(79)	(65)	(47)

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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; 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; the ability to access sufficient sources of capital, liquidity and funding when required; changes to The Co-operative Bank's credit ratings; the ability to derive cost savings; changing demographic developments, including mortality and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; the exit by the UK from the European Union (EU) and the potential for one or more other countries to exit the EU or the Eurozone; 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 and risks to cyber security; 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, including as a result of an exit by the UK of the EU and similar contingencies outside The Co-operative Bank's control; the policies and actions of governmental or regulatory authorities in the UK, the EU, the US or elsewhere; the implementation and interpretation of key legislation and regulation, following the recommendations made by the Independent Commission on Banking; the ability to attract and retain senior management and other employees; actions or omissions by The Co-operative Bank's directors, management and/or employees including industrial action, 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 updated 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. Additional risks and uncertainties are included in the Bank's Annual Report and Accounts for the financial year ended 31 December 2015.

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 or 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.