Nick Slape (CEO) and Louise Britnell (CFO) will host an audio conference on 8 November 2023 at 9am (UK time) to present the third quarter trading update for the nine months ended 30 September 2023 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 2023

8 November 2023

The Co-operative Bank ('the Bank') is pleased to provide an update on its performance in the nine months ended 30 September 2023.

- **Profit before tax of £81.1m and underlying profit of £97.9m;** NIM stable at 182bps
- **Strong liquidity position;** Pillar 1 LCR spot position 196.1%, 12 month rolling average LCR 222.4%
- **Robust customer credit quality;** Accounts greater than 3 months in arrears remain low
- **Strong capital position;** Surplus of £290m to CET1 minimum requirements
- **Significant progress on our transformation plan**

Nick Slape, Chief Executive Officer, said:

"I am pleased to announce our profit before tax of £81.1m, with an underlying profit of £97.9m and statutory return on tangible equity of 12.3%, as we continue to manage credit quality effectively, with a stable NIM and strong deposit franchise.

In the quarter, we acquired Sainsbury's mortgage portfolio comprised of approximately 3,500 customers and c.£0.5bn of balances. This is our first portfolio acquisition in more than a decade, and highlights the Bank's turnaround and focus on both organic and inorganic opportunities.

Our mortgage and savings transformation programme continues at pace with mortgage originations now live on a new re-branded platform, "The Co-operative Bank for intermediaries", as we start to see the benefits of our accelerated investment.

We are committed to our customers' financial well-being in this uncertain economic environment and, as a recent signatory to the Government's Mortgage Charter, we offer support and advice when needed including via a dedicated platform on our website.

We have strong levels of capital and liquidity, with full year guidance unchanged across all key indicators."

FINANCIAL PERFORMANCE UPDATE

INCOME STATEMENT (£m)

	Nine months ended 30 September	
	2023	**2022**
Net interest income	**363.4**	329.1
Other operating income	**31.8**	33.7
Total income	**395.2**	362.8
Operating expenditure	**(316.2)**	(270.5)
Impairment credit / (charge)	**0.6**	(1.3)
Non-operating income	**1.5**	11.8
Profit before tax	**81.1**	102.8
Taxation credit / (charge)	**48.1**	(34.6)
Profit after tax	**129.2**	68.2
Adjustments		
Exceptional project expenditure	**16.4**	12.5
Other exceptional losses / (gains)	**0.4**	(12.2)
Underlying profit before tax	**97.9**	103.1
Key ratios:		
Net interest margin (bps) [1]	**182**	159
RoTE (%) [2]	**12.3**	6.0
Cost:income ratio (%) [3]	**79.7**	72.2
Asset quality ratio (bps) [4]	**(0.4)**	0.8

1. Annualised net interest income over average interest earning assets
2. Annualised profit after tax over average equity less intangibles, assuming no further DTA benefit in 2023
3. Total statutory expenditure over total statutory income (excludes impairment)
4. Annualised impairment (credit) / charge over average customer assets

PERFORMANCE HIGHLIGHTS

Profit before tax of £81.1m and underlying profit of £97.9m

Total income of £395.2m; includes net interest income and other operating income and increased by 9% in comparison to the nine months ended 30 September 2022 (3Q 22: £362.8m).

Net interest income increased by 10% to £363.4m (3Q 22: £329.1m) and net interest margin (NIM) has risen by 23 basis points (bps) from 159bps to 182bps, with both benefitting from increases in the base rate.

Operating expenditure increased by 17% to £316.2m (3Q 22: £270.5m); driven mainly by strategic investment in our mortgage and savings transformation programme and completion of key projects such as Capita mortgage insourcing which saw c.400 colleagues join the Bank in the first half of the year. Non-staff costs rose by 4% to £163.2m following inflationary pressures and project costs increased to £43.4m (3Q 22: £27.7m), driven by accelerated continuous improvement projects, alongside strategic investment. The £43.4m includes £11.0m relating to our transformation programme as well as increased advisory costs as the Bank explores potential strategic opportunities. As a result, our statutory cost:income ratio increased in the period to 79.7% from 72.2%.

Net impairment credit of £0.6m (3Q 22: £1.3m charge); following re-structuring of a specific legacy connection and associated provision release, partially offset by a decline in forward looking Commercial Real Estate property values.

We have reported a £1.5m non-operating exceptional gain (3Q 22: £11.8m), predominantly relating to Visa shareholdings. 2022 includes the sale of a small loan portfolio and partial sale of our Visa shareholding.

Income tax credit of £48.1m

The income statement tax credit of £48.1m is mainly driven by deferred tax asset recognition of historical tax losses earlier in the year, partially offset by the tax charge on profits in the period.

Strong liquidity position

Total assets reduced by 5% compared with 31 December 2022 with legacy assets reducing by 6% to £0.6bn. Retail secured balances have seen a slight increase to £19.7bn (FY 22: £19.6bn) which includes the acquisition of a c.£0.5bn mortgage portfolio comprising approximately 3,500 customers.

Total liabilities reduced by 6% to £25.3bn over the period (FY 22: £26.8bn). SME deposit balances have remained broadly stable at £3.3bn (FY 22: £3.4bn) whilst retail deposit balances decreased by 5% to £15.8bn (FY 22: £16.6bn) driven by a reduction in retail current account balances to £5.2bn (FY 22: £5.8bn), following a decrease in customer average balances, primarily attributed to the cost of living crisis. 80.9% of our core customer deposits are insured through FSCS, and have remained stable throughout the year. The Bank maintains a very strong 12 month average LCR position of 222.4%. Total blended cost of funds has increased, due to base rate rises, to 229bps but still remains cost efficient (FY 22: 73bps). During the year we have repaid c.£790m of TFSME with a remaining balance of £4.5bn.

Robust customer credit quality

The asset quality ratio (AQR) in total across retail, SME and legacy customer lending remains strong, reflecting the Bank's low-risk lending profile. AQR as at 30 September 2023 is a release of 0.4bps (3Q 22: charge of 0.8bps). The average core mortgage book loan-to-value (LTV) has increased slightly this year, but remains low at 55.2% (FY 22: 53.5%). Secured accounts over three months in arrears represented only 0.17% of total accounts as at 30 September 2023 (FY 22: 0.13%).

Strong capital position

CET1 ratio has increased from 19.8% to 20.1% (including unaudited 3Q profits) and remains well above the regulatory minimum of 14.3%, including CRD IV buffers. The increase is attributed to an increase in retained earnings partially offset by an increase in risk-weighted assets (RWAs). RWAs totalled £4.9bn (FY 22: £4.8bn) increasing by £0.1bn primarily due to the mortgage book acquisition. The underlying CET1 ratio (including unaudited 3Q profits) has increased 1.3% on a proforma basis, excluding the impact of the acquisition and one off adjustment for operational risk RWAs.

Following the Bank's £200m Green MREL Senior transaction in May, plus profits in the period, total MREL-qualifying resources have grown by £264.0m. We have £355.8m surplus MREL resources compared with a requirement of £1,507.5m (30.6%) including CRD IV buffers of 4.5%.

Delivering for our customers

We are pleased to be rated as the UK's best Environmental, Social and Governance (ESG) high street bank by Morningstar Sustainalytics for the third consecutive year, with a score of 8.5 as of 9 October 2023 – the lower the score, the better the rating. This quarter, we have also maintained our ratings across other ESG risk rating agencies, receiving an AAA rating from MSCI, and a Prime Rating of C with ISS, reinforcing us as a leader in ESG.

The Bank has achieved its target of doubling colleague volunteering hours this year, two months ahead of schedule. As part of our continued commitment to social responsibility, this quarter the Bank launched *OnHand* for all colleagues. *OnHand* is an app which provides colleagues with hundreds of opportunities to engage in meaningful volunteer work, fostering a culture of giving back to the communities we serve.

This year we have started to track our customer perception on Trustpilot and have seen our score climb to 4.1 (Excellent) at the end of September which is a significant improvement compared with this time last year. We have seen month on month improvement throughout 2023 as a result of strong service recovery and enhanced customer journeys.

Earlier this year we became signatories of the Mortgage Charter set out by the Chancellor in June 2023. This means that customers have the ability to temporarily switch their mortgage from repayment to interest only, or extend the terms of their mortgage. We will continue to support customers through the current economic and cost of living uncertainties.

Delivering on our plan

During the quarter, we have begun to migrate customers on to our new mortgage platform. This has enabled the development of a new broker application system allowing brokers access to our products and services more efficiently. Alongside this, we have rebranded the mortgage platform to 'The Co-operative Bank for Intermediaries' reinforcing our brand and identity in the market. Our savings programme remains on track, with migrations of active customers expected to complete by the end of the year with over 60% of active customer migrations already successfully completed.

Earlier this quarter, we announced our acquisition of the Sainsbury's Bank mortgage portfolio representing approximately 3,500 customers with balances of c.£0.5bn. Following the Bank's strong recovery and growth in the past three years, the Bank is exploring potential strategic opportunities, the assessment of which is currently at a preliminary stage. There is no guarantee that such discussions will result in any eventual transaction. In the meantime, the Bank remains committed to its strategy to continue to drive significant positive outcomes for all of our stakeholders.

Outlook

Full year guidance remains unchanged:

- Net interest margin of approximately 180bps; reflecting a prudent approach to interest rate risk management through an effective structural hedging strategy, offset by mortgage margin and deposit mix/margin pressures.
- Total statutory costs of approximately £420m; further investment in our brand and systems alongside inflationary pressures.
- Asset quality ratio of less than 5bps; arrears remain low and stable across all portfolios.
- Customer assets of £20-21bn; actively managing mortgage volumes for the remainder of the year.
- Return on tangible equity of over 10%; profitability and improved performance drives shareholder value.
- Our new capital management framework including dividend policy will enable a more efficient level of capital resources and allow us to make the required investment in our business to grow and provide capital returns to our shareholders over the long term.

SEGMENTAL PROFIT / (LOSS) (£m)

	Core			Legacy &	Group
Nine months ended 30 September 2023	**Retail**	**SME**	**Total**	**unallocated**	
Net interest income	290.6	71.2	**361.8**	1.6	**363.4**
Other operating income	19.4	12.2	**31.6**	0.2	**31.8**
Operating income	**310.0**	**83.4**	**393.4**	**1.8**	**395.2**
Operating expenses	(243.3)	(50.4)	**(293.7)**	(22.5)	**(316.2)**
Net credit impairment gains/(losses)	(0.2)	(0.6)	**(0.8)**	1.4	**0.6**
Non-operating income	-	-	**-**	1.5	**1.5**
Profit before tax	**66.5**	**32.4**	**98.9**	**(17.8)**	**81.1**

	Core			Legacy &	Group
Nine months ended 30 September 2022	**Retail**	**SME**	**Total**	**unallocated**	
Net interest income	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)	(15.5)	(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 before tax	97.5	13.3	110.8	(8.0)	102.8

SEGMENTAL BALANCE SHEET (£m)

	Core			Legacy &	Group
30 September 2023	**Retail**	**SME**	**Total**	**unallocated**	
Segment assets	19,882.4	392.1	20,274.5	6,425.5	26,700.0
Segment liabilities	15,760.5	3,287.3	19,047.8	6,225.5	25,273.3

	Core			Legacy &	Group
31 December 2022	**Retail**	**SME**	**Total**	**unallocated**	
Segment assets	19,841.3	388.2	20,229.5	7,903.3	28,132.8
Segment liabilities	16,607.8	3,396.8	20,004.6	6,829.2	26,833.8

SELECTED KEY PERFORMANCE INDICATORS

% (unless otherwise stated)	3Q 23 [1]	2022	Change
CET1 ratio	**20.1**	19.8	0.3
Total capital ratio	**24.3**	23.8	0.5
Risk-weighted assets (£m)	**4,931**	4,816	115
Leverage ratio (PRA) [2]	**4.2**	4.0	0.2
Liquidity coverage ratio (spot)	**196.1**	242.9	(46.8)
Liquidity coverage ratio (12 month rolling average) [3]	**222.4**	265.3	(42.9)
Loan to deposit ratio	**109.3**	104.1	5.2
Average core mortgage LTV	**55.2**	53.5	1.7
Core mortgage accounts > 3 months in arrears (volume)	**0.17**	0.13	0.04
NPL as a % of total exposures	**0.4**	0.4	0.0

1. Capital metrics include unaudited 3Q profits
2. Calculated as per PRA definition, excluding Bank of England reserves
3. Calculated in line with Pillar 3 requirements

Investor enquiries:
investorrelations@co-operativebank.co.uk
Angela Catlin, Head of Investor Relations, PR and Rating Agencies: +44 (0) 7548 965 042

Media enquiries:
Sam Cartwright, H/Advisors Maitland: +44 (0) 7827 254 561
Dan Chadwick, Communications: +44 (0) 7724 701319

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 2.5m 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.
The Co-operative Bank p.l.c. LEI: 213800TLZ6PCLYPSR448
The Co-operative Bank Finance p.l.c. LEI: 213800KNE8ER4N9BLF11
The Co-operative Bank Holdings Limited LEI: 213800MY2BSP459O8A22

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements with respect to the business, strategy and plans of the Group 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.

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