Nick Slape (CEO) and Louise Britnell (CFO) will host a video conference on 10 November 2022 at 9am (UK time) to present the interim results for the nine months ended 30 September 2022 followed by a Q&A session.

To access the call please visit https://www.co-operativebank.co.uk/about-us/investor-relations/

Additional materials are also available at this address.

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.

Third Quarter Trading Update 2022

The Co-operative Bank ('the Bank') is pleased to provide an update on its performance for the nine months ended 30 September 2022:

- **Profit before tax of £102.8m and underlying profit of £103.1m;** significant increase on 3Q 21 (underlying profit £24.9m)
- **Stable and low risk balance sheet;** mortgage pipeline c.£1.5bn as we enter the final quarter of 2022
- **Fully capital compliant including all buffers on a sustainable basis;** reflecting our strong financial performance and improved financial stability
- **Strong ethical leadership;** 'most ethical Bank UK 2022' awarded by Capital Finance International (CFI), and market leading Sustainalytics and MSCI ESG ratings, underpinning our new brand campaign – "The Bank you can hold to account"
- **Updated outlook for 2022;** reflecting a strong performance to date

Nick Slape, Chief Executive Officer, said:

"I am pleased we have reached two very noteworthy milestones this quarter. Firstly, our statutory profit has already exceeded £100m for the first nine months of the year and secondly, but most significantly, we are now fully capital compliant including all buffers for the first time since 2013. Our turnaround progress is ahead of schedule, which reflects the strong financial performance and sustained focus on risk management over many years.

The third quarter and subsequent period has been notable for the turbulence in financial markets, with high inflation and volatility in UK interest rates. This has increased the cost of living for our customers and we are working hard to ensure that they feel supported and can access the advice and services they need through our personal banking and SME dedicated financial support teams. For our colleagues, we have provided a one-off payment and annual salary increase which was announced earlier in the year. We have a low risk balance sheet with limited exposure to unsecured and corporate lending, and whilst we are conscious that customers will be maturing onto higher rates, we are currently seeing no signs of stress across our portfolio.

We have delivered significant business momentum, and in light of this performance, have taken the decision to increase our investment in the business. This will centre on improving customer experience, upgrading our branch network, and increased funding of our external campaign, giving the Bank a louder voice on matters that mean the most to our customers. I am proud of what we achieved so far in our 150th year and I would like to take the opportunity again to thank our colleagues and customers for their support."

FINANCIAL PERFORMANCE UPDATE

INCOME STATEMENT (£m)

	9 months ended 30 September	
	2022	**2021**
Net interest income	**329.1**	233.6
Other operating income	**33.7**	25.6
Total income	**362.8**	259.2
Operating expenditure	**(270.5)**	(247.7)
Impairment	**(1.3)**	(0.3)
Non-operating income	**11.8**	17.3
Profit before tax	**102.8**	28.5
Taxation	**(34.6)**	22.2
Profit after tax	**68.2**	50.7
Adjustments to profit before tax		
Exceptional project expenditure	**8.9**	16.1
Other exceptional (gains)	**(8.6)**	(19.7)
Underlying profit before tax	**103.1**	24.9
Key ratios:		
Net interest margin (bps) [1]	**159**	124
Adjusted RoTE (%) [2]	**14.0**	3.8
Cost:income ratio (%) [3]	**72.2**	89.6
Asset quality ratio (bps) [4]	**0.8**	0.2

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 (excluding impairment)
4. Annualised impairment charge over average customer assets

PERFORMANCE HIGHLIGHTS

Profit before tax of £102.8m and underlying profit of £103.1m

Total income, which includes net interest income and other operating income, has increased by 40% in comparison to the nine months ended 30 September 2021 to £362.8m (3Q 21: £259.2m).

Net interest income has increased by 41% to £329.1m (3Q 21: £233.6m) and net interest margin (NIM) has increased by 35 basis points (bps) from 124bps to 159bps, reflecting improving deposit margins following increases in the base rate to 2.25%. As a result, we have further increased our expectations of full year to c.165bps.

Operating expenditure has increased by 9% to £270.5m (3Q 21: £247.7m), reflecting higher staff costs following actions taken by the Bank to support colleagues with the rising cost of living, a decision taken on performance related pay made earlier than prior year and the impact of recruitment within our call centres. Non-staff costs have increased following the impact of one off gains in 2021 relating to property costs, higher marketing costs and an increase in customer fraud costs partially offset by a reduction in depreciation.

Project costs have increased to £27.7m (3Q 21: £22.1m) driven primarily by the mortgage and savings systems simplification programme. Our statutory cost:income ratio has improved in the period to 72.2% compared to 89.6%, due to the actions taken to grow income outweighing the acceleration of the transformation spend and inflationary pressures.

Net impairment charge of £1.3m (3Q 21: £0.3m) reflects adjustments for affordability across secured and unsecured portfolios as a result of cost of living pressures. This is partially offset by a reduction in Platform secured coverage to 7.9bps (FY21: 10bps). The reduction in coverage reflects the ongoing monitoring of customer arrears data in the post-pandemic period following the additional provisions that were introduced in 2020, and includes the net impact of COVID provision release and uplift for cost of living pressures.

We have reported an £11.8m non-operating exceptional gain (3Q 21: £17.3m) which includes the profit on sale of a small legacy loan book in the first quarter of the year, as well as the revaluation and partial sale of our Visa shareholding.

Income tax charge of £34.6m

The income statement tax charge of £34.6m 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% which was enacted in the first quarter of the year and is capital neutral. The impact has been dampened by the recognition of further losses to shelter future taxable profits.

Stable and low risk balance sheet

Total assets have reduced by 1% compared with 31 December 2021 with legacy assets reducing by 11% to £0.7bn. Retail secured balances have remained stable at £19.4bn as we have actively managed new business volumes to preserve Bank margins. Mortgage pipeline is c.£1.5bn (FY 21: £1.2bn), returning to more normalised, pre-pandemic levels.

Total liabilities have reduced by 1% to £27.4bn over the period (FY 21: £27.6bn). Customer deposit balances across both retail and SME segments have reduced to £20.3bn (FY 21: £21.1bn), following some marginal unwind of excess balances built up over the pandemic. The Bank maintains a very strong LCR position of 269.9%.

The asset quality ratio (AQR) in total across retail, SME and legacy customer lending remains low, reflecting the Bank's low-risk lending profile. AQR for the Bank as a whole as at 30 September 2022 reflects a charge of 0.8bps (3Q 21: 0.2bps). The average core mortgage book loan-to-value (LTV) remains low at 53.3% (FY 21: 56.8%). Accounts that are greater than three months in arrears represented 0.13% of total accounts as at 30 September 2022 (FY 21: 0.13%).

Fully capital compliant including all buffers on a sustainable basis

We are now fully compliant with capital requirements plus all buffers on a sustainable basis one year ahead of schedule and no capital issuances are planned for the remainder of 2022. This is the first time the Bank has been sustainably capital compliant since 2013 and represents a significant landmark in terms of the Bank's future resilience and stability.

CET1 ratio has reduced from 20.7% to 19.3% (driven by the impact of regulatory adjustments for PS11/20 and software intangibles) and remains well above the regulatory minimum of 12.3%. Organic CET1 ratio generation year-to-date totals 220bps before the impact of the regulatory adjustments, reflecting profit generation during the period. In the quarter an additional 90bps of organic capital has been generated due to unaudited profits which will be included in the full year results.

Total MREL resources have grown by £241.1m, predominantly due to the successful £250m MREL issuance under our inaugural Green, Social and Sustainability Framework, which was completed in April 2022. Based on an implied end-state requirement (using the 3Q 22 reported balance sheet) of 29.6% including CRD IV buffers, we have surplus MREL resources.

Risk-weighted assets (RWAs) totalled £4.6bn (FY 21: £4.4bn). With a stable balance sheet the majority of the movement is a result of the impact of regulatory adjustments for PS11/20.

Strong ethical leadership

We have recently launched one of the biggest, boldest, most disruptive brand campaigns in our history – "The Bank you can hold to account" as we look to highlight to consumers the difference that they can make on the world simply through who they bank with. With values and ethics at our core and a refreshed and unique customer-led Ethical Policy, we are committed to using our customers' money to do good for the planet, people and communities.

Following our inaugural issuance of MREL qualifying debt under our GSS Financing Framework, c.60% of this has been committed to originating green assets such as mortgages that have an EPC rating of A or B.

We were pleased to receive an MSCI ESG Rating of AAA in July; this score was upgraded from A in 2021, and we launched our sixth customer-led Ethical Policy which has been in place for 30 years; more information can be found on our website via the following link https://www.co-operativebank.co.uk/values-and-ethics/. At the end of October it was announced that we had won the Most Ethical Bank – UK 2022 award, by CFI.

Updated outlook for 2022

As a result of the performance to-date and the improved confidence in the remainder of the year, the Bank has updated its financial outlook for 2022 as follows:

- Bank net interest margin has been upgraded to c.165bps from c.155bps, reflecting higher market rates alongside continued lower mortgage margins;
- Following ongoing inflationary pressures and higher fraud costs, total statutory costs guidance has increased from c£360m to c.£365m;
- AQR expectations remain the same at c.2bps as arrears remain low and stable across all portfolios;
- CET1 ratio has improved following better than expected net income and lower RWAs, with guidance upgraded to c.20.5% from c.19%;
- Customer assets have been refreshed to c.£21bn from c.£22bn, slightly below original guidance but in line with market growth more widely; and
- Higher income and strong cost management has enabled us to upgrade the adjusted return on tangible equity to c.14.5%, previously c.13%, as higher profitability and improved performance drives improved shareholder value.

SEGMENTAL PROFIT/(LOSS) (£m)

Nine months ended 30 September 2022	Core			Legacy & central items	Unallocated	Group
	Retail	SME	Total			
Net interest income/(expense)	287.6	46.9	334.5	(5.4)	-	**329.1**
Other operating income	19.3	13.9	33.2	0.5	-	**33.7**
Operating income/(expense)	**306.9**	**60.8**	**367.7**	**(4.9)**	**-**	**362.8**
Operating expenses	(209.2)	(45.8)	(255.0)	(3.4)	(12.1)	**(270.5)**
Net credit impairment gains/(losses)	(0.2)	(1.7)	(1.9)	0.6	-	**(1.3)**
Non-operating income	-	-	-	-	11.8	**11.8**
Profit/(loss) before tax	**97.5**	**13.3**	**110.8**	**(7.7)**	**(0.3)**	**102.8**

Nine months ended 30 September 2021 Re-presented	Core			Legacy & central items	Unallocated	Group
	Retail	SME	Total			
Net interest income/(expense)	204.9	34.9	239.8	(6.2)	-	233.6
Other operating income	13.4	12.0	25.4	0.2	-	25.6
Operating income/(expense)	218.3	46.9	265.2	(6.0)	-	259.2
Operating expenses	(190.5)	(40.2)	(230.7)	(3.3)	(13.7)	(247.7)
Net credit impairment gains/(losses)	1.3	(0.8)	0.5	(0.8)	-	(0.3)
Non-operating income	-	-	-	-	17.3	17.3
Profit/(loss) before tax	29.1	5.9	35.0	(10.1)	3.6	28.5

SEGMENTAL ASSETS AND LIABILITIES (£m)

30 September 2022	Core			Legacy & central items	Group
	Retail	SME	Total		
Assets	19,682.3	380.7	**20,063.0**	9,101.9	**29,164.9**
Liabilities	16,891.9	3,440.9	**20,332.8**	7,060.7	**27,393.5**

31 December 2021	Core			Legacy & central items	Group
	Retail	SME	Total		
Assets	19,756.0	441.7	20,197.7	9,125.6	29,323.3
Liabilities	17,604.4	3,461.0	21,065.4	6,506.0	27,571.4

SELECTED KEY PERFORMANCE INDICATORS

% (unless otherwise stated)	3Q 22	2021	Change
CET1 ratio	**19.3**	20.7	(1.4)
Total capital ratio	**23.5**	25.4	(1.9)
Risk-weighted assets (£m)	**4,637**	4,373	264
Leverage ratio (PRA) [1]	**3.8**	3.8	-
Liquidity coverage ratio [2]	**269.9**	205.3	64.6
Loan to deposit ratio	**101.6**	99.1	2.5
Average core mortgage LTV	**53.3**	56.8	(3.5)
Core mortgage accounts > 3 months in arrears	**0.13**	0.13	-
NPL as a % of total exposures	**0.4**	0.3	0.1

1. Calculated as per PRA definition, excluding Bank of England reserves
2. Calculated in line with Pillar 3 requirements based on a rolling 12 month average

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About The Co-operative Bank

The Co-operative Bank p.l.c. provides a range of banking products and services to about 2.8m retail customers and c.94k 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 six occasions, with new commitments added in June 2022 to cover what we do for our planet, people and the community.

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 Co-operative Bank Holdings Limited and its subsidiaries (“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.