

Nick Slape (CEO) and Louise Britnell (CFO) will host a video conference on 5 November 2021 at 9am (UK time) to present the third quarter trading update for the nine months ended 30 September 2021 and a Q&A session.

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.

Third Quarter Trading Update 2021

5 November 2021

The Co-operative Bank ("the Bank") is pleased to provide an update on its performance in the nine months ended 30 September 2021. Additional materials can be found at the following link: www.co-operativebank.co.uk/investorrelations

- **Statutory profit before tax of £28.5m and underlying profit of £24.9m;** third consecutive quarter in which profits have been reported
- **Underlying cost:income ratio of 90%;** (improved from 113% in 3Q 20)
- **Statutory cost:income ratio of 90%;** (improved from 121% in 3Q 20)
- **Balance sheet growth;** net residential lending of £2.2bn year-to-date. Eighth consecutive quarter of SME customer base growth
- **Strong capital position with a CET1 ratio of 20.1%;** approval received to convert non-distributable reserves to distributable reserves in order to optimise capital
- **Leader in ESG;** ranked number one for ethical brand perception by Hall & Partners Brand Tracking Survey

Nick Slape, Chief Executive Officer, said,

"I am delighted to report a third consecutive quarter of underlying and statutory profit. Total income has increased by 16% and customer net interest margin has risen to 157bps from 144bps year-on-year. Costs have reduced by 8% to £244m on an underlying basis, and have reduced by 14% on an unadjusted statutory basis to £250m year-to-date.

We have generated a further £1.1bn of gross mortgage lending in the quarter, taking the total in 2021 to £4.1bn. Net residential lending now stands at £2.2bn for 2021 and is equivalent to a 13% increase in mortgage balances with a strong pipeline as we enter the final quarter of the year. In our SME segment our major investment programme is on track and this quarter we relaunched the business banking website which now provides tailored support to businesses based on their circumstances. This also includes providing enhanced support to start ups with a Business Concierge service, ongoing relevant information on how to respond to Covid-19 challenges, fraud awareness and protection information and finally access to our award winning request to pay app *Incomeing*, in partnership with Bankifi.

In September, we invited our customers and colleagues to take part in our sixth Values and Ethics Poll, to understand the environmental and social issues that are important to them. This unique consultation directly influences our customer-led Ethical Policy relaunching early next year and the prioritisation choices the Bank makes.

Looking to the future, I am pleased to confirm that we are tracking in line with, or ahead of our guidance expectations which leaves us well-placed to deliver the refreshed strategy that I communicated in early October. Next year marks the Bank's 150th anniversary and these results further demonstrate that our position on ethical and social matters is not only good for our communities, but also delivers strong commercial outcomes. I firmly believe that doing good is aligned with doing well in business."

INCOME STATEMENT (£m)

	9 months ended 30 September	
	2021	2020
Net interest income	233.6	195.2
Other operating income	25.6	29.2
Total income	259.2	224.4
Operating expenditure	(234.0)	(253.3)
Impairment	(0.3)	(16.7)
Underlying profit / (loss)	24.9	(45.6)
Strategic change	(16.1)	(18.8)
Restructuring costs	-	(19.8)
Non-operating income	19.7	16.1
Statutory profit / (loss) before tax	28.5	(68.1)
Tax	22.2	23.6
Statutory profit / (loss) after tax	50.7	(44.5)

Key ratios:

Customer net interest margin (bps) ¹	157	144
Bank net interest margin (bps) ²	124	115
Underlying cost:income ratio (%) ³	90	113
Statutory cost:income ratio (%) ⁴	90	121
Asset quality ratio (bps) ⁵	0	12

1. Annualised net interest income over average customer assets
2. Annualised net interest income over average interest earning assets
3. Operating expenditure over total income
4. Total statutory expenditure over total statutory income
5. Annualised impairment charge over average customer assets

PERFORMANCE HIGHLIGHTS

Statutory profit before tax of £28.5m and underlying profit of £24.9m

- Total income of £259.2m which includes net interest income and other operating income, has increased 16% in comparison to the nine months ended 30 September 2020.
- Net interest income has increased by 20% to £233.6m (3Q 20: £195.2m) and customer net interest margin (NIM) has increased by 13 basis points (bps) from 144bps to 157bps reflecting balance sheet growth at improving margins.
- Other operating income has reduced by £3.6m or 12% (3Q 20: £29.2m), primarily due to reduced customer fee income partially offset by gilt sales
- Underlying operating expenditure has reduced by 8% to £234.0m (3Q 20: £253.3m). The reduction follows continued action to simplify the Bank and reflects the benefits realised from the restructuring activity completed in 2020. Total statutory costs have reduced by 14.3% to £250.1m (3Q 20: £291.9m).
- Impairment losses of £0.3m year-to-date and £0.4m in the quarter; this reflects the net impact of balance sheet growth, offset by a release relating to secured assets and improving economic conditions (3Q 20 losses: £16.7m).
- Strategic project costs charged to the income statement total £16.1m (3Q 20: £18.8m). The largest elements relate to SME investment and mortgage system transformation.
- £19.7m non-operating income (3Q 20: £16.1m) includes the impact of non-recurring items. £14.1m relates to a refund of historical ATM business rates. £2.6m relates to a provision release in relation to legacy net customer redress charges following the substantive completion of our PPI remediation programme.

Income tax credit of £22.2m

- Income tax credit of £22.2m has arisen mainly due to the increase in corporation tax from 19% to 25% and its associated impact on deferred tax assets. The magnitude of this impact has been reduced due to the utilisation of deferred tax assets against the profits chargeable to corporation tax for the year-to-date.

Balance sheet growth

- Total assets have increased by £3.1bn since FY 2020 largely due to £2.2bn net mortgage lending and higher cash balances. Legacy assets have reduced by 7% to £0.8bn.
- Total liabilities have increased by £3.1bn since FY 2020 and £1.8bn in the quarter. In the quarter the Bank has drawn a further £1.9bn TFSME funding taking total drawing to £4.1bn. Customer deposits are £0.9bn higher than 31 December 2020. We have seen growth stabilise in the quarter as the economy continues to open up.
- The loan-to-deposit ratio of 97.7% has increased by 2.1pp in the quarter and 6.1pp year-to-date (FY 2020: 91.6%), predominantly driven by growth in lending supported by TFSME funding.

Strong capital position with a CET1 ratio of 20.1%

- CET1 ratio of 20.1% (2020: 19.2%); up 0.9pp year-to-date driven by a reduction in RWAs and the accumulation of profit generated. Unaudited profits in 3Q are excluded from the CET1 ratio in line with CRR.
- Total capital ratio of 24.8% (2020: 23.7%)
- RWAs of £4.5bn (2020: £4.7bn); down £0.2bn driven by final settlement in 1Q 2021 of the Optimum transaction (reducing RWAs by £117m) and by the Bank's Surrendered Loss Debtor (reducing RWAs by £48m) and reduced FVAHR (Fair value adjustment for hedged risk) (reducing RWAs by £134m), partially offset by a growing balance sheet
- LCR of 229.4% (2020: 193.4%)
- Approval to convert non-distributable reserves to distributable reserves received to optimise capital structure; process expected to complete in 4Q 2021

Leader in ESG; ranked number one for ethical brand perception by Hall & Partners Brand Tracking Survey

- Standing in solidarity with Amnesty International UK to support their work in fighting for the rights of Afghanistan refugees through colleague and customer fundraising activities.
- Supporting the Climate and Ecological Emergency Bill (CEE); drafted by scientists, legal experts, ecological economists and environmentalists, the CEE Bill is designed specifically to reverse the climate and ecological breakdown we're facing. We have presented an open letter to the UK prime minister to push for critical outcomes at the COP26 summit.
- Improving awareness and support for survivors of economic abuse in partnership with Refuge with the launch of a cross-sector commission to review digital banking and the impacts it has on economic abuse.
- Proud sponsors of Manchester Pride; we've been supporters of the largest LGBTQ+ festival in the UK for the past five years.

SEGMENTAL INCOME (£m)

3Q 21	Core			Legacy & central items	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)	(234.0)
Credit impairment gains / (losses)	1.3	(0.8)	0.5	(0.8)	(0.3)
Underlying profit / (loss)	29.1	5.9	35.0	(10.1)	24.9

3Q 20 Re-presented	Core			Legacy & central items	Group
	Retail	SME	Total		
Net interest income / (expense)	168.4	30.5	198.9	(3.7)	195.2
Other operating income	17.2	12.0	29.2	-	29.2
Operating income / (expense)	185.6	42.5	228.1	(3.7)	224.4
Operating expenses	(209.9)	(39.0)	(248.9)	(4.4)	(253.3)
Credit impairment losses	(10.6)	(2.6)	(13.2)	(3.5)	(16.7)
Underlying profit / (loss)	(34.9)	0.9	(34.0)	(11.6)	(45.6)

SEGMENTAL ASSETS AND LIABILITIES (£m)

3Q 21	Core			Legacy & central items	Group
	Retail	SME	Total		
Segment assets	19,532	461	19,993	8,681	28,674
Segment liabilities	17,715	3,457	21,172	6,010	27,182

FY 20 Re-presented	Core			Legacy & central items	Group
	Retail	SME	Total		
Segment assets	17,361	448	17,809	7,791	25,600
Segment liabilities	17,300	2,964	20,264	3,861	24,125

SELECTED KEY PERFORMANCE INDICATORS

%	3Q 21	2020	Change
CET1 ratio	20.1	19.2	0.9
Total capital ratio	24.8	23.7	1.1
Risk weighted assets (£m)	4,517	4,684	(167)
Leverage ratio (PRA) ¹	3.7	4.0	(0.3)
Liquidity coverage ratio	229.4	193.4	36.0
Loan to deposit ratio	97.7	91.6	6.1
Average core mortgage LTV	56.9	56.1	0.8
Core mortgage accounts > 3 months in arrears	0.09	0.12	0.03
NPL as a % of total exposures	0.3	0.4	(0.1)

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

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The person responsible for arranging the release of this announcement on behalf of The Co-operative Bank Finance p.l.c and The Co-operative Bank p.l.c. is Catherine Green, Company Secretary.

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.