

The Co-operative Bank p.l.c.

6 November 2018

Q3 2018 Performance Update

The Co-operative Bank plc (“the Bank”) today announces an update on its trading performance so far in 2018. The Bank has made progress and is reporting a modest operating profit of £14.3m, which is a £39.6m improvement on the same period in 2017. This improvement has been enabled by a 14% reduction in operating expenditure, driven by the continued focus on cost efficiency, and an improvement in Net Interest Margin (NIM) following the restructuring and recapitalisation in September 2017. The Bank is reporting a loss before tax of £87.0m at the end of Q3, a £20.7m improvement compared to a 2017 Q3 loss before tax excluding the impact of the restructuring and recapitalisation of £107.7m. The Bank remains well capitalised with a Common Equity Tier 1 ratio (CET1 ratio) of 22.7% at the end of Q3.

The Bank has maintained its strong mortgage originations in 2018 and has reported its highest quarter of completions for 5 years and is on course to exceed the £3.2bn reported in 2017. The majority of this origination has been driven through the Platform brand. The mortgage market remains competitive with sustained pressure on new business margins.

A key achievement for the Bank in 2018 was the successful sectionalisation of the Pace pension scheme. Activity is also now underway to complete full IT separation from the Co-operative Group.

Chief Executive Officer Andrew Bester said,

“As the newly appointed CEO I have spent the first three months understanding where our strengths lie, and where we must improve as we look to re-energise the Co-operative Bank franchise. I have been struck by the extraordinary commitment of our colleagues who continue to serve our customers with distinction and how the values of the Co-operative Bank continue to be embedded in the attitudes and behaviours of our colleagues despite the challenges we have faced. We will focus our energy on a multi-year transformation to fully restore our leading position as an ethical Bank. Key to our future will be investing in digital capabilities for our customers.

“This is the first time the Bank has published a quarterly update since Q3 2016 following the recapitalisation in September 2017. The Bank has had a positive third quarter, and despite continued competition in the market, our mortgage originations have remained strong with the highest quarter of completions in five years. We have launched new propositions to better support first time buyers, including help to buy. Margins are stable with NIM improving year on year, and we achieved a small operating profit supported by strong cost discipline.

“Our branch and contact centre teams continue to provide strong service that we know is valued by our customers and we will seek to preserve this as we also develop the digital services that support their everyday banking needs. Re-energising our ethical brand will be a priority as we move into 2019.

“We are looking to build on our strong heritage in the SME market in the year ahead and as part of that we are considering our options regarding the RBS alternative remedies fund.

“With our loyal customer base, committed colleagues and strong heritage based on the values of the co-operative movement, we continue to offer customers a different choice and we are well placed to move forward towards future success.”

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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.90k small and medium sized enterprise ("SME"). This makes us the 7th largest SME provider in the UK. 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.