The Co-operative Bank 2024 Financial Results

Date: 7 March 2025

The co-operative bank

Ethical then, now and **always**

2024 performance

Strategic highlights

Legacy re-platforming complete
Enables efficiencies and product releases

In 2024, we commenced a new significant project to move all customer-facing services to a cloud-based computing model

Positive net current account switching
Supporting Bank's PCA growth strategy

Return to Covered Bond market
£500m benchmark issuance

Refinanced £200m MREL
Order book of over £600m

Investment credit rating achieved
Moody's: A3, Fitch: BBB+

Sale of the Bank
to Coventry Building Society

Supporting planet, people and communities

- Maintained position as UK's best ESG rated high street bank for a 4th year running [1]
- Recognised as 'Eco Provider' by Which? for second year running
- Location based emissions reduced by 14.8% in 2024 compared to 2023
- First organisation to be awarded Gold Compassionate Customer Care Award by Hospice UK
- Trustpilot score of 4.1 (Great)

1. As of January 2025, The Co-operative Bank received an ESG Risk Rating of 11.2 from Morningstar Sustainalytics and was assessed to be at low risk of experiencing ESG issues. In no event should this Risk Rating be construed as investment advice or expert opinion as defined by the applicable legislation.. See disclaimer on page 16

Underlying profit before tax of £116.2m; in line with expectations

£m	FY 24	FY 23	Change
Net interest income	460.6	477.0	(3%)
Other operating income	41.3	38.2	8%
Total income	**501.9**	**515.2**	**(3%)**
Underlying costs	(390.7)	(393.7)	1%
Impairment credit / (charge)	5.0	(0.6)	
Underlying profit before tax	**116.2**	**120.9**	**(4%)**
Exceptional projects	(8.9)	(12.2)	27%
Other exceptional costs	(7.8)	(33.2)	77%
Non-operating income	7.5	2.3	>100%
Profit before tax (pre transaction costs)	**107.0**	**77.8**	**38%**
Transaction related costs	(34.1)	(6.4)	<(100%)
Statutory profit before tax	**72.9**	**71.4**	**2%**
Taxation (charge) / credit	(25.6)	58.3	
Statutory profit after tax	**47.3**	**129.7**	**(64%)**

Key performance indicators			
Net interest margin (bps) [1]	183	180	3
RoTE (%) [2]	6.3	10.6	(4.3)
Statutory costs (excluding transaction costs)	(407.4)	(439.1)	(31.7)
Statutory cost:income ratio (%) [3]	86.7	86.1	(0.6)
Asset quality ratio (bps) [4]	(2.4)	0.3	2.7
CET1 ratio (%) [5]	18.7	20.4	(1.7)

1. Annualised net interest income over average interest earning assets
2. Annualised profit after tax (excluding transaction costs) over average equity less intangibles
3. Total statutory expenditure over total statutory income (excludes impairment)
4. Annualised impairment (credit) / charge over average customer assets
5. FY 23 CET1 ratio is prior to dividends not yet paid (24: £nil, 23: £12m)

Underlying profit before tax £116.2m; FY 23 £120.9m

Total income reduced by 3% to £501.9m; NIM at 183bps has increased year-on-year

- Net interest income reduced by 3% to £460.6m; impacted by reducing mortgage margins and an increase in savings costs
- 2023 included non-recurring EIR uplift of £6.6m

Underlying costs have decreased by 1% to £390.7m

- The Bank has been successful at mitigating the impact of the persistent high inflationary environment and the increase in customer fraud remediation by executing a strategic cost saving programme including: staff reductions; full year benefit of mortgage insourcing in addition to efficiencies, reduced third party costs

Impairment credit of £5.0m; driven by improvement in macro-economic environment, removal of certain affordability related PMAs and revisions to the discount rate of assumed mortgage recoveries

Exceptional costs (excluding those in relation to the sale of the Bank) have decreased by 63% to £16.7m

- £8.9m exceptional projects relates to the simplification of our IT infrastructure, exiting legacy platforms and datacentres and migrating all customer balances onto a single system
- £7.8m other exceptional costs is predominantly associated with our cost reduction programme, the full savings impact will be realised in 2025
- 2023 exceptional costs of £33.2m mainly relates to legacy mortgage redress

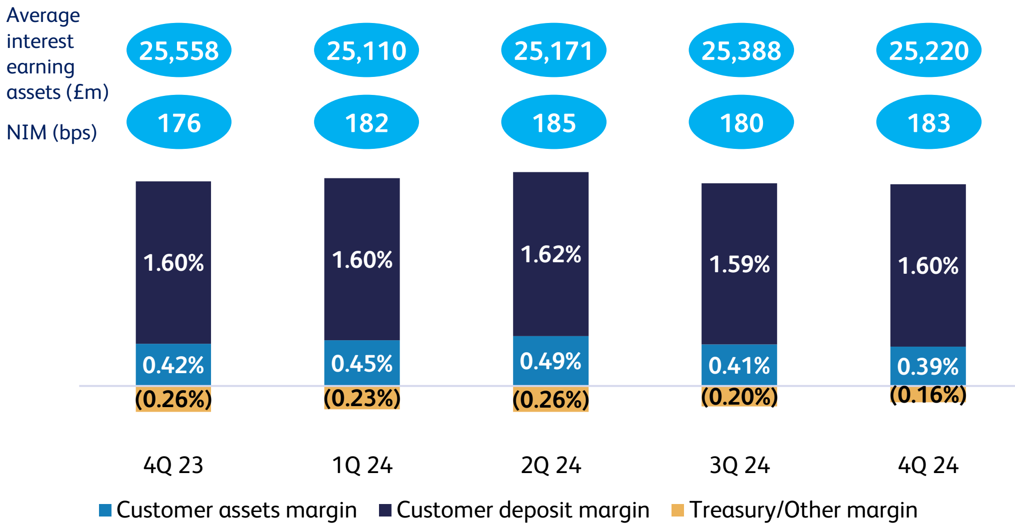
Non-operating income of £7.5m relates to the revaluation and partial sale of equity investment in Visa

£34.1m of costs was incurred to successfully deliver the sale of the Bank

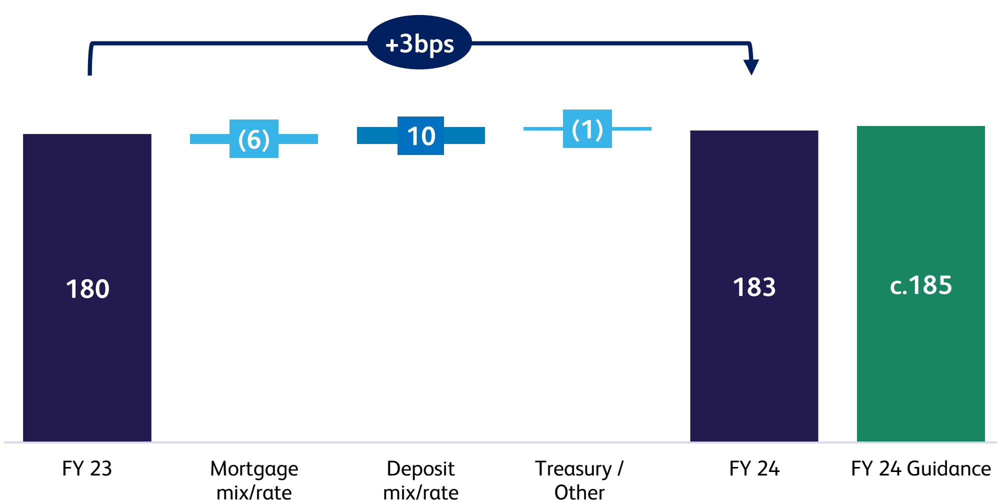
Tax charge of £25.6m has been incurred due to the net utilisation of historical losses and capital allowances to offset current profits

Net interest margin increased; guidance achieved

NIM build evolution



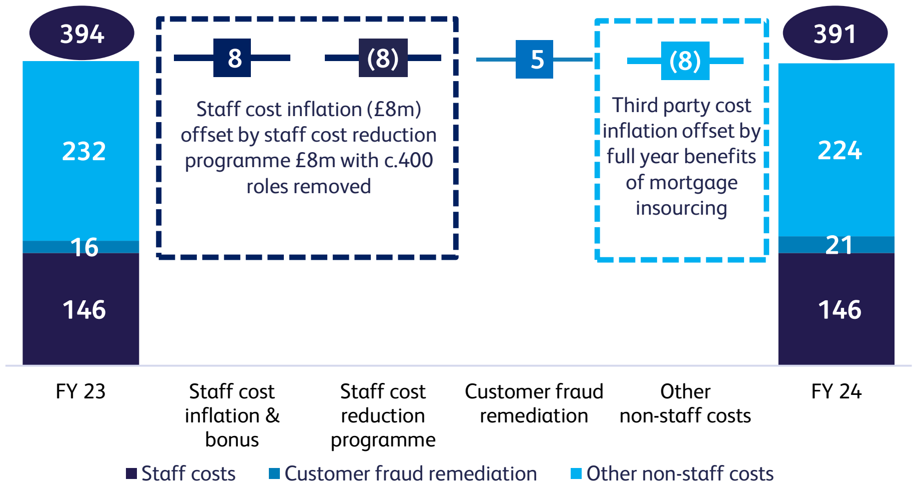
Net interest margin (bps)



- NIM improved by 3bps in FY 24 vs FY 23, as benefits from the structural hedge more than offset mortgage margin pressure. The structural hedge contribution is now over 50 % of Bank NIM
- Structural hedge tailwinds will continue into 2025. The blended structural hedge rate in 2024 was c.230bps which will continue to increase towards the prevailing market rate, supporting Bank income
- £1.2bn reduction in average interest earning assets in FY 24, driven by TFSME repayments

Cost guidance achieved; underlying costs decrease

Underlying costs (£m)



Statutory cost reconciliation

£m	2023	2024
Underlying costs	**393.7**	**390.7**
Exceptional projects	12.2	8.9
Remediation and redress costs	29.3	0.6
Other exceptional costs	3.9	7.2
Statutory costs (pre transaction costs)	**439.1**	**407.4**
Transaction costs	6.4	34.1
Statutory costs	**445.5**	**441.5**
Underlying cost:income ratio	76.4%	77.8%
Statutory cost:income ratio	86.1%	86.7%

Underlying costs decreased by 1%

Staff costs have remained stable as inflation linked pay rises are offset by efficiencies unlocked by the transformation programme

Customer fraud remediation increased 31 % to £21m in part due to our focus on delivering the IT simplification project which meant we were restricted in deploying new IT to respond to market-wide increases in fraud threats

Other non-staff costs of £224m consist of third party costs (excluding fraud) of £203m and continuous improvement costs of £21m

- Third party costs have remained stable compared to 2023 (£203m) as inflationary pressure and the BoE levy (£3m) is offset by savings relating to mortgage insourcing
- Continuous improvement costs have reduced by £8m (FY23 £29m) following delivery of projects

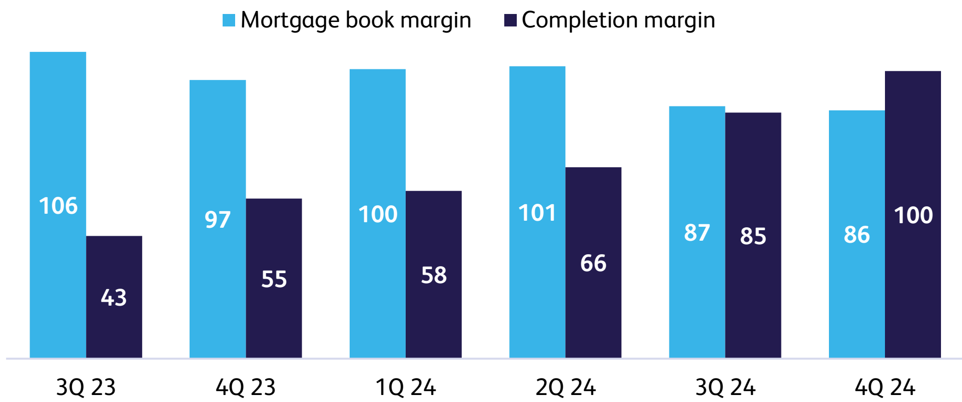
Exceptional projects decrease 27% following the completion of the Bank's multi-year project re-platforming multiple legacy systems onto one, which simplifies the Bank's IT infrastructure and reduces our operational risk

As part of our continued strategic focus on efficiency in 2024, we scoped and commenced a significant project to move all customer-facing services to a cloud-based computing model, with an expected reduction in third party costs

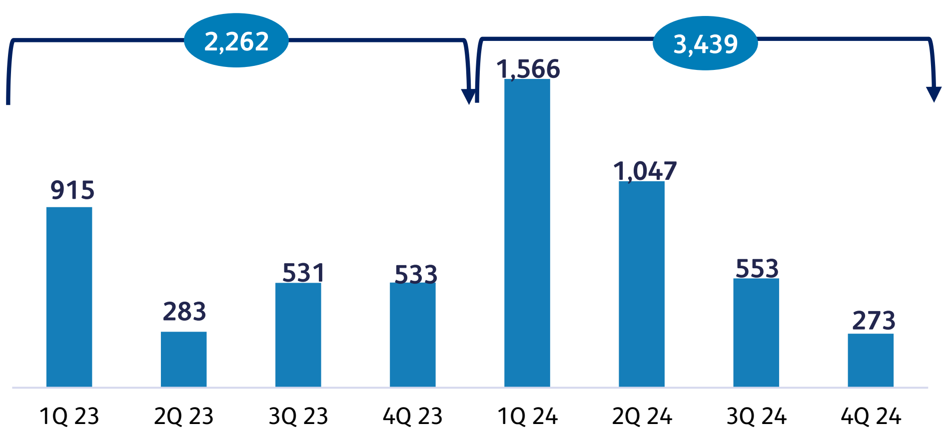
2023 remediation and redress costs of £29.3m relates to legacy mortgage redress

New business applications increased to £3.4bn; over 50% higher than 2023

Mortgage margin (bps) [1]



New business applications (£m)

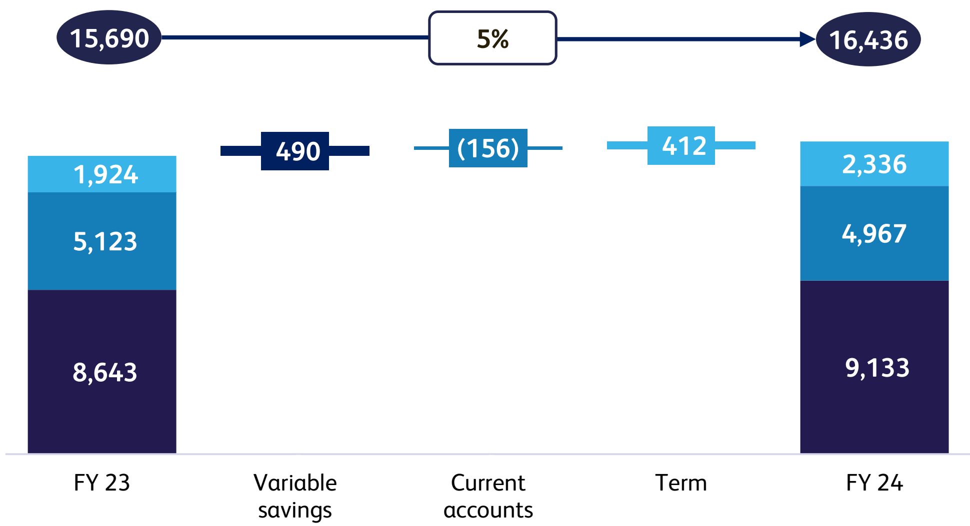


- Mortgage applications increased by over 50 % to £3.4bn (FY 23 £2.3bn); as our simplified IT infrastructure enabled us to react faster to pricing changes
- Our new capability has enabled us to increase average mortgage size to £207k (FY 23: £159k), providing further opportunities to improve margin and income
- Completion margins and the overall book margin have now largely aligned, which will result in reduced downward pressure on overall Bank NIM. Completion margins for 2024 were 77bps (FY 23: 61bps)
- Gross lending of c.£4.8bn remains stable (FY 23: c.£4.8bn) [2]
- Over 50 % of new business in 2024 is weighted towards 2 year mortgages as customers continue to opt for shorter tenors in the current rate environment
- The Bank's mortgage portfolio primarily consists of 5 year mortgages at 65 % of the book, however this has reduced in the year (FY 23: 70 %)
- Customer assets guidance achieved; total customer assets £20.5bn

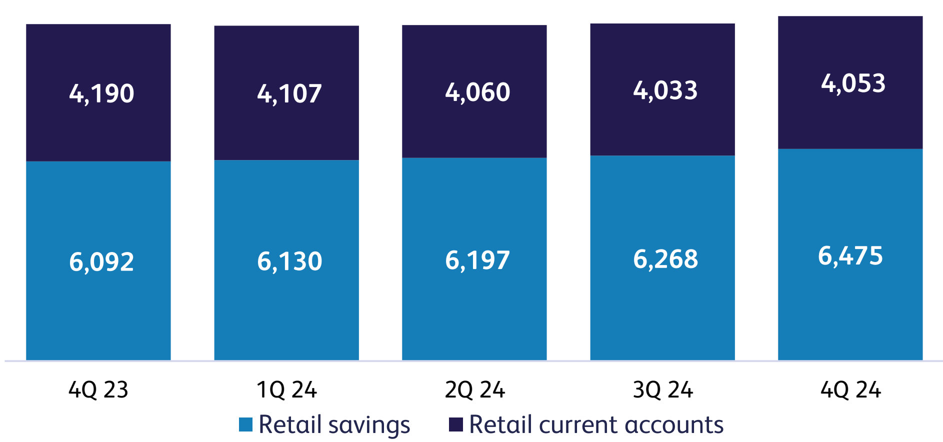
1. Margin calculated as gross rate minus swap
2. Gross lending consists of new business and retention

Deposits increased; driven by savings balances

Retail deposits (£m)



Retail average customer balance movement (£)



Retail deposits increased 5% to £16.4bn

- Variable savings increased 6 % to £9.1bn as we increase our product range and pricing to attract balances to support the refinancing of TFMSE
- Current account balances have reduced 3 % primarily as a result of bereavement (£123m). Customer average balances have now stabilised at c.£4,000.
- Term balances have increased 21 % as we competitively price our products to attract new balances and support overall Bank funding

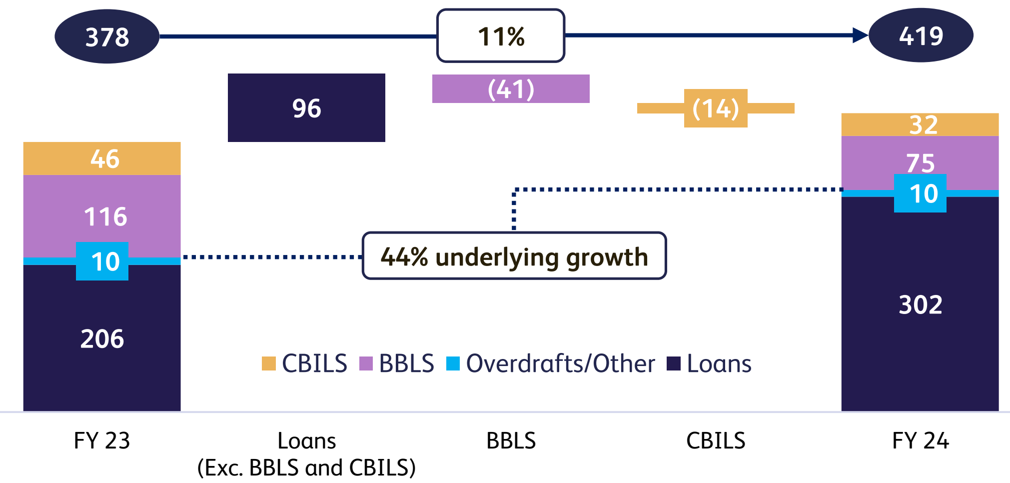
Current account franchise grew as we achieved net positive switching for the first time in over a decade, as customers took advantage of our new savings linked current accounts and switch incentives

Average savings customer balance increased to £6,475 as customers take advantage of the higher rates available

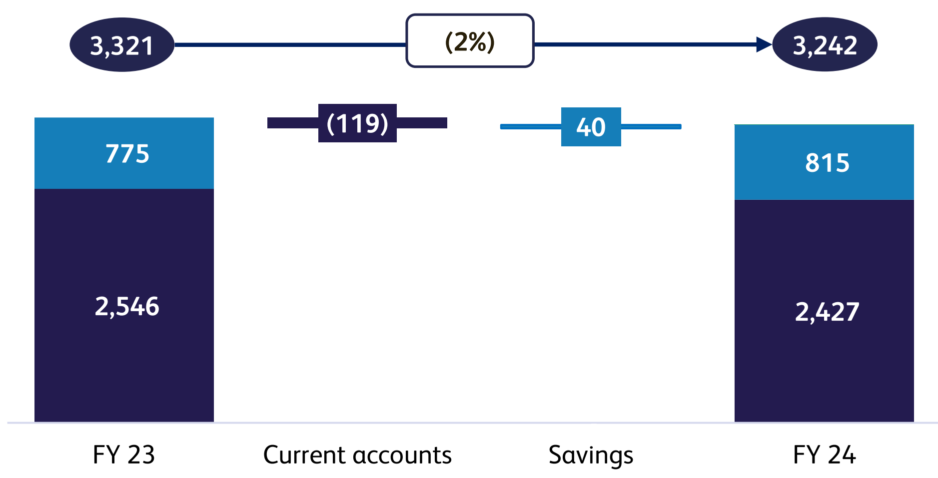
44% underlying SME asset growth; delivering our strategy

- SME loans, excluding government backed lending, increased by 44 % to £312m; Underlying SME net lending in FY 24 of £96m
- Diversified SME portfolio, with CRE and Business Banking being the largest of our lending sectors at 62 % combined
- SME deposits remain largely stable at £3.2bn (FY 23 £3.3bn); lower average current account balances are partially offset by higher savings balances
- SME account sales increased 31 % to 16,242 (FY 23 12,424)

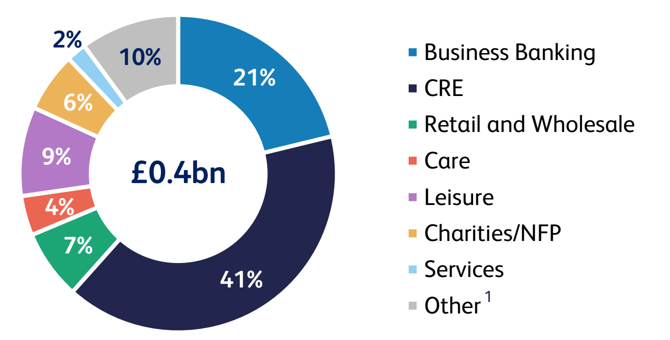
SME assets (£m)



SME deposit flow (£m)



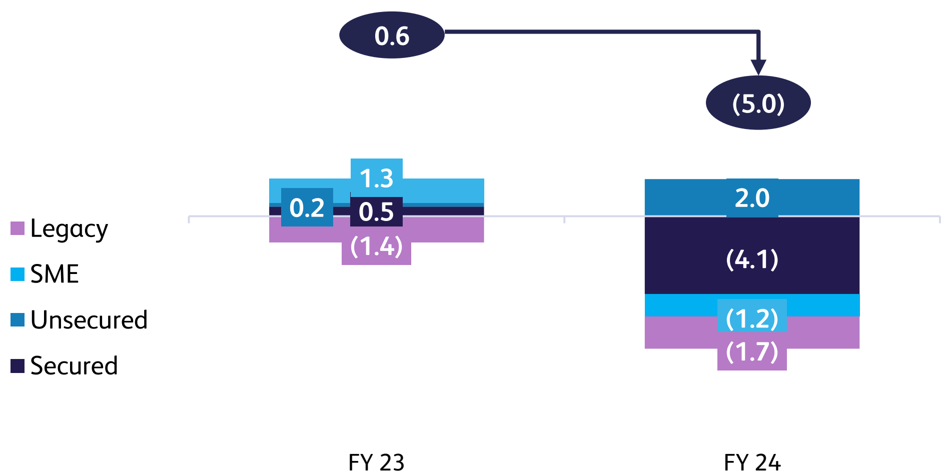
SME lending by sector



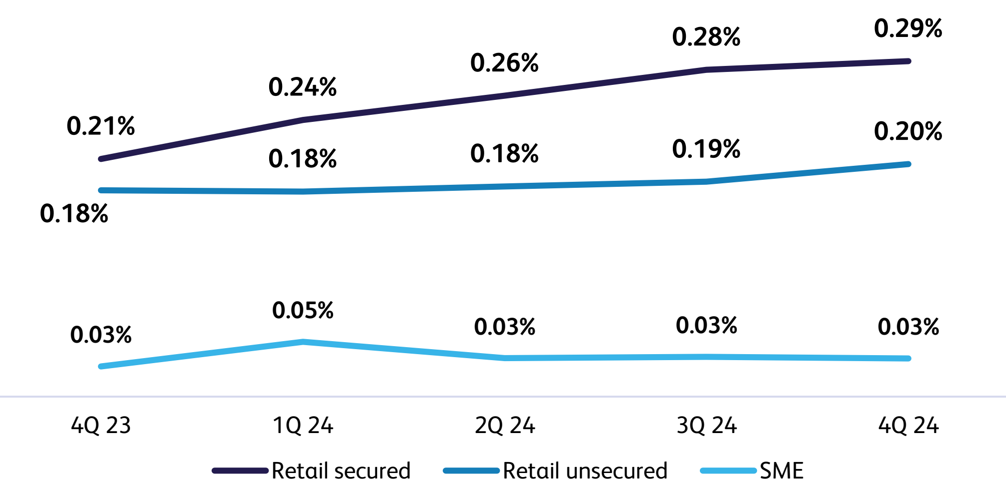
1. Other includes, but not limited to, manufacturing, renewable energy, housing associations and transport/communication

Low risk, resilient portfolio

Impairment charge / (credit) (£m)



Accounts >3 months in arrears [1]



Net impairment credit of £5.0m:

- Secured impairment release of £4.1m; driven by improvement in the macro-economic environment, adjustments relating to affordability and revisions to the discount rate for assumed mortgage recoveries
- SME release of £1.2m; driven by lower defaults than expected, combined with a provision release due to improvement in the macro-economic environment and a release in affordability adjustments
- Legacy impairment credit of £1.7m; following the recovery of previously written down corporate cases
- Unsecured charge of £2.0m; due to new defaults in the year, partially offset by a release in model adjustments

Accounts in arrears remain low:

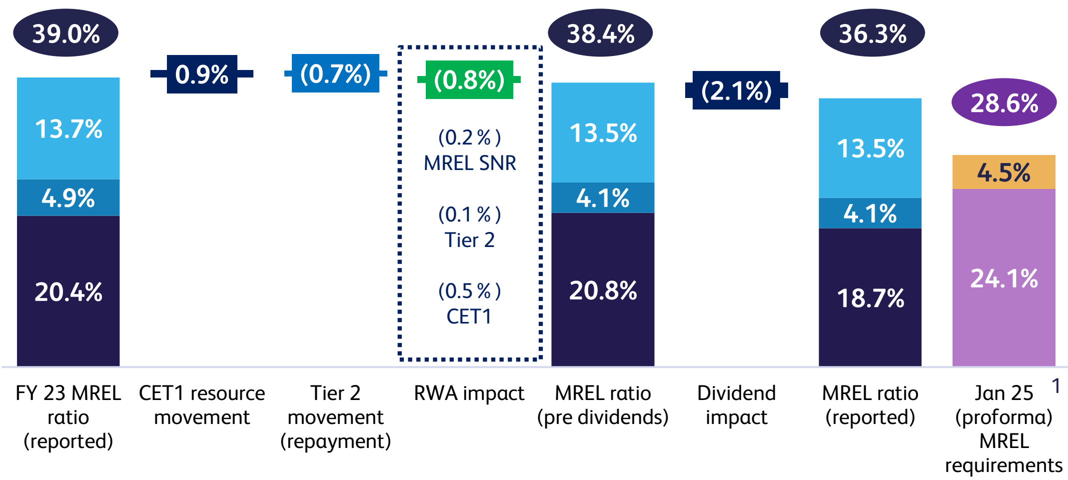
- A small increase in secured accounts that are greater than three months in arrears to 0.29 % but this remains a very small proportion of the overall Bank portfolio and equates to 397 accounts and £50.6m of balances

Over 92 % of the Bank's exposure is classified as stage 1, which is an increase from 88 % in 2023, largely due to improved economics

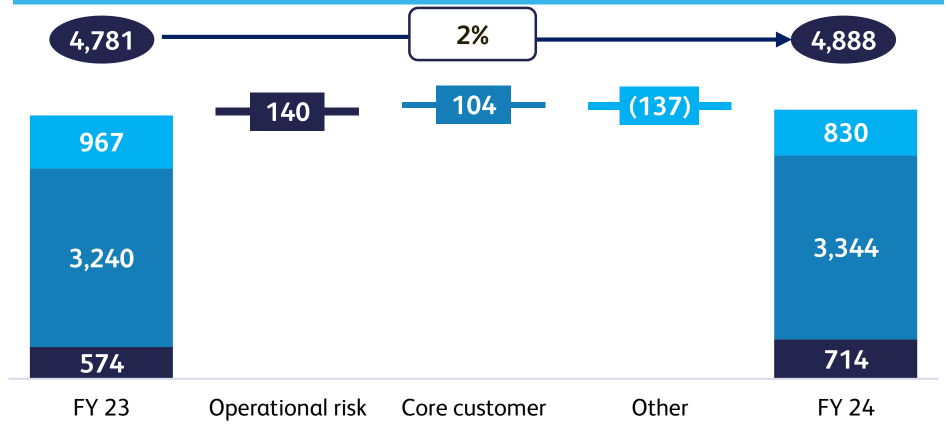
1. Volume of accounts in arrears over total volume of accounts; recognised as >3 months over limit on overdraft, 3+ missed payments on a loan, credit card or mortgage, or >3 months over limit on credit card. Excludes government backed Bounce Back Loans (BBLs)

Regulatory capital & MREL position remains strong

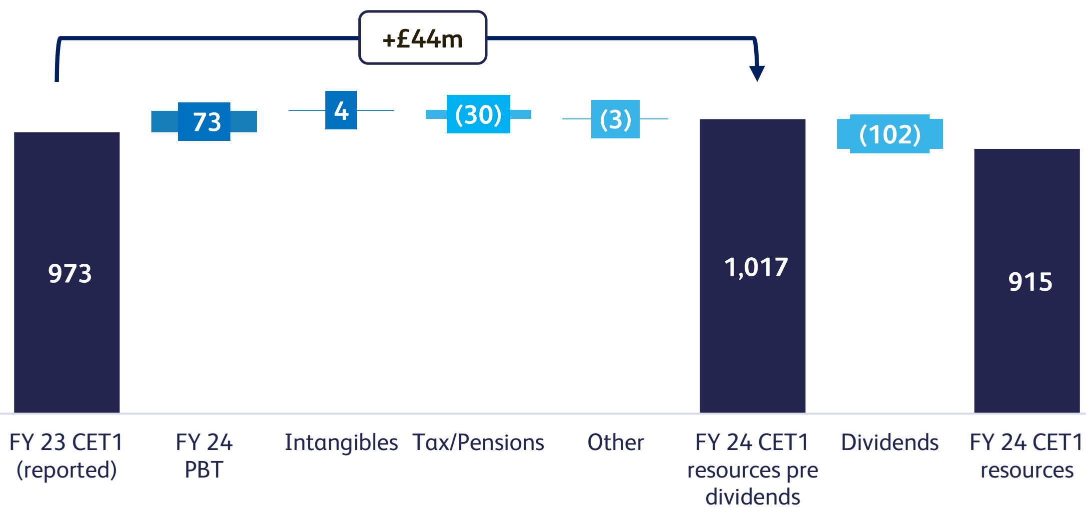
Regulatory capital & MREL ratio development



RWA movement (£m)



CET1 resource evolution (£m)

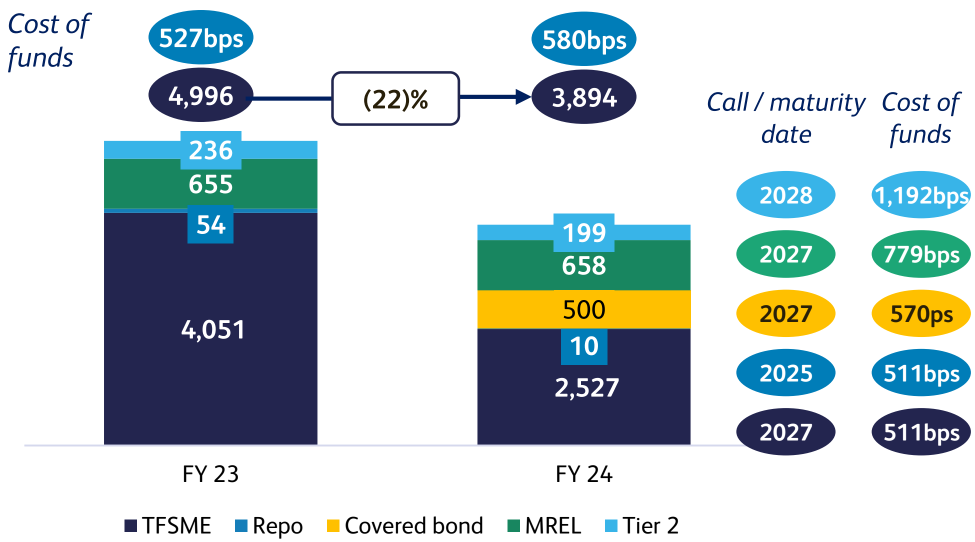


- CET1 significantly above proforma regulatory minimum plus CRD IV buffers of 13.5%[1] with a surplus of £254m
- Reduction in Tier 2 capital following the repayment of the remaining April 2024 notes
- The Bank maintains a significant headroom to MREL plus CRD IV buffers with a surplus of £276m
- Reduction in P2a requirements from 5.05% to 4.03% from January 2025; reducing MREL requirements by c.£100m
- RWAs increase 2% due to Operational risk RWAs from a growing three year average income profile and an increase in Core customer RWAs. This is partially offset by lower DTA and Treasury RWAs (included within 'Other')

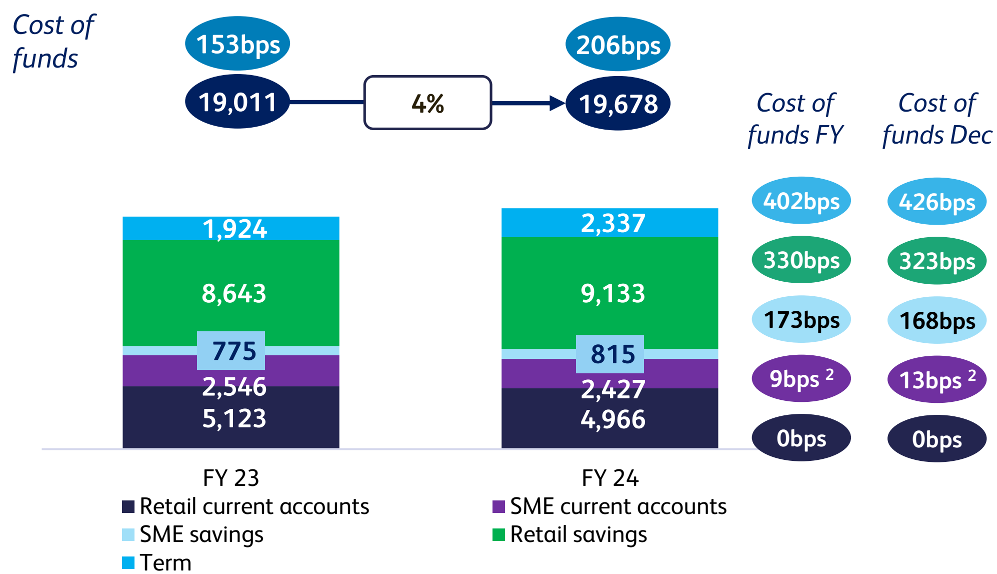
1. Following the Bank's Supervisory Review and Evaluation Process which resulted in a decrease in the Bank's ICR requirement from 5.05% to 4.03%

Total blended cost of funds remain low at 283bps

Wholesale funding (£m)



Customer funding (£m) [1]



- Covered bond programme launched in 2024 with a benchmark £500m three year issuance
- Blended cost of funds increases to 283bps (FY 23: 240bps); remains materially lower than the base rate
- Repaid a further c.£1.5bn of TFSME in 2024 with c.£2.5bn remaining. Total TFSME repayment to date is c.£2.7bn
- Increase in customer deposits funding mix to 84 % (FY 23 79 %); c.£1.1bn lower wholesale funding is partially offset by £0.7bn increase in customer funding

1. Excludes legacy balances of £65m (FY 23: £62m)
2. SME current accounts includes a small amount of off-sale current accounts that are interest bearing

Guidance achieved (excluding RoTE)

	2024 actuals	2024 guidance	
Total statutory costs [1] (£m)	407.4	c.410	✓
Net interest margin (bps)	183	c.185	✓
RoTE (%) [2]	6.3	c.10	—
Asset quality ratio (bps)	(2.4)	<5	✓
Customer assets (£bn)	20.5	20-21	✓

Total statutory costs

- Full impact of the 2024 cost reduction programme will be realised in 2025
- Simplification of the Bank's IT infrastructure unlocks further cost opportunities in 2025

RoTE

- Metric highly sensitive to changes in deferred tax. RoTE calculated using PBT is c.8.3 %

Asset quality ratio

- Asset quality ratio expected to remain low as a reflection of the Bank's low risk, high quality balance sheet

1. Statutory costs includes BAU, projects and exceptional costs for the Bank. 2024 guidance excludes transaction related costs
2. Excluding transaction related costs

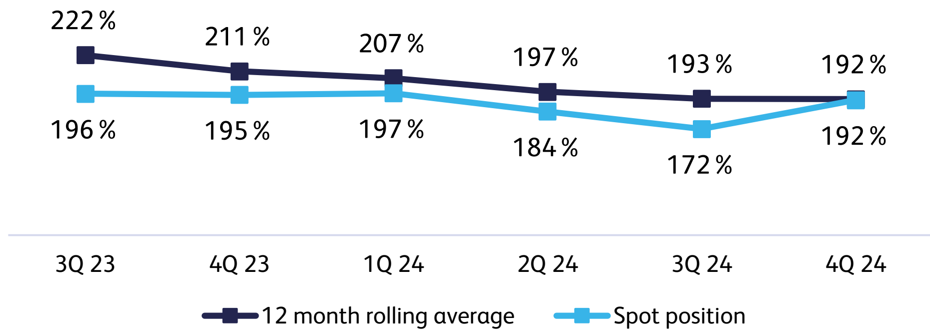
Further disclosure

The co-operative bank

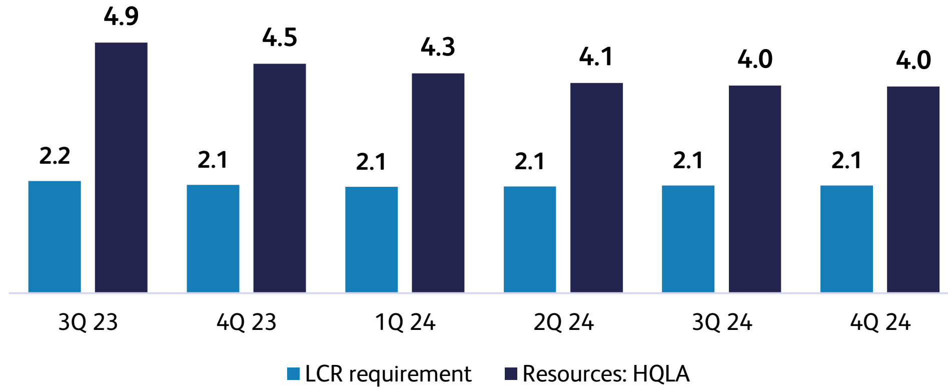
Ethical then, now and **always**

Strong liquidity position

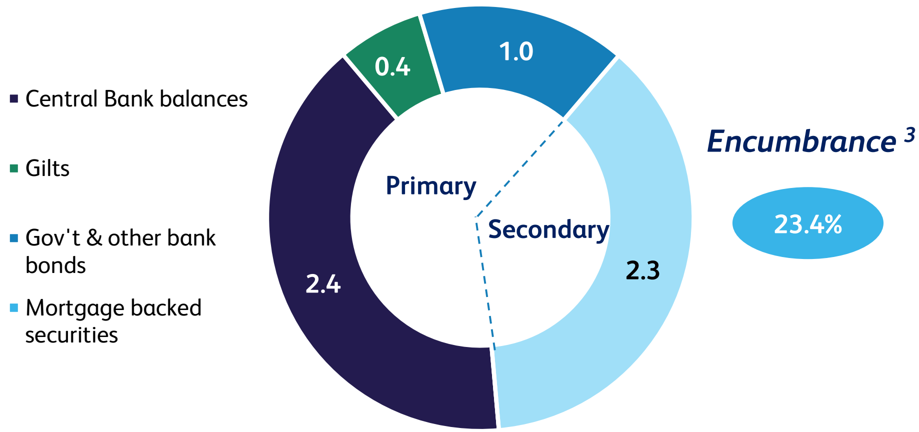
Liquidity coverage ratio [1]



LCR requirement / HQLA resources (£bn) [2]



Liquidity profile (£bn)



1. Pillar 1 LCR
2. Calculated in line with Pillar 3 on a 12 month rolling basis
3. EBA definition calculated as the carrying amount of encumbered assets and collateral divided by total assets and collateral

Segmental performance

Segmental £m	Retail			SME[1]			Legacy & central items			Total		
	FY 24	FY 23	Change	FY 24	FY 23	Change	FY 24	FY 23	Change	FY 24	FY 23	Change
Net interest income	353.6	377.3	(23.7)	105.3	97.7	7.6	1.7	2.0	(0.3)	460.6	477.0	(16.4)
Other operating income	24.0	21.8	2.2	16.3	15.8	0.5	1.0	0.6	0.4	41.3	38.2	3.1
Total income / (expense)	**377.6**	**399.1**	**(21.5)**	**121.6**	**113.5**	**8.1**	**2.7**	**2.6**	**0.1**	**501.9**	**515.2**	**(13.3)**
Staff costs	(115.3)	(113.5)	(1.8)	(27.7)	(28.3)	0.6	(2.6)	(3.8)	1.2	(145.6)	(145.6)	-
Non-staff costs	(186.2)	(181.7)	(4.5)	(37.6)	(35.7)	(1.9)	(0.8)	(1.6)	0.8	(224.6)	(219.0)	(5.6)
Continuous improvement projects	(18.6)	(25.1)	6.5	(1.7)	(3.7)	2.0	(0.2)	(0.3)	0.1	(20.5)	(29.1)	8.6
Operating expenditure	(320.1)	(320.3)	0.2	(67.0)	(67.7)	0.7	(3.6)	(5.7)	2.1	(390.7)	(393.7)	3.0
Impairment (charge) / credit	2.1	(0.7)	2.8	1.2	(1.3)	2.5	1.7	1.4	0.3	5.0	(0.6)	5.6
Underlying profit / (loss)	**59.6**	**78.1**	**(18.5)**	**55.8**	**44.5**	**11.3**	**0.8**	**(1.7)**	**2.5**	**116.2**	**120.9**	**(4.7)**

Balance sheet	FY 24	FY 23	Change	FY 24	FY 23	Change	FY 24	FY 23	Change	FY 24	FY 23	Change
Assets	19,457.6	19,302.9	154.7	419.0	378.4	40.6	5,603.1	6,390.0	(786.9)	25,479.7	26,071.3	(591.6)
Liabilities	16,435.8	15,690.4	745.4	3,241.6	3,320.7	(79.1)	4,537.7	5,651.2	(1,113.5)	24,215.1	24,662.3	(447.2)

1. SME customers range from sole traders and national charities to UK corporates. We also lend to housing associations and in 2024, we continued to report this separately from the remainder of our SME business as part of our legacy business.

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This document contains certain forward-looking statements with respect to the business, strategy and plans of The Co-operative Bank Holdings p.l.c. and its subsidiaries ("the Group"), (including its updated long-term forecast) 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.

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