

## FIRST QUARTER TRADING UPDATE 2019

The Co-operative Bank is pleased to provide an update on its performance during the first three months of 2019.

### Starting to deliver on our long-term strategy

- Renewed investment in our distinctive Co-operative Bank brand, putting values at the centre of customer communications. Key achievements in the quarter:
  - First SME-focused campaign in 10 years
  - Brand relaunched with “For People with Purpose” advertising campaign
- Digital proposition continues at pace:
  - Ongoing development of new mobile app, with two releases in Q1
  - Successful migration of 350,000 current account customers with an additional 20,000 engaged
  - Launched new SME application process
  - Introduction of online product switching for mortgage customers
- We continue to progress on our strategic change agenda including separation from the Co-operative Group and the re-platforming of our mortgage and savings systems

### Reaffirm our guidance with financial performance in line with expectations as we invest into our strategy

- Total income increases by 2% compared to 1Q18 driven by an increase in the VISA share valuation and strong deposit margin performance partially offsetting lower mortgage margin impacts. Customer NIM reduces 14bps to 192bps
- Operating cost:income ratio increases 3pp to 104% due to a 5% increase in operating expenses driven by spend on brand, people and customer experience
- Asset quality remains strong with a low risk mortgage book and renewed focus on proactive legacy asset management options
- Underlying loss of £5.1m and loss before tax of £28.6m in line with expectations

### CET1 ratio of 21.7% is in line with guidance

- Reduction from year end CET1 ratio of 22.3% driven by the loss for the quarter, offset by efficiencies in our RWAs
- Tier 2 preparation completed during Q1 with successful raise of £200m Tier 2 debt since the close of the quarter
- PPI complaint volumes are within expectations. While we have experienced an increase in the volume of enquiries ahead of the August deadline, there is a lower level of certainty that these enquiries will convert to complaints

### Trading performance

- We continue to support our customers and see encouraging signs with 1% growth in both customer lending and deposits
- We have improved retention of our existing mortgage customers with a 5% increase in product switching. We continue to invest into our capability with the introduction of online switching and enhanced follow-up contact strategy for existing customers
- Mortgage margins continue to be competitive
- Current account balances increase, supported by the successful migration of customers onto the new mobile app, coupled with continued NPS increases to +21 in March, ranked third in the market
- Digital sales increase 30% compared to the same period in 2018
- Winner of Moneyfacts awards including Best Service from an SME bank and Charity bank of year for the fourth consecutive year, and Branch Network of the Year for the second consecutive year

Chief Executive Andrew Bester said,

"We've made encouraging progress in the first quarter, reaching some key milestones against a challenging UK retail banking market and uncertain economic backdrop. We successfully raised an additional £200m of Tier 2 capital in April in support of our MREL requirements, in line with our plan. Another focus area this year is to fix the basics that will provide a platform for development in future years, including concluding the separation of our IT infrastructure from the Co-op Group and we are making good headway.

"We have delivered significant improvements to our digital proposition, launching a new mobile app and migrating over 350,000 current account customers. We have renewed our commitment to customer service in our telephone banking teams and our branches, resulting in a positive improvement in our current account net promoter score (NPS) and regaining a top three market position in terms of NPS.

"Our brand heritage is a real asset at a time when consumers are increasingly seeking ethical choices and our co-operative values are at the forefront of our new multi-media advertising campaign which launched last month: "For People with Purpose." Our values are at the heart of our bank and are important both to our loyal customers and to our future growth."

Andrew Bester, CEO, and Nick Slape, CFO, will host an investor call on 8<sup>th</sup> May 2019 at 2pm UK time followed by a short Q&A session. Details of the call can be found below:

United Kingdom (local): 020 3059 5868

All other locations: +44 20 3059 5868

Additional materials can be found on the Bank's investor portal which can be found at the following location:  
<https://boeportal.co.uk/theco-operativebank/Account/Login.aspx>

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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 almost 4 million retail and c.85k small and medium sized enterprise ("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 trading update are unaudited.