

Nick Slape (CEO) and Louise Britnell (CFO) will host a video conference on 05 May 2022 to present the first quarter trading update and a Q&A session at 9am (UK time).

The video conference will be held via BlueJeans video conferencing.

To request access to the call please email investorrelations@co-operativebank.co.uk for the mandatory entry details.

Participants can join the conference via:

The BlueJeans mobile app; available from your respective app store (video and audio)

Direct from a web browser (video and audio)

Or by telephone (audio only)

Additional materials are available on the Bank's investor relations website which can be found at the following address:

www.co-operativebank.co.uk/about-us/investor-relations/

BASIS OF PRESENTATION

The Co-operative Bank Holdings Limited is the immediate parent company of The Co-operative Bank Finance p.l.c. and the ultimate parent company of The Co-operative Bank p.l.c. In the following pages the term 'Group' refers to The Co-operative Bank Holdings Limited and its subsidiaries. The term 'Finance Group' refers to The Co-operative Bank Finance p.l.c. and its subsidiaries. The term 'Bank' refers to The Co-operative Bank p.l.c. and its subsidiaries which are consolidated within the Finance Group and then ultimately the Group. Unless otherwise stated, information presented for the Group equally applies to the Bank and the Finance Group.

Underlying basis: The statutory results are adjusted to remove certain items that do not promote an understanding of historical or future trends of earnings or cash flows, which therefore allows a more meaningful comparison of the Group's underlying performance.

Alternative performance measures: The Group uses a number of alternative performance measures, including underlying profit or loss, in the discussion of its business performance and financial position.

First Quarter Trading Update 2022

05 May 2022

The Co-operative Bank ('the Bank') is pleased to provide an update on its performance in the three months ended 31 March 2022.

- **Profit before tax of £30.5m and underlying profit of £27.5m;** fifth consecutive quarter of profitability
- **Mortgage balances stable in a competitive market;** pipeline of c.£0.9bn
- **£250m of MREL - qualifying funds issued;** first issuance under our Green, Social and Sustainability (GSS) Financing Framework
- **Substantial progress made on our ESG commitments**

Nick Slape, Chief Executive Officer, said:

"Our Q1 2022 profit of £30.5m is our 5th consecutive quarterly profit and marks 4 quarters of sequential quarter on quarter underlying profit growth. I am really proud to report on the progress that we are making with our transformation plan and other commitments.

In March we issued £250m of MREL-qualifying funds, the inaugural issuance under our Green, Social and Sustainability Financing Framework. I was encouraged by the number of new investors involved in this transaction, the result of the strong link to ESG commitments and the acknowledgment of the progress the Bank has made in its turnaround. The issuance ensures good progress towards meeting end-state MREL requirements by the deadline of 1 January 2023, and is further evidence of market confidence in the Bank, with pricing improved by 3pp compared to the MREL senior unsecured issuance at the end of 2020.

I would like to thank our customers and colleagues for their huge generosity and the support shown to our charitable partners in response to the ongoing humanitarian crisis in Ukraine. I was extremely proud of the speedy and decisive response to our appeals, and in our 150th anniversary year, it serves as a timely reminder of how co-operative values remain as relevant now as they were when we were first created.

We are currently mid-way through our ambitious transformation plan to rationalise our mortgage and savings platforms and bring our mortgage servicing operations in house. These changes enable us to invest in simpler transactional journeys with an enhanced customer experience. The progress we have made along with the steps we are taking to improve recruitment and retention in light of the challenging environment give me the confidence that we will achieve the objectives set at the start of the year."

INCOME STATEMENT (£m)

	3 months ended 31 March	
	2022	2021
Net interest income	99.9	71.2
Other operating income	10.3	10.0
Total income	110.2	81.2
Operating expenditure	(84.7)	(82.0)
Impairment	(0.5)	(1.3)
Non-operating income	5.5	9.3
Profit before tax	30.5	7.2
Taxation	(37.5)	(2.3)
(Loss) / Profit after tax	(7.0)	4.9
Adjustments		
Exceptional project expenditure	1.7	4.3
Other exceptional (gains) / losses	(4.7)	(8.9)
Underlying profit before tax	27.5	2.6
Key ratios:		
Net interest margin (bps) ¹	146	119
Adjusted RoTE (%) ²	12.0	1.2
Cost:income ratio (%) ³	73.2	90.6
Asset quality ratio (bps) ⁴	0.9	2.7

1. Annualised net interest income over average interest earning assets
2. Underlying profit minus current tax over CET1 resources
3. Total statutory expenditure over total statutory income
4. Annualised impairment charge over average customer assets

PERFORMANCE HIGHLIGHTS

Profit before tax of £30.5m and underlying profit of £27.5m

- Total income of £110.2m; includes net interest income and other operating income, has increased 36% in comparison to the three months ended 31 March 2021
- Net interest income has increased by 40% to £99.9m (Q1 21: 71.2m); driven by higher mortgage balances at improved margins, supported by improving deposit margins following the increases in the base rate to 75bps
- Net interest margin of 1.46% (Q1 21: 1.19%)
- Operating expenditure increased by 3% to £84.7m (Q1 21: £82.0m); higher staff costs relating to performance related pay and £1.7m of exceptional spend relating to our mortgage and savings simplification programme
- Improved cost:income ratio to 73.2% (Q1 21: 90.6%)
- Impairment charge of £0.5m (Q1 21: £1.3m); low levels of defaults across the portfolio
- £5.5m non-operating income (Q1 21: £9.3m); includes the sale of a small legacy loan book as well as the revaluation of Visa shares
- Tax charge of £37.5m reflects a reduction in the value of the Bank's deferred tax assets due to a decrease in the banking surcharge from 8% to 3%

Mortgage balances stable in a competitive market

- Average application margins in Q1 22 reduce by 8bps to 80bps from Q4 21
- Net mortgage growth of £72m in the quarter; actively reduced new business volumes to preserve Bank margins
- Deposit balances remain stable over the period with an LCR of 230.5%

£250m of MREL - qualifying funds issued

- Issuance of £250m MREL - qualifying funds (accounting recognition from April) with a coupon of 6% reflecting the market's confidence in the Bank's ongoing improved operational and financial performance; existing MREL - senior capital issued at 9% in November 2020
- CET1 ratio of 18.1% (FY 21: 20.7%); reduction in Q1 22 of 2.6pp (driven by the impact of regulatory adjustments for PS11/20 and software intangibles). RWAs of £4.9bn (FY 21: £4.4bn)
- Total capital ratio of 22.2% (FY 21: 25.4%)

Substantial progress made on our ESG commitments

- In consideration of financial pressures faced by colleagues, we have committed to make a payment that contributes towards the rising cost of living
- We have completed our first issuance under our inaugural Green, Social and Sustainability (GSS) Financing Framework
- Collectively with our customers, colleagues and suppliers we have raised over £440,000 towards the DEC Ukrainian Humanitarian Appeal, which includes a donation of £100,000 from the Bank
- £50,000 donation to our long-standing partner, Amnesty International UK to support their work in upholding the rights of Ukrainian refugees
- In March we sent an open letter to the Prime Minister calling on the UK to intensify the response to support the millions of refugees fleeing Ukraine

SEGMENTAL PROFIT / (LOSS) (£m)

Q1 22	Core			Legacy & central items	Unallocated	Group
	Retail	SME	Total			
Net interest income / (expense)	88.5	13.4	101.9	(2.0)	0.0	99.9
Other operating income	5.9	4.3	10.2	0.1	0.0	10.3
Total income	94.4	17.7	112.1	(1.9)	0.0	110.2
Operating expenditure	(66.6)	(14.7)	(81.3)	(0.9)	(2.5)	(84.7)
Credit impairment gains / (losses)	(1.0)	(0.2)	(1.2)	0.7	0.0	(0.5)
Non-operating income	-	-	-	-	5.5	5.5
Profit / (loss)	26.8	2.8	29.6	(2.1)	3.0	30.5

Q1 21	Core			Legacy & central items	Unallocated	Group
	Retail	SME	Total			
Net interest income / (expense)	62.5	10.7	73.2	(2.0)	0.0	71.2
Other operating income	6.6	3.6	10.2	(0.2)	0.0	10.0
Total income	69.1	14.3	83.4	(2.2)	0.0	81.2
Operating expenditure	(63.8)	(12.5)	(76.3)	(1.0)	(4.7)	(82.0)
Credit impairment gains / (losses)	(0.9)	(1.6)	(2.5)	1.2	0.0	(1.3)
Non-operating income	-	-	-	-	9.3	9.3
Profit / (loss)	4.4	0.2	4.6	(2.0)	4.6	7.2

SEGMENTAL ASSETS AND LIABILITIES (£m)

Q1 22	Core			Legacy & central items	Group
	Retail	SME	Total		
Segment assets	19,818.2	414.4	20,232.6	8,825.6	29,058.2
Segment liabilities	17,346.4	3,416.4	20,762.8	6,515.2	27,278.0

FY 21	Core			Legacy & central items	Group
	Retail	SME	Total		
Segment assets	19,756.0	441.7	20,197.7	9,125.6	29,323.3
Segment liabilities	17,604.4	3,461.0	21,065.4	6,506.0	27,571.4

SELECTED KEY PERFORMANCE INDICATORS

% (unless otherwise stated)	Q1 22	2021	Change
CET1 ratio	18.1	20.7	(2.6)
Total capital ratio	22.2	25.4	(3.2)
Risk weighted assets (£m)	4,911	4,373	538
Leverage ratio (PRA) ¹	3.7	3.8	(0.1)
Liquidity coverage ratio	230.5	241.8	(11.3)
Loan to deposit ratio	100.5	99.1	1.4
Average core mortgage LTV	55.9	56.8	(0.9)
Core mortgage accounts > 3 months in arrears	0.14	0.13	(0.01)
NPL as a % of total exposures	0.3	0.3	-

1. Calculated as per PRA definition, excluding Bank of England reserves

Investor enquiries:

investorrelations@co-operativebank.co.uk

Gary McDermott, Treasurer and Head of Investor Relations: +44 (0) 7811 599495

Media enquiries:

Daniel Chadwick, Communications: +44 (0) 7724 701319

Nicki Parry, Communications: +44 (0) 7734 002983

Alasdair Todd, Maitland/AMO: +44 (0) 7825 867343

About The Co-operative Bank

The Co-operative Bank p.l.c. provides a range of banking products and services to about 3.1m retail customers and c.95k small and medium sized enterprises ('SME'). The Bank is committed to values and ethics in line with the principles of the co-operative movement. The Co-operative Bank is the only high street bank with a customer-led ethical policy, which gives customers a say in how their money is used. Launched in 1992, the policy has been updated on five occasions, with new commitments added in January 2015 to cover how the Bank operates its business, products and services, workplace and culture, relationships with suppliers and other stakeholders and campaigning.

The Co-operative Bank p.l.c. is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Co-operative Bank p.l.c. eligible customers are protected by the Financial Services Compensation Scheme in the UK, in accordance with its terms.

Note: all figures contained in this announcement are unaudited. This announcement contains inside information.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the business, strategy and plans of the Group (including its updated long-term forecast) and its current targets, goals and expectations relating to its future financial condition and performance, developments and/or prospects. Forward-looking statements sometimes can be identified by the use of words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve', 'predict', 'should' or in each case, by their negative or other variations or comparable terminology, or by discussion of strategy, plans, objectives, goals, future events or intentions.

Examples of such forward-looking statements include, without limitation, statements regarding the future financial position of the Group and its commitment to its plan and other statements that are not historical facts, including statements about the Group or its directors' and/or management's beliefs and expectations. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements, which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur, will be realised, or are complete or accurate. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

For these reasons, recipients should not place reliance on, and are cautioned about relying on, forward-looking statements as actual achievements, financial condition, results or performance measures could differ materially from those contained in the forward-looking statement. By their nature, forward-looking statements involve known and unknown risks, uncertainties and contingencies because they are based on current plans, estimates, targets, projections, views and assumptions and are subject to inherent risks, uncertainties and other factors both external and internal relating to the Group's plan, strategy or operations, many of which are beyond the control of the Group, which may result in it not being able to achieve the current targets, predictions, expectations and other anticipated outcomes expressed or implied by these forward-looking statements. In addition, certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein. Accordingly, undue reliance should not be placed on forward-looking statements.

Any forward-looking statements made in this document speak only as of the date of this document and it should not be assumed that these statements have been or will be revised or updated in the light of new information or future events and circumstances arising after today. The Group expressly disclaims any obligation or undertaking to provide or release publicly any updates or revisions to any forward-looking statements contained in this document as a result of new information or to reflect any change in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required under applicable law or regulation.