

Nick Slape (CEO) and Louise Britnell (Interim CFO) will host a video conference on 6 November 2020 to present the third quarter trading update and a Q&A session at 2pm (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 code and PIN.

Participants can join the conference via:

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

Direct from a web browser at <https://www.bluejeans.com> (video or audio)

Or by calling +44 203 976 1937 (audio only)

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

www.co-operativebank.co.uk/investorrelations

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' or 'consolidated 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.

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.

This announcement is prepared on a basis consistent with the 30 June 2020 interim results.

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 2020

6 November 2020

The Co-operative Bank ("the Bank") is pleased to provide an update on its performance in the nine months ended 30 September 2020. Additional materials can be found at the following link:

www.co-operativebank.co.uk/investorrelations

- Continued resilient performance in a challenging environment
- Loss before tax of £68.1m, in line with expectations at this stage of the turnaround plan
- Capital position reinforced with strong CET1 ratio improving to 19.1%
- Well diversified, low risk loan book with low levels of arrears
- Next MREL issuance targeted in Q4; committed to being compliant with end-state MREL requirements by January 2022
- Supporting our customers through COVID-19:
 - Net residential lending of £242m with new mortgage lending higher than anticipated at £530m in Q3 and a strong pipeline of applications going into the final quarter
 - Net SME lending of £225m with a further £84m of Bounce Back loans and CBILS this quarter
 - Granted c.20,000 payment deferrals across mortgages, loans and credit cards to support customers through the pandemic
- Ethical brand making a difference to our customers and communities

Nick Slape, Chief Executive Officer, said,

"I'm proud to become CEO of such a stand-out banking brand and to be leading the organisation at a time when we have an important role to play in supporting our customers and our communities. This is a challenging time for all banks, given the uncertain economic outlook and continuing low base rate, but whilst we remain loss making as anticipated in our plan, the results also show our resilience as we continue to make significant progress in our turnaround.

"Our strong CET1 ratio, low-risk credit book and successful milestones delivered in IT and digital transformation mean we are navigating this unprecedented environment robustly. This enables us to focus on providing the support our customers need, and we're pleased to have been able to provide over 8,000 loans to small business customers at this critical time through the Bounce Back Loan Scheme (BBLs) and Coronavirus Business Interruption Loan Scheme (CBILS). We are supporting mortgage customers in a range of circumstances, including those seeking to remortgage, and those seeking to move or buy their first home. New mortgage lending in the quarter is higher than we had anticipated at £530m, partly as a result of buyers seeking to benefit from the stamp duty holiday currently available, and we have a strong pipeline of applications going into the final quarter. The momentum in both our retail and SME banking franchises continues and our brand relevance is increasing at a time

when community is more important for many people. The market conditions for issuing MREL-qualifying debt are challenging but we remain committed to achieving our future MREL obligations by January 2022, with an issuance targeted before the end of this year.

"These are difficult times for many people around the country and supporting our long-standing charity partners in the work they do is vital. We are very proud of the initiatives we're involved in to tackle youth homelessness, to raise awareness of economic abuse and to support co-operative businesses across the UK. As the backdrop remains difficult in the months ahead, we are committed to playing our part and doing as much as we can to make a difference to the communities around us.

"As we face into this new phase of the pandemic, I would like to thank our colleagues for their commitment in supporting our customers, and to reassure all our customers of our support at this uncertain time."

INCOME STATEMENT (£m)

	9 months ended 30 September	
	2020	2019
Net interest income	195.2	243.9
Other operating income	29.2	36.5
Total income	224.4	280.4
Operating expenditure	(253.3)	(281.3)
Impairment	(16.7)	(2.3)
Underlying loss	(45.6)	(3.2)
Strategic change	(18.8)	(73.0)
Restructuring costs	(19.8)	-
Net customer redress charge	-	(63.5)
Non-operating income	16.1	21.1
Statutory loss before tax	(68.1)	(118.6)
Tax	23.6	1.3
Statutory loss after tax	(44.5)	(117.3)

Key ratios:

Customer net interest margin (bps) ¹	144	184
Underlying cost:income ratio (%) ²	113	100
Asset quality ratio (bps) ³	(12)	(1)

1. Calculated as annualised net interest income over average customer assets

2. Calculated as operating expenditure over total income

3. Calculated as annualised impairment charge over average customer assets

PERFORMANCE HIGHLIGHTS

Loss before tax of £68.1m, in line with expectations:

- Statutory loss before tax £(68.1)m (3Q 19: £(118.6)m)
- Underlying loss £(45.6)m (3Q 19: £(3.2)m); lower income and increased impairments have been partially offset by management action on cost
- Customer net interest margin 1.44% (3Q 19: 1.84%); recovery in 3Q following repricing actions on deposits and higher mortgage margins
- Underlying cost:income ratio 113% (3Q 19: 100%)
- Impairment charge of £16.7m primarily due to the effects of COVID-19 (3Q 19: £2.3m); impact of second national lockdown on economic assumptions and impairment levels is under review
- Reduced strategic investment spend of £18.8m (3Q 19: £73.0m) following conclusion of 'Fix the Basics' stage of the strategy in 2019
- £19.8m exceptional Restructuring programme costs incurred in 3Q 20 include branch closure and severance costs; driving c.£20m annual savings from 2021

Capital position reinforced; excess liquidity deployed:

- CET1 ratio of 19.1% (2019: 19.6%); up 0.9pp in 3Q driven by a reduction in RWAs
- Total capital ratio of 23.7% (2019: 23.8%)
- Risk-weighted assets of £4.7bn (2019: £4.8bn) as growth driven by new lending is offset by a reduction in RWAs including the impact of embedding of SME supporting factor (c.£70m reduction). During the quarter we have completed implementation of new secured IRB models

- LCR of 176.4% (2019: 173.7%); surplus liquidity utilised for covered bond liability management exercise in October to deliver savings
- Base stock allowance of £1.76bn TFSME; £1bn drawdown in 3Q 20. Additional allowance increasing in line with net SME and Retail lending growth

Supporting our customers through COVID-19:

- Net residential lending of £242m and net SME lending of £225m; total core customer asset growth of 2.4% YTD
- A range of measures introduced to help customers:
 - Over 17,000 mortgage payment deferrals granted in phase 1 (c.12% of Retail and c.25% of Optimum customers); of these customers 98% were up to date with payments in February before COVID-19; average Loan-to-Value of c.60%
 - c.19% of phase 1 deferrals have requested a second payment deferral; similar average LTV to deferrals granted in phase 1 of c.60%; 0.5% of mortgage customers (c.£105m balances) remain on a payment deferral (as at 29 October)
 - c.3,100 payment deferrals granted for loans and credit card customers (c.10% of loans and c.1% of credit cards); 1.4% of loans (c.£1.1m balances) and 0.1% of credit cards (c.£1.1m balances) remain on a payment deferral (as at 29 October)
- Virtual appointments and pop-up branch increase flexibility to serve our customers
- Well prepared to support customers through the second national lockdown

Ethical brand making a difference:

- Current account customer satisfaction (NPS) of +28; retained 3rd place in market
- Number one ethical banking brand position maintained
- Actively driving societal change:
 - Improving awareness and support for survivors of economic abuse in partnership with Refuge charity
 - Tackling youth homelessness in partnership with Centrepoin

Committed to delivering our strategy and issuing MREL qualifying debt:

- Good progress in delivering key milestones in 2020; the Bank remains committed to delivering its agreed strategy and returning the Bank to sustainable profitability
- £200m MREL qualifying debt issuance planned for 4Q 20; binding requirement of TCR plus £400m applicable from January 2021
- From time to time, the Bank and/or its ultimate shareholders attract approaches regarding the possibility of acquiring the Bank. Where appropriate, the Bank and its advisors provide access to relevant information to help assess the prospects of such approaches. Where such approaches take place, there can be no certainty that any discussions will progress.

SEGMENTAL INCOME (£m)

3Q 20	Core			Total	Legacy or unallocated	Group
	Retail	SME	Treasury			
Net interest income / (expense)	173.2	30.3	(5.5)	198.0	(2.8)	195.2
Other operating income / (expense)	13.8	11.6	3.9	29.3	(0.1)	29.2
Operating income	187.0	41.9	(1.6)	227.3	(2.9)	224.4
Operating expenses						(253.3)
Credit impairment (losses) / gains	(10.6)	(2.6)	-	(13.2)	(3.5)	(16.7)
Underlying loss						(45.6)

3Q 19	Core			Total	Legacy or unallocated	Group
	Retail	SME	Treasury			
Net interest income / (expense)	195.3	29.3	19.4	244.0	(0.1)	243.9
Other operating income / (expense)	10.5	12.6	11.9	35.0	1.5	36.5
Operating income	205.8	41.9	31.3	279.0	1.4	280.4
Operating expenses						(281.3)
Credit impairment (losses) / gains	(4.9)	3.9	-	(1.0)	(1.3)	(2.3)
Underlying loss						(3.2)

SEGMENTAL ASSETS AND LIABILITIES (£m)

3Q 20	Core			Total	Legacy and unallocated	Group
	Retail	SME	Treasury			
Segment assets	16,769	409	5,429	22,607	2,079	24,686
Segment liabilities	17,135	2,816	2,773	22,724	353	23,077

FY 19	Core				Legacy and unallocated	Group
	Retail	SME	Treasury	Total		
Segment assets	16,588	184	4,524	21,296	2,139	23,435
Segment liabilities	16,745	2,119	2,501	21,365	458	21,823

SELECTED KEY PERFORMANCE INDICATORS

%	3Q 20	2019	Change
CET1 ratio	19.1	19.6	(0.5)
Total capital ratio	23.7	23.8	(0.1)
Risk weighted assets (£m)	4,674	4,804	(130)
Leverage ratio (EBA) ¹	3.6	3.9	(0.3)
Leverage ratio (PRA) ²	4.0	4.3	(0.3)
Liquidity coverage ratio	176.4	173.7	2.7
Loan to deposit ratio	90.6	94.2	(3.6)
Average core mortgage LTV	57.1	57.2	(0.1)
Core mortgage accounts > 3 months in arrears	0.16	0.13	0.03
NPL as a % of total exposures	0.4	0.5	(0.1)

1. Calculated as per EBA definition, including Bank of England reserves

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

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About The Co-operative Bank

The Co-operative Bank p.l.c. provides a full range of banking products and services to about 3.5m retail and c.85k 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.