Nick Slape (CEO) and Louise Britnell (CFO) will host an audio conference on 26 July 2024 at 9am (UK time) to present the interim results for the six months ended 30 June 2024 and 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 p.l.c. 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 p.l.c. 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.

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.

2024 Interim Financial Report

26 July 2024

The Co-operative Bank is pleased to provide an update on its performance in the six months ended 30 June 2024.

- Underlying profit of £47.1m; statutory profit before tax of £24.2m. Net interest margin (NIM) steady at 184bps
- Stable balance sheet; core franchise momentum with new mortgage applications increasing by >100% vs 1H 23 and £1.1bn pipeline; robust customer liabilities
- Low risk portfolio; secured arrears greater than three months remain low
- Capital & liquidity position remains strong; returned to the covered bond market with a benchmark £500m three-year issuance; total Term Funding for Small and Medium-sized Enterprises (TFSME) prepaid to date of c.£1.7bn
- Turnaround strategy delivered; customer platform migration under flagship IT transformation project complete, enabling cost reductions, product pricing agility and digital capability; sale and purchase agreement signed with Coventry Building Society, with completion expected in Q1 2025

Nick Slape, Chief Executive Officer, said:

"In the first half of 2024, we have delivered an underlying profit before tax of £47.1m which is in line with expectations and we remain on track to achieve all our guidance metrics for the year.

I am pleased to announce that we have successfully completed all migration activity in our Simplification programme, with only the decommissioning of the legacy estate left to complete in the second half of the year. This marks a key milestone in our plan to drive commercial value and operational resilience, while improving the customer experience.

In May, we announced the signing of the sale and purchase agreement with Coventry Building Society. This will mark a return to mutualisation and follows the delivery of the strategy set in 2019 to turnaround the Bank by de-risking and simplifying, returning to profitability and delivering a liquidity event for shareholders.

We have received an investment grade credit rating from Moody's of Baa3, reflecting the achievement of sustainable profitability underpinned by a strong liquidity and capital base. In June, we returned to the covered bond market with a new £500m three year issuance, attracting healthy investor interest with an oversubscribed order book.

This has all been delivered whilst building on our core franchise. Mortgage new business applications in the first six months of the year were more than double those in the same period last year, as were new retail savings account openings, and at the same time new personal current account openings showed a c.50% increase. Our resilient liabilities and healthy liquidity have also enabled us to continue with the prepayment of our TFSME funding, with £1.7bn now repaid.

Looking ahead, we remain focused on delivering our strategy and providing a great service for our customers."

FINANCIAL PERFORMANCE UPDATE

SUMMARY INCOME STATEMENT (£m)

6 months ended 30 June

	2024	2023
Net interest income	229.5	245.1
Other operating income	20.1	21.4
Total income	249.6	266.5
Underlying costs	(205.4)	(194.0)
Impairment credit / (charge)	2.9	(0.3)
Underlying profit before tax	47.1	72.2
Exceptional projects	(6.2)	(7.5)
Other exceptional costs	(8.6)	(2.4)
Non-operating income	0.5	1.4
Profit before tax (pre transaction costs)	32.8	63.7
Transaction related costs	(8.6)	(1.9)
Statutory profit before tax	24.2	61.8
Taxation (charge) / credit	(8.8)	41.4
Statutory profit after tax	15.4	103.2

Key ratios and metrics:		
Net interest margin (bps) [1]	184	184
Return on tangible equity (%) [2]	3.1	13.0
Statutory costs (excluding transaction costs)	(220.2)	(203.9)
Cost:income ratio (%) [3]	91.5	76.8
Asset quality ratio (bps) [4]	(2.9)	0.3

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

PERFORMANCE HIGHLIGHTS

Underlying profit of £47.1m

Total income of £249.6m, which includes net interest income and other operating income, reduced by 6% in comparison to the six months ended 30 June 2023 (1H 23: £266.5m).

Net interest income reduced by 6% to £229.5m (1H 23: £245.1m) reflecting reduced mortgage book margins although net interest margin (NIM) has remained stable at 184bps (1H 23: 184bps) with the credit of a one off EIR adjustment of 5bps in 1H 23 partially offset by the benefits of the structural hedge programme.

Total underlying costs increased by 6% to £205.4m (1H 23: £194.0m), driven by the impact of annual salary increases, higher levels of customer fraud remediation, which have risen to £12.5m (1H 23: £5.9m), alongside inflationary pressures and the Bank of England (BoE) levy of £1.1m. The levy has limited P&L impact due to collateral deposits previously held at the BoE being replaced by a charging structure. Total statutory costs, excluding transaction related costs, increased from £203.9m to £220.2m and includes exceptional project spend predominantly relating to our mortgage and savings transformation programme, which is now largely complete, of £6.2m (1H 23: £7.5m). Additionally, other exceptional costs increased by £6.2m driven by restructuring costs of £8.6m (1H 23: £2.4m), which will generate future cost savings. Transaction related costs, which are excluded from our full year 2024 guidance, increased to £8.6m (1H 23: £1.9m). As a result, our statutory cost:income ratio increased in the period to 91.5% from 76.8%. The £8.6m of transaction related costs reported are only those that have been incurred to date, and as yet we have not recognised further costs (including variable pay and advisor related costs) that are contingent on the deal completing.

Net impairment credit of £2.9m (1H 23: £0.3m charge); driven by an improvement in the macro-economic environment and a release in affordability post-model adjustments (PMA).

£0.5m non-operating income (1H 23: £1.4m), predominantly relating to the revaluation of equity investment in Visa.

Income tax charge of £8.8m

The income statement tax charge of £8.8m is mainly driven by the utilisation of deferred tax assets to shelter taxable profits.

Stable balance sheet

Total assets remained stable at £26.1bn (FY 23: £26.1bn) compared with 31 December 2023. Retail secured balances increased slightly to £19.3bn (FY 23: £19.1bn) with new mortgage applications increasing to £2.6bn, already exceeding applications across all of 2023 (£2.3bn). Mortgage pipeline is at c.£1.1bn increasing by c.£0.5bn since 2H 23, which will positively impact 2H 24.

Total liabilities remained stable at £24.7bn over the period (FY 23: £24.7bn). Retail deposit balances increased to £15.9bn (FY 23: £15.7bn) driven by an increase in savings balances, slightly offset by a reduction in average current account balances. SME deposit balances reduced 4% to £3.2bn (FY 23: £3.3bn). 81.4% of our core customer deposits are insured through the Financial Services Compensation Scheme (FSCS), and have remained stable throughout the year (FY 23: 80.8%).

Low risk portfolio

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 for the Bank as a whole as at 30 June 2024 is a credit of 2.9bps (1H 23: charge of 0.3bps). The average core mortgage book loan-to-value (LTV) remains low at 55.8% (FY 23: 55.7%). Secured accounts that are greater than three months in arrears represented only 0.26% of total accounts as at 30 June 2024 (FY 23: 0.21%).

Capital and liquidity position remains strong

Common Equity Tier 1 (CET1) ratio has reduced from 20.4% (FY23) to 19.7% mainly driven by an increase in our risk-weighted assets (RWAs) impacted by the annual update of operational risk RWAs and the inaugural dividend of £12m, which was paid in May 2024. CET1 ratio remains well above the regulatory minimum of 14.3%, including CRD IV buffers, with a surplus of £272.3m.

Total Minimum Requirement for Own Funds and Eligible Liabilities (MREL) qualifying resources have reduced slightly following the call of the remaining 2019 Tier 2 bond in April, partially offset by profits in the period. Despite this, we still maintain a significant headroom with £317.3m surplus MREL resources versus a requirement of £1,518.8m including the Group's Capital Requirement Directive (CRD) IV buffers.

We returned to the covered bond market for the first time in 13 years with a new competitively priced £500m three-year issuance. This funding supports our retail and SME franchise and diversifies the Bank's funding base. Total blended cost of funds has increased, due to base rate rises, to 285bps but still remains cost efficient (FY 23: 240bps) with the Bank maintaining a very strong 12 month average liquidity coverage ratio (LCR) position of 197.4% (FY 23: 211.4%). During the period we have prepaid £450m of TFSME with c.£3.6bn outstanding.

BUSINESS PERFORMANCE UPDATE

Strategic focus within our retail and SME segments

The Bank has made good progress against its refreshed strategic focus within retail and SME in the first half of the year. The strategy consists of three growth pillars: current accounts and deposits, mortgages and SME lending.

In January, we launched the 'Switch and Save' incentive aimed at both new and existing customers. This initiative has successfully generated c.8k switches. In February, we introduced our 'Regular Saver' product, offering a competitive 7% interest rate exclusively to current account holders. Since its launch, 5.7k current accounts have been opened with a 'Regular Saver' product. In June, we further expanded our offerings with the launch of a combined 'Switch and Regular Saver' incentive, aiming to provide even more value and benefits to our customers.

We improved our mortgage lending criteria, enhancing lending solutions for both customers and brokers. Key changes include increasing LTV ratios for different products and optimising repayment strategies for our interest-only mortgage product, ensuring greater flexibility and options for our customers. We delivered significant process and system enhancements that have halved the average time to issue a mortgage offer from over 29 days to 15 days and reduced complexity in existing customer journeys. To better manage customer and broker expectations, especially during busy periods, we have also put in place additional communication activity such as SMS and outbound calling. These improvements underscore our commitment to operational efficiency and customer satisfaction.

Enhancements to the SME customer journey have been implemented, such as using digital signatures to complete applications more efficiently and refreshing our ethical questionnaire for new customers. These enhancements have resulted in an increase in Business Current Account applications from 7.1k in 1H 23 to 9.5k year to date. Our newly launched fixed rate loan product for SME lending has shown promising uptake, which reflects our commitment to the growth pillars targeted in our refreshed strategic focus.

Delivering our strategy through our scorecard measures

2024 will be a landmark year for the Bank, marked by the delivery of our flagship multi-year transformation programme, the return to investment grade and shareholders signing the sale and purchase agreement to restore the Bank to mutual ownership.

We concluded all of the material work on our major transformation programme, Simplification, in H1 2024. We migrated all of our mortgage customers from heritage Britannia, WMS and Sainsbury's systems onto one mortgage platform and all of our heritage Britannia savings customers onto one savings platform, transferring over a million customers and over 70 million customer records. This has delivered a single customer journey with digital access to all our customers, removed the largest part of the Bank's technical debt and enabled the exit of two data centres which is due to take place in the second half of 2024. For the first time, all Bank customers are on modern scalable platforms and we are in a position to improve customer experience and have greater agility in product launches, as well as provide a strengthened digital offering to customers.

Earlier this year we achieved an investment grade credit rating with Moody's upgrading us to Baa3. This enhanced rating opens new avenues for diversifying our customer base by expanding our corporate portfolio. We have already leveraged this upgrade to enhance our funding capabilities, as demonstrated by the successful launch of our covered bond programme in June, with a £500m three year issuance.

In May, we announced that Coventry Building Society ("the Society") and the B Shareholders of The Co-operative Bank Holdings p.l.c. ("HoldCo") had signed a sale and purchase agreement to sell the entire issued share capital of HoldCo to the Society (subject to regulatory approvals and other conditions). The deal is expected to be completed in the first quarter of 2025, with integration between the Bank and the Society taking place gradually over several years. Our customers will not see any immediate changes as we continue to operate separately, and will continue to have Financial Services Compensation Scheme (FSCS) protection as a customer of each organisation. The combined business will be a significantly larger organisation and joining the Bank and the Society together brings more products, services and value to both existing and new customers.

Strengthening our values and ethics

Commitment to our values and ethics in 2024 continues to shape how we interact with the planet, our people and communities and we have demonstrated this through some key achievements in the first half of the year.

In March, we partnered with ITV to sponsor the 2024 televised Sport Gives Back awards. The awards recognise the role that grassroots sport can play in addressing social challenges and celebrate the work of individuals, organisations and charities all over the UK who are changing lives and bringing local communities together through Sport.

We have worked with Centrepoint through a series of employment support sessions, designed to equip young homeless adults with the skills and knowledge to succeed in the job market. As a result of this initiative, two individuals from Centrepoint have been successfully recruited into the Bank, marking the beginning of their professional journey with us. This collaboration highlights our commitment to fostering talent and providing opportunities for young people to thrive in their careers.

We achieved Hospice UK's first ever Gold Compassionate Customer Care Award. The award recognises businesses that provide exceptional and compassionate service to any customers coping with bereavement, grief, or caring responsibilities. In order to achieve the Gold Award, we worked closely with Hospice UK to enhance the services for customers facing bereavement. We have set ambitious targets for processing bereavement cases and have adapted communications to ensure compassion is paramount with every customer engagement.

The Bank-sponsored Postcode Gardener Programme is progressing well with Friends of the Earth. The programme has restored greenery and wildlife in over 100 nature-deprived spaces. So far, the programme has engaged over 400 community participants and almost 40 community groups. The existing Postcode Gardeners have been developing wildflower meadows in Hackney, creating a healing garden to support mental health in Liverpool and have facilitated interfaith tree planting with Jewish and Muslim communities in Birmingham. The next phase will see Postcode Gardener locations set up in Manchester, Middlesbrough, Hull and Derby, bringing nature back to hundreds of nature-deprived spaces.

For the fourth year running, the Bank sponsored Co-op Congress ("Congress"), the national conference of the UK Co-operative movement. We also proudly sponsored the National Youth Summit which was held as part of a weekend of events.

Every year, we donate thousands of pounds to support local community groups and charities who bank with us through the Customer Donation Fund. For over 20 years the Fund has supported communities developing community centres, improving mental health through sport or boosting confidence in disabled children.

Outlook

Our financial outlook for the remainder of the year is as follows:

- Net interest margin of approximately 185bps; 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 £410m; increase versus 2023 is due to inflationary pressures and exceptional costs. [1]
- Asset quality ratio of less than 5bps; arrears remain low and stable across all portfolios.
- Customer assets of £20-21bn; stable balance sheet remaining conscious of Bank margins.
- Return on tangible equity [2] of approximately 10%; in line with guidance.

1. Statutory costs includes BAU, projects and exceptional costs for the Bank. 2024 guidance excludes transaction related costs.
2. Annualised profit after tax over average equity less intangibles, assuming no further DTA impact.

BOARD MATTERS

The Board and its committees have focused on a number of key matters in the period. These included, amongst others:

- Holding the Bank's Executive Committee to account over the 'day-to-day' running of the Bank and implementation of its strategy through measuring performance against scorecard metrics;

- Oversight of activity leading to the signing of a sale and purchase agreement between the B Shareholders of The Co-operative Bank Holdings p.l.c. ("HoldCo") and Coventry Building Society ("the Society"), under which the Society will acquire the entire issued share capital of HoldCo;
- Consideration and oversight of changes to the Bank's organisational design and operating model;
- The launch of a new, fully public £500,000,000 covered bond transaction in June 2024;
- The recommendation to the B Shareholders of an inaugural final, ordinary dividend payment of 0.13290 pence per class A ordinary share for the year ended 31 December 2023;
- Reviewing the progress made to deliver the requirements of the Financial Conduct Authority's Consumer Duty regulations and the work undertaken to prepare the Bank's first annual attestation which reports on the monitoring of customer outcomes and details of any actions required as a result of that monitoring;
- The completion of the transformation of the Bank's mortgages and savings platforms to ensure good customer outcomes continue to be delivered;
- The approval of the 2023 Annual Report and Accounts (ARA) in February 2024 and the first trading update in May 2024;
- The appointment of PwC LLP as the Group's independent auditor for the year ending 31 December 2024;
- Overseeing the Bank's approach to the ongoing support of co-operatives, the continued progress on our values and ethics-led environmental, social and governance (ESG) commitments and progress in ensuring the risks from climate change are properly considered and incorporated into all areas of the business;
- Reviewing, challenging and approving the Bank's 2023 Sustainability Report evidencing how the Bank has delivered against its Ethical Policy over the previous 12 months; and
- The regulatory agenda including the review and approval of the Bank's internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and operational resilience self-assessment.

SEGMENTAL PROFIT / (LOSS) (£m)

Further information is provided in note 3.

Six months ended 30 June 2024	Core			Legacy & unallocated	Group
	Retail	SME	Total		
Net interest income	177.5	51.6	229.1	0.4	229.5
Other operating income	12.0	7.7	19.7	0.4	20.1
Operating income	189.5	59.3	248.8	0.8	249.6
Operating expenses	(169.6)	(33.9)	(203.5)	(25.3)	(228.8)
Net credit impairment gains	0.6	1.5	2.1	0.8	2.9
Non-operating income	-	-	-	0.5	0.5
Profit/(loss) before tax	20.5	26.9	47.4	(23.2)	24.2

Six months ended 30 June 2023	Core			Legacy & unallocated	Group
	Retail	SME	Total		
Net interest income	199.2	45.2	244.4	0.7	245.1
Other operating income	12.8	8.3	21.1	0.3	21.4
Operating income	212.0	53.5	265.5	1.0	266.5
Operating expenses	(158.4)	(32.8)	(191.2)	(14.6)	(205.8)
Net credit impairment gains/(losses)	0.1	0.2	0.3	(0.6)	(0.3)
Non-operating income	-	-	-	1.4	1.4
Profit/(loss) before tax	53.7	20.9	74.6	(12.8)	61.8

Retail operating income reduced by 11% to £189.5m (1H 23: £212.0m) as a result of lower mortgage margins, whilst SME income increased during the first six months of the year from £53.5m to £59.3m.

Retail operating expenditure increased from £158.4m to £169.6m. This is predominantly driven by an increase in non-staff costs arising particularly from increased external fraud costs. SME operating expenditure is stable at £33.9m (1H 23: 32.8m). Legacy and unallocated operating expenditure rose from £14.6m to £25.3m due to increased strategic project spend that has not been allocated to any segment.

SEGMENTAL BALANCE SHEET (£m)

30 June 2024	Core			Legacy & unallocated	Group
	Retail	SME	Total		
Segment assets	19,563.5	381.3	19,944.8	6,163.2	26,108.0
Segment liabilities	15,933.2	3,190.0	19,123.2	5,591.7	24,714.9

31 December 2023	Core			Legacy & unallocated	Group
	Retail	SME	Total		
Segment assets	19,302.9	378.4	19,681.3	6,390.0	26,071.3
Segment liabilities	15,690.4	3,320.7	19,011.1	5,651.2	24,662.3

SELECTED KEY PERFORMANCE INDICATORS

% (unless otherwise stated)	1H 24	2023	Change
CET1 ratio	19.7	20.4	(0.7)
Total capital ratio	23.8	25.3	(1.5)
Risk-weighted assets (£m)	4,968	4,781	187
Leverage ratio (PRA) [1]	4.1	4.1	0.0
Liquidity coverage ratio (spot)	184.1	195.4	(11.3)
Liquidity coverage ratio (12 month rolling average) [2]	197.4	211.4	(14.0)
Loan to deposit ratio	107.0	106.4	0.6
Average core mortgage LTV	55.8	55.7	0.1
Core mortgage accounts > 3 months in arrears (volume)	0.26	0.21	0.05
Non-performing loans as a % of total exposures	0.6	0.5	0.1

1. Calculated as per Prudential Regulation Authority (PRA) definition, excluding Bank of England reserves.
2. Calculated in line with Pillar 3 requirements.

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The person responsible for arranging the release of this announcement on behalf of The Co-operative Bank Holdings 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 2.4m 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 p.l.c. is the only UK 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 (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority. The Co-operative Bank p.l.c. eligible customers are protected by the Financial Services Compensation Scheme (FSCS) in the UK, in accordance with its terms.

Note: 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 p.l.c. LEI: 213800MY2BSP459O8A22

RISK MANAGEMENT

1. RISK MANAGEMENT OBJECTIVES & POLICIES – PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management Framework (RMF)
Enhancements to the RMF in 2023 were embedded and operated with success in the first half of 2024 and focused the link between risk appetite and the Bank's strategic objectives. Work commenced in 2023 to rationalise and improve key controls across the Bank and this work continues into 2024. These activities form part of our 2024 RMF roadmap which also includes a refresh of RMF policies and control standards to further embed ESG and equality, diversity and inclusion requirements.

The Group's 2024 principal risk taxonomy is described and relevant pages in the 2023 Annual Report and Accounts (ARA) are referenced in the table below:

The following principal risks and uncertainties section highlights the material changes in our risk profile since the publication of the 2023 ARA and the mitigating actions we have taken.

Credit risk

Retail credit risk

The Group has exposures to credit risk in both secured and unsecured retail portfolios and its strategy remains focused on monitoring these. Reviews of key components of customer management and arrears strategies have continued in H1 2024 to ensure that these remain appropriate, and that necessary support mechanisms are provided to our customers. The Group also continues to operate a pre-arrears contact strategy for customers showing potential signs of financial difficulty.

In 2024, the Group has continued to update the affordability assessments of the residential secured portfolio to reflect the impacts on household disposable income from the rising cost of living and rate increases for customers with rate maturities in 2024 and 2025. These assessments enable us to identify customers with the highest likelihood of entering a negative disposable income position and who are most likely to require support. The Group's "at risk" population for all mortgages was 2,879 at 31 December 2023 (2.4% of the portfolio) and has reduced to 2,380 at 30 June 2024 (2.0% of the portfolio), which is expected due to national insurance reductions increasing affordability. The Group is contacting "at risk" customers to remind them support is available should they require it.

<table>
<tr><td>Capital risk</td><td colspan="3">The risk that the Group's regulatory capital resources are inadequate to cover its regulatory capital requirements.</td><td>Pages 123 to 124</td></tr>
<tr><td>Credit risk</td><td colspan="3">The risk to earnings and capital arising from a customer's failure to meet their legal and contractual obligations. Credit risk applies to retail, SME and corporate and treasury.</td><td>Pages 116 to 119</td></tr>
<tr><td>Model risk</td><td colspan="3">The potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to a firm's reputation.</td><td>Page 124</td></tr>
<tr><td>Market risk</td><td colspan="3">The risk of loss as a result of the value of financial assets or liabilities (including off balance sheet instruments) being adversely affected by the movement in market prices, interest rates or foreign exchange rates. This loss can be reflected in the near term earnings by changing net interest income, or in the longer term as a result of changes in the economic value of future cash flows or asset values.</td><td>Page 125</td></tr>
<tr><td>Liquidity and funding risk</td><td colspan="3">The risk that the Group is unable to meet its obligations as they fall due or can only do so at excessive cost.</td><td>Pages 124 to 125</td></tr>
<tr><td rowspan="12">Operational risk</td><td rowspan="12">Operational sub risks</td><td>Regulatory</td><td rowspan="12">The risk of losses caused by inadequate or failed processes, errors caused by people or systems, or events that disrupt business operations.</td><td rowspan="12">Pages 119 to 122</td></tr>
<tr><td>Conduct</td></tr>
<tr><td>Fraud</td></tr>
<tr><td>Anti-money laundering</td></tr>
<tr><td>Financial reporting</td></tr>
<tr><td>Information and data</td></tr>
<tr><td>Payments</td></tr>
<tr><td>Legal</td></tr>
<tr><td>Technology</td></tr>
<tr><td>Change</td></tr>
<tr><td>People</td></tr>
<tr><td>Third party supplier</td></tr>
<tr><td colspan="4">Thematic risks: climate risk (2023 ARA pages 46 to 47), operational resilience (2023 ARA page 119)</td><td></td></tr>
</table>

SME & corporate credit risk

SME customers continue to face high interest rates and the lingering negative effect of inflation, with some operating in sectors with rising supply costs. Despite these challenges, the majority of our business customers have continued to service their lending facilities without the need for intervention, with overall low default rates. Those who have experienced financial difficulties have been supported with forbearance solutions, where appropriate and viable. The Group operates tailored contact strategies for businesses in need of assistance, aimed at driving dialogue with the customer to explore the need for support through the different channels available and to signpost to reliable external advice and to consider forbearance.

Whilst living costs have stopped rising as quickly as in prior periods, inflation remained above the BoE's target in H1 and due to this, the Group continually refreshes its arrears criteria to reflect changing conditions. This is to ensure good customer outcomes throughout the customer life cycle. Sector appetites and key credit criteria have also been updated to support the Group's growth strategy.

Operational risk

Regulatory and conduct risk

In November 2023, the Group received two final decisions from the Financial Ombudsman Service (FOS) that partially upheld complaints brought by customers regarding historical changes to the Standard Variable Rate (SVR) within a closed book of mortgages acquired by the Group as part of its merger with the Britannia Building Society in 2009. In light of these decisions, the Group's Board approved proposals from management to take proactive steps concerning other closed-book SVR mortgage customers, regardless of whether or not they had complained. It was concluded that eligible closed-book SVR customers impacted by the decisions will be partially refunded interest charged historically in line with the Group's obligations under the Financial Conduct Authority's (FCA) complaint handling rules. The Group has now commenced this remediation process. Further detail is disclosed in note 11.

The Group is committed to ensuring ongoing regulatory compliance, prioritising the delivery of significant regulatory changes in 2024 and beyond which enhance customer protection and outcomes and promote financial resilience. The Group will continue to assess regulatory change and engage in consultations, noting that there may be changes in requirements or the timing of these following the recent change in government following the general election that occurred in July.

Key regulatory changes we are committed to progressing in 2024 include:

- FCA: Consumer Duty – Last year, we demonstrated regulatory compliance with the FCA Consumer Duty for open products and services by the implementation date of 31 July 2023. We are on track to implement the duty for closed products and services by 31 July 2024. We assessed policies, procedures and processes of our key customer journeys and have taken steps where necessary to ensure they are in line with the new duty, embedding changes into business-as-usual activities to deliver consistently good customer outcomes.
- Payment Systems Regulator – New reimbursement requirements for victims of authorised push payment (APP) fraud (including Faster Payments and CHAPS). This will provide consistency for consumers as the industry moves from a voluntary code to mandatory regulations. This will increase consumer protection for authorised transactions, aligning with the consumer protection already in place for unauthorised transactions.
- Prudential Regulation Authority (PRA) implementation of the Basel 3.1 standards – The Group is on track to deliver these substantial reforms, which provide a consistent approach aligned to international and EU standards.
- FCA: Strengthening protections for borrowers in financial difficulty – Applies to mortgages and unsecured credit products, being designed to provide a stronger framework of support for customers facing potential payment difficulties. These changes reinforce regulatory expectations that firms put customers' needs first and act to deliver good outcomes for customers.

The Group recognises that a high volume of regulatory change activity carries significant execution risks and represents a significant resource demand across the business. The Group remains fully committed to successfully delivering all regulatory change across 2024 and beyond, with significant time and effort invested into planning and building the capability to mitigate the risks of non-compliance or late/failed delivery.

Fraud risk

Fraud losses are a significant factor contributing to operational losses in 2024. The Group recognises that APP, impersonation and purchase scams are some of the leading forms of fraud impacting our customers, which aligns with wider industry data. The Group continues to improve its financial crime systems and controls, and this investment will continue throughout 2024, with improved monitoring and integration of behavioural biometrics, which will improve prevention against both APP and account takeover fraud. The Group delivered various change projects throughout H1 2024 to enhance the financial crime framework; these included strengthening of anti-money laundering and sanctions controls, payment-filtering screening and additional fraud controls to ensure increasing protection for our customers from fraud. The Group also continues to run educational campaigns for colleagues and customers on the risks posed by various fraud typologies including, but not limited to, celebrity impersonation scams on social media platforms, adverts promoting bogus investments and HMRC impersonation scams.

Simplification

Through 2024, the Group has achieved several key milestones relating to its multi-year transformation project, Simplification, including migrating over 140k customers from heritage and Sainsbury's Bank mortgage systems to a new Bank-built platform to host ongoing origination. 1.3m savings customers have also been migrated to our new Co-operative Bank system.

Reduced dependence on heritage systems enables the Group to realise benefits to its risk profile, primarily through reduced cyber and technology risk due to the greater operational resilience and pricing flexibility offered by the new platform. Further, the Group can now look to decommission its legacy heritage estate, allowing it to realise material reductions in technical debt and operating costs.

Capital risk

In the 2023 ARA, the Group highlighted the significant challenges faced by firms with internal ratings based (IRB) permissions in implementing regulatory-compliant hybrid IRB models across their retail mortgage portfolios. The Group submitted its new models to the PRA in 2023 and awaits PRA approval for their implementation. The Group also highlighted the impacts of Basel 3.1 implementation, and the significant volume of activity required to ensure regulatory compliance with the expected requirements outlined in PRA Policy Statement 17/23 and PRA Consultation Paper 16/22. The second-part of near-final rules was due to be released by the PRA by the end of June 2024; however, this was delayed due to the 2024 UK general election. The Group anticipates an end-state (1 January 2030) pro-forma reduction in its CET1 ratio of 3.5% due to Basel 3.1. The Group continues to closely monitor risks to capital arising from external macroeconomic and market factors, and is also well-positioned to ensure compliance with all regulatory capital requirements and buffers.

Emerging risks

Proposed acquisition by Coventry Building Society

In H1 2024, the B Shareholders of The Co-operative Bank Holdings p.l.c. signed a sale and purchase agreement with Coventry Building Society. Whilst this represents an important step in this transaction, the Group will continue to operate separately until the sale is completed and it is focused on maintaining compliance with competition regulation until a change of ownership takes place.

We are yet to experience a material change in risk as a result of the proposed acquisition of the Group. However, we are mindful that there may be elements of heightened risk throughout 2024 and in a scenario where the transaction does not progress. Increased risk may be seen in a range of risks including (but not limited to):

- Financial risk and strategic risk: potential for changes in market perception and customer behaviour which may impact the Bank's ability to deliver its financial plan now or in the future.
- People risk: potential disruptions from employee turnover, talent retention and decreased morale which could result in operational inefficiencies.

The Group's RMF is fit for purpose to monitor and manage these changes in risks and we continue to be vigilant for evidence of this change in profile as we proceed towards completion.

General election 2024

The UK general election took place on 4 July 2024, resulting in a change in government. This change may give rise to heightened economic uncertainty, impacting consumer confidence and anticipated changes in the Bank of England base rate. Domestic political change may give rise to potential financial sector turbulence through rate changes and inflation, which are risks the Group is highly capable of managing. The Group continues to assess regulatory change and engage in consultations. Further, the Group is well equipped to manage changes in fiscal policy and regulation. As demonstrated through our actions to support customers throughout the cost of living, the Group takes a proactive approach to helping customers who are impacted by economic change and we intend to maintain this level of customer protection should financial sector conditions change.

Global conflict

The Group continues to have no direct exposure to the conflict in Ukraine or current conflict in the Middle East. Although no direct threats have emerged over the first half of 2024, a select number of known indirect impacts continue to affect the Group's risk profile and delivery of financial strategy. The two prominent impacts include:

- Sanctions – Due to the current global conflict, there has been an increased focus on regulated firms' systems and controls relating to sanctions, and this complex regulatory environment causes a heightened level of compliance risk. The Group's lack of exposure to sanctioned regions provides mitigation. However, enhanced compliance resource is still required due to the severity of any exposures.
- Cybersecurity threats – International conflict escalates the frequency and severity of cyber threats from state sponsored groups/ individual threat actors. The Group is continuously strengthening and adapting cyber defences in place to remain prepared for this evolving threat.

2. CREDIT RISK

All amounts are stated in £m unless otherwise indicated

Credit risk is the risk to earnings and capital arising from a customer's failure to meet their legal and contractual obligations.

The Group manages credit risk on the following balance sheet items:
- Loans and advances to banks;
- Loans and advances to customers;
- Investment securities;
- Derivative financial instruments; and
- Other assets.

Expected credit loss (ECL) assessment approach

The Group's portfolio of assets on which credit risk is managed remains low-risk and well-positioned to withstand the current environment.

During 2024 the Group has observed the following impacts:
1. Level of arrears in the mortgage portfolio (core >3 months) is 0.05% higher compared to the year end: 0.26% as at 30 June 2024 (0.21% at 31 December 2023). We continue to see some small increases driven by the squeeze on household finances and higher interest rate environment but arrears levels still remain low.
2. There has not been a significant amount of material defaults in the SME or legacy corporate portfolios in the period. The profiles of customers are closely monitored including via strategies to identify and contact 'at risk' customers as described in the year end risk management report and which are managed on a case-by-case basis.

More information is included in note 2 to the condensed consolidated financial statements in relation to assumptions around stage transfers and also in relation to the economic scenarios.

Allowance for losses and credit impairment charge analysis by segment

Although the Group manages credit risk arising from a number of balance sheet items, the most significant is loans and advances to customers. The following tables analyse the allowance for losses as at 30 June 2024 and the credit impairment charge for the period by segment. Comparative information is shown within the analysis of credit risk section alongside segmental information disclosed within note 3 and information included in note 8 in relation to loans and advances to customers.

The credit impairment ("ECL charge") and the allowance for losses ("ECL provision") for the period arises from both modelled and also post-model adjustments (PMAs) (i.e. known model deficiency overlay). These management judgements were described within the Annual Report and Accounts within the critical judgements of note 2, with an update in note 2 of this document. During the period, the following represent the key movements within ECL:

Retail – the ECL provision has reduced from £26.1m to £24.0m. This £2.1m reduction is driven by lower retail secured (£1.3m), lower credit cards (£0.3m) and lower overdrafts (£0.5m) ECL provisions. A key driver of movement in ECL is changes in the PMAs applied by the Group, which are disclosed in further detail in note 2 to the condensed consolidated financial statements. This has resulted in a coverage of c.9bps on the retail secured Platform book (2023: 9bps).

SME – the movement of the ECL provision from £8.5m to £6.6m reflects a net £0.2m increase in specific provision and PMA movements (described in note 2).

Legacy & central items – the ECL provision has moved from £2.8m at 31 December 2023 to £2.2m. The specific provisions have reduced by £0.2m.The PMA movement is described in note 2.

Analysis of credit risk

	Core		Legacy &	
30 June 2024	Retail	SME	central items	Total
Analysis of credit risk exposure				
Gross accounting balances	19,625.6	386.3	584.2	20,596.1
Less: accounting adjustments[1]	(62.1)	(5.0)	(5.2)	(72.3)
Gross customer balances	19,563.5	381.3	579.0	20,523.8
Credit commitments	1,746.9	141.7	63.2	1,951.8
Gross customer exposure	21,310.4	523.0	642.2	22,475.6
Less: customer balances measured at Fair Value Through Profit or Loss (FVTPL)	(1.3)	(1.7)	(72.7)	(75.7)
Net customer exposure subject to ECL calculation	21,309.1	521.3	569.5	22,399.9
Allowance for losses				
Collectively modelled ECL[2]	9.8	1.3	1.4	12.5
Individually assessed ECL	-	2.3	0.6	2.9
Judgemental adjustment	14.2	3.0	0.2	17.4
Total ECL	24.0	6.6	2.2	32.8

1. Accounting adjustments reflect non customer balances including EIR and accrued interest.
2. Collectively modelled ECL includes operational model adjustments recognised in respect of individually insignificant model corrections where management judgement does not have a substantial impact on the quantification of the adjustment

	Core		Legacy &	
31 December 2023	Retail	SME	central items	Total
Analysis of credit risk exposure				
Gross accounting balances	19,363.9	383.8	606.6	20,354.3
Less: accounting adjustments[1]	(61.0)	(5.4)	(2.4)	(68.8)
Gross customer balances	19,302.9	378.4	604.2	20,285.5
Credit commitments	1,444.9	94.2	39.5	1,578.6
Gross customer exposure	20,747.8	472.6	643.7	21,864.1
Less: customer balances measured at FVTPL	(1.3)	(1.8)	(85.0)	(88.1)
Net customer exposure subject to ECL calculation	20,746.5	470.8	558.7	21,776.0
Allowance for losses				
Collectively modelled ECL[2]	11.1	1.9	1.8	14.8
Individually assessed ECL	-	2.1	0.8	2.9
Judgemental adjustment	15.0	4.5	0.2	19.7
Total ECL	26.1	8.5	2.8	37.4

1. Accounting adjustments reflect non customer balances including EIR and accrued interest.

2. Collectively modelled ECL includes operational model adjustments recognised in respect of individually insignificant model corrections where management judgement does not have a substantial impact on the quantification of the adjustment

	Core		Legacy &	
	Retail	SME	central items	Total
Credit impairment (ECL credit / (charge))				
Six months to 30 June 2024	0.6	1.5	0.8	2.9
Six months to 30 June 2023	0.1	0.2	(0.6)	(0.3)

The movement in the gross customer exposure (excludes those assets held at FVTPL) across the segments is shown below:

Gross customer exposure for ECL – Retail	Stage 1	Stage 2	Stage 3	Purchased or Originated Credit Impaired (POCI)	Total
At 1 January 2024	18,422.7	2,205.0	68.7	50.1	20,746.5
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(539.2)	539.2	-	-	-
To credit impaired (stage 1 or 2 to 3)	(11.2)	(23.0)	34.2	-	-
To 12 month ECL (stage 2 to 1)	1,224.0	(1,224.0)	-	-	-
From credit impaired (stage 3 to 2 or 1)	1.2	2.6	(3.8)	-	-
Net changes arising from stage transfers	674.8	(705.2)	30.4	-	-
Other charges/(releases):					
New assets originated or purchased	1,670.4	-	-	-	1,670.4
Other changes to risk parameters	(110.2)	-	-	-	(110.2)
Redemptions and repayments	(866.2)	(115.7)	(10.1)	(3.4)	(995.4)
Net other charges/(releases)	1,368.8	(820.9)	20.3	(3.4)	564.8
Assets written off	(0.1)	(0.8)	(1.3)	-	(2.2)
At 30 June 2024	19,791.4	1,383.3	87.7	46.7	21,309.1

Gross customer exposure for ECL – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	251.5	199.1	19.1	1.1	470.8
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(13.8)	13.8	-	-	-
To credit impaired (stage 1 or 2 to 3)	(1.4)	(4.8)	6.2	-	-
To 12 month ECL (stage 2 to 1)	19.3	(19.3)	-	-	-
From credit impaired (stage 3 to 2 or 1)	0.1	1.0	(1.1)	-	-
Net changes arising from stage transfers	4.2	(9.3)	5.1	-	-
Other charges/(releases):					
New assets originated or purchased	129.4	-	-	-	129.4
Other changes to risk parameters	-	-	-	-	-
Redemptions and repayments	(38.0)	(36.5)	(4.4)	-	(78.9)
Net other charges/(releases)	95.6	(45.8)	0.7	-	50.5
Assets written off	-	-	-	-	-
At 30 June 2024	347.1	153.3	19.8	1.1	521.3

Gross customer exposure for ECL – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	525.2	17.5	10.7	5.3	558.7
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	-	-	-	-	-
To credit impaired (stage 1 or 2 to 3)	-	(0.1)	0.1	-	-
To 12 month ECL (stage 2 to 1)	1.0	(1.0)	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	-
Net changes arising from stage transfers	1.0	(1.1)	0.1	-	-
Other charges/(releases):					

New assets originated or purchased	33.0	-	-	-	33.0
Other changes to risk parameters	(0.2)	0.1	-	-	(0.1)
Redemptions and repayments	(20.9)	(0.3)	(0.7)	(0.1)	(22.0)
Net other charges/(releases)	12.9	(1.3)	(0.6)	(0.1)	10.9
Assets written off	-	-	-	(0.1)	(0.1)
At 30 June 2024	538.1	16.2	10.1	5.1	569.5

The movement in the allowance for losses across the three segments (excludes FVTPL) is shown below:

Allowance for losses – Retail	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	6.2	15.3	4.4	0.2	26.1
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(0.4)	5.0	-	-	4.6
To credit impaired (stage 1 or 2 to 3)	-	(0.6)	2.2	-	1.6
To 12 month ECL (stage 2 to 1)	0.7	(6.8)	-	-	(6.1)
From credit impaired (stage 3 to 2 or 1)	-	-	(0.1)	-	(0.1)
Net changes arising from stage transfers	0.3	(2.4)	2.1	-	-
Other charges/(releases):					
New assets originated or purchased	1.4	-	-	-	1.4
Other changes to risk parameters	(0.9)	0.6	0.5	(0.1)	0.1
Redemptions and repayments	(0.1)	(0.7)	(0.8)	-	(1.6)
Net other charges/(releases)	0.7	(2.5)	1.8	(0.1)	(0.1)
Assets written off	(0.1)	(0.7)	(1.2)	-	(2.0)
At 30 June 2024	6.8	12.1	5.0	0.1	24.0

Allowance for losses – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	1.6	4.8	2.0	0.1	8.5
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	-	0.2	-	-	0.2
To credit impaired (stage 1 or 2 to 3)	-	(0.1)	0.4	-	0.3
To 12 month ECL (stage 2 to 1)	0.1	(0.4)	-	-	(0.3)
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	-
Net changes arising from stage transfers	0.1	(0.3)	0.4	-	0.2
Other charges/(releases):					
New assets originated or purchased	0.4	-	-	-	0.4
Other changes to risk parameters	(0.8)	(0.6)	0.5	-	(0.9)
Redemptions and repayments	(0.1)	(0.8)	(0.1)	(0.1)	(1.1)
Net other charges/(releases)	(0.4)	(1.7)	0.8	(0.1)	(1.4)
Assets written off	-	-	(0.5)	-	(0.5)
At 30 June 2024	1.2	3.1	2.3	-	6.6

Allowance for losses – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	1.0	0.6	1.1	0.1	2.8
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	-	-	-	-	-
To credit impaired (stage 1 or 2 to 3)	-	-	-	-	-
To 12 month ECL (stage 2 to 1)	-	-	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	-
Net changes arising from stage transfers	-	-	-	-	-
Other charges/(releases):					
New assets originated or purchased	-	-	-	-	-
Other changes to risk parameters	-	(0.3)	(0.3)	-	(0.6)
Redemptions and repayments	(0.1)	0.1	(0.1)	0.1	-
Net other charges/(releases)	(0.1)	(0.2)	(0.4)	0.1	(0.6)
Assets written off	-	-	-	-	-
At 30 June 2024	0.9	0.4	0.7	0.2	2.2

Secured residential portfolio analysis

The following tables show the secured residential drawn balances (excluding Legacy) analysed by a number of key risk measurements. The portfolio has remained stable in size. Within this book 5.2% of balances have a probability of default (PD) of greater than 1% (31 December 2023: 4.2%), with the majority of the increase in the 1 to 3% PD band. The book is also subject to a range of forbearance measures which are detailed in the 2023 Annual Report and Accounts. There have been no changes in the measures since the December 2023 year end.

a) Loan-to-value (LTV) and repayment type

The table shows gross customer balances analysed by indexed LTV bandings (with interest only including mortgages on a part repayment/part interest basis).

	30 June 2024			31 December 2023		
LTV %	Capital repayment	Interest only	Total	Capital repayment	Interest only	Total
Less than 50%	6,161.4	922.4	7,083.8	6,000.0	934.1	6,934.1
50% to 60%	3,258.8	477.2	3,736.0	3,197.3	484.1	3,681.4
60% to 70%	3,283.9	203.7	3,487.6	3,348.3	225.7	3,574.0
70% to 80%	2,830.0	64.2	2,894.2	2,860.2	69.4	2,929.6
80% to 90%	1,787.0	8.4	1,795.4	1,478.1	10.9	1,489.0
90% to 100%	318.7	1.5	320.2	455.5	1.8	457.3
Greater than or equal to 100%	17.4	0.7	18.1	1.7	0.5	2.2
	17,657.2	1,678.1	19,335.3	17,341.1	1,726.5	19,067.6

b) Mortgage type

The table below shows gross customer balances for mortgages analysed by asset class. The LTV shown is the current indexed average percentage. 99.9% of the total book is classified as prime or buy-to-let mortgages. The higher risk self-certified, almost prime and non-conforming account for only 0.1% of the total book.

	30 June 2024			31 December 2023		
	Gross customer balance	Average LTV %	Interest only %	Gross customer balance	Average LTV %	Interest only %
Prime residential	18,008.4	56.4	3.3	17,644.4	56.3	3.1
Buy-to-let	1,297.9	48.1	82.6	1,396.7	49.2	82.5
Self-certified	17.4	34.8	92.9	17.0	34.1	92.9
Almost prime	9.5	36.0	53.7	7.2	28.9	37.3
Non-conforming	2.1	44.2	87.5	2.3	45.6	80.4
	19,335.3	55.8	8.7	19,067.6	55.7	9.1

c) UK regional distribution

The table below shows the analysis of LTVs and gross customer balances by UK regions. Regional split based on Government Office Regions. The largest sector of London & South East has an LTV broadly in line with the overall average; with no significant variation in the LTVs between the regions.

	30 June 2024		31 December 2023	
	Gross customer balance	LTV - %	Gross customer balance	LTV - %
London & South East	6,248.3	56.4	6,016.3	56.4
Northern England	4,424.0	55.6	4,430.2	56.1
Midlands & East Anglia	5,276.6	55.5	5,230.4	55.1
Wales & South West	2,306.3	54.4	2,316.4	54.6
Other	1,080.1	56.9	1,074.3	56.2
	19,335.3	55.8	19,067.6	55.7

Unsecured retail portfolio analysis

The table below shows the analysis of unsecured retail gross customer exposure by product. The decline reflects the continued lower usage of cards and overdrafts. The drawn balance has declined from a combined £235.3m to £228.2m.

30 June 2024	31 December 2023

	Gross customer exposure	ECL	Gross customer exposure	ECL
Credit cards	1,016.7	4.9	1,033.9	5.2
Overdrafts	179.6	3.4	180.6	3.9
	1,196.3	8.3	1,214.5	9.1

SME portfolio analysis

The table below shows the analysis of SME gross customer exposure by product. The movement is driven through Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce-Back loan repayments, offset by new lending (including commitments).

	30 June 2024		31 December 2023	
	Gross customer exposure	ECL	Gross customer exposure	ECL
Secured loans	297.8	2.1	255.2	2.9
Unsecured loans	223.5	4.5	215.6	5.6
	521.3	6.6	470.8	8.5

Sector analysis

The table below analyses the gross customer exposure for the SME by sector excluding FVTPL of £1.7m (31 December 2023: £1.8m). The exposure to higher-risk sectors is limited.

	30 June 2024		31 December 2023	
	Gross customer exposure	Of which CBIL/BBLS	Gross customer Exposure	Of which CBILS/BBLS
Commercial real estate	154.6	0.5	112.7	1.4
Business banking	137.7	103.2	152.7	120.8
Retail/wholesale	63.9	3.0	37.2	4.1
Food/hotel	39.8	10.7	41.2	11.4
Care	21.3	8.4	18.6	8.7
Charities	12.7	2.1	13.5	2.2
Education	10.2	2.1	11.7	3.7
Renewable energy	5.6	-	6.4	-
Financial/legal	4.2	0.3	4.0	0.4
Housing association	2.1	-	2.2	-
Other	69.2	11.8	70.6	15.8
	521.3	142.1	470.8	168.5

Legacy portfolio analysis

The table below shows the analysis of corporate legacy gross customer exposure by sector. As shown below the majority of the balance is either in the low-risk private finance initiative (PFI) or housing association (HA) sectors.

	30 June 2024		31 December 2023	
	Gross customer exposure	ECL	Gross customer exposure	ECL
PFI	355.5	1.7	372.5	2.1
HA	260.2	0.1	238.7	0.1
Other	13.1	-	16.4	0.1
	628.8	1.8	627.6	2.3
Less: FVTPL	(72.7)	-	(85.0)	-
Total corporate	556.1	1.8	542.6	2.3
Unsecured personal loans	0.4	0.1	0.5	0.1
Secured - Optimum	13.0	0.3	15.6	0.4
Total legacy	569.5	2.2	558.7	2.8

3. LIBOR transition

As of 30 June 2024, all IBOR-linked instruments to which the Group was a party have been migrated to replacement rates.

INDEPENDENT REVIEW REPORT TO THE CO-OPERATIVE BANK HOLDINGS P.L.C. REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed The Co-operative Bank Holdings p.l.c.'s condensed consolidated interim financial statements (the "interim financial statements") in the 2024 Interim Financial Report of The Co-operative Bank Holdings p.l.c. for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 30 June 2024;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2024 Interim Financial Report of The Co-operative Bank Holdings p.l.c. have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2024 Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The 2024 Interim Financial Report, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the 2024 Interim Financial Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the 2024 Interim Financial Report, including the interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the 2024 Interim Financial Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the Group for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester
25 July 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

£m

	Note	Six months ended 30 June 2024	2023
Interest income calculated using the effective interest method		483.5	413.9
Other interest and similar income		109.8	129.3
Interest income and similar income	4	593.3	543.2
Interest expense and similar charges	4	(363.8)	(298.1)
Net interest income		229.5	245.1
Fee and commission income		31.7	33.4
Fee and commission expense		(16.1)	(14.6)
Net fee and commission income		15.6	18.8
Other operating income (net)	5	5.0	4.0
Operating income		250.1	267.9
Operating expenses	6	(228.8)	(205.8)
Operating profit before net credit impairment gains/(losses)		21.3	62.1
Net credit impairment gains/(losses)	8	2.9	(0.3)
Profit before tax		24.2	61.8
Income tax	7	(8.8)	41.4
Profit for the period		15.4	103.2

The results above wholly relate to continuing activities.

The profit for the financial period is wholly attributable to equity shareholders.

Notes 1 to 18 form part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£m

	Six months ended 30 June 2024	2023
Profit for the period	15.4	103.2
Items that may be recycled to profit or loss:		
Changes in cash flow hedges:		
Transfers from equity to income or expense	(3.7)	(3.4)
Income tax	1.0	1.0
Changes in fair value through other comprehensive income:		
Net changes in fair value recognised directly in equity	23.5	18.0
Transfers from equity to income or expense	(19.2)	(16.1)
Income tax	-	-
Items that may not subsequently be recycled to profit or loss:		
Changes in net retirement benefit asset:		
Defined benefit plans losses for the period	(28.5)	(0.5)
Income tax	8.1	0.2
Other comprehensive expense for the period, net of income tax	(18.8)	(0.8)
Total comprehensive (expense)/income for the period	(3.4)	102.4

Notes 1 to 18 form part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

£m

	Note	30 June 2024	31 December 2023
Assets			
Cash and balances at central banks		2,549.3	2,708.3
Loans and advances to banks		408.6	212.6
Loans and advances to customers	8	20,357.5	20,149.4
Investment securities	9	1,929.9	2,088.3
Derivative financial instruments		283.9	309.1
Other assets		61.3	47.9
Property, plant and equipment		23.4	23.6
Intangible assets		109.6	114.0
Right-of-use assets		29.0	31.4
Current tax assets		0.6	4.3
Deferred tax assets	7	234.4	233.9
Net retirement benefit asset	13	120.5	148.5
Total assets		26,108.0	26,071.3

Liabilities			
Deposits by banks		3,898.7	4,288.9
Customer accounts		19,253.9	19,215.1
Debt securities in issue	10	499.5	-
Derivative financial instruments		48.9	110.3
Other liabilities		42.8	37.4
Accruals and deferred income		22.3	22.8
Provisions	11	59.8	60.6
Other borrowed funds	12	855.5	891.2
Lease liabilities		28.1	30.1
Net retirement benefit liability	13	5.4	5.9
Total liabilities		24,714.9	24,662.3

Capital and reserves attributable to the Group's equity holders			
Ordinary share capital	16	0.9	0.9
Share premium account	16	313.8	313.8
Retained earnings		2,100.7	2,097.8
Other reserves		(1,022.3)	(1,003.5)
Total equity		1,393.1	1,409.0
Total liabilities and equity		26,108.0	26,071.3

Notes 1 to 18 form part of these interim condensed consolidated financial statements.

Approved by the Board of The Co-operative Bank Holdings p.l.c. on 25 July 2024:

Bob Dench
Chair of the Board

Nick Slape
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

£m

	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash flows used in/(from) operating activities:		
Profit before tax	24.2	61.8

Adjustments for non cash movements:		
Pension scheme adjustments	(0.5)	(1.8)
Net credit impairment (gains)/losses	(2.9)	0.3
Depreciation, amortisation and impairment	16.9	17.5
Other non cash movements	65.5	55.5
Changes in operating assets and liabilities:		
Decrease in deposits by banks	(390.2)	(180.1)
Increase in prepayments	(18.2)	(7.2)
Decrease in accruals and deferred income	(0.5)	(5.6)
Increase/(decrease) in customer accounts	39.2	(556.1)
Increase in loans and advances to banks	(140.1)	(78.1)
Increase in loans and advances to customers	(254.7)	(193.8)
Decrease in debt securities in issue	-	(9.3)
Net movement of other assets and other liabilities	8.9	(67.6)
Income tax paid	(2.0)	(2.7)
Net cash flows used in operating activities	(654.4)	(967.2)

Cash flows from/(used in) investing activities:		
Purchase and construction of tangible and intangible assets	(19.2)	(23.7)
Purchase of investment securities	(694.8)	(628.3)
Proceeds from sale of shares and other interests	-	0.2
Proceeds from sale and maturity of investment securities	859.2	81.1
Proceeds from sale of investment properties	0.2	0.3
Dividends received	0.1	0.1
Net cash flows from/(used in) investing activities	145.5	(570.3)

Cash flows from/(used in) financing activities:		
Proceeds from issuance of Tier 2 notes and senior unsecured debt	-	199.3
Redemption of Tier 2 notes	(36.5)	-
Interest paid on Tier 2 notes and senior unsecured debt	(39.5)	(25.5)
Lease liability principal payments	(2.8)	(3.2)
Proceeds from issuance of debt securities	499.5	-
Dividends paid	(12.0)	-
Net cash flows from financing activities	408.7	170.6

Effect of exchange rate changes on cash and cash equivalents	(2.9)	-
Net decrease in cash and cash equivalents	(103.1)	(1,366.9)
Cash and cash equivalents at the beginning of the period	2,751.8	5,458.1
Cash and cash equivalents at the end of the period	2,648.7	4,091.2
Comprising of:		
Cash and balances with central banks	2,549.3	3,822.7
Loans and advances to banks	99.4	268.5

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

£m

	Six months ended 30 June 2024				Six months ended 30 June 2023			
	Lease liabilities	Other borrowed funds	Debt securities in issue	Total	Lease liabilities	Other borrowed funds	Debt securities in issue	Total
Balance at the beginning of the period	30.1	891.2	-	921.3	31.0	646.9	-	677.9
Changes from financing cash flows:								
Proceeds of issuance of debt securities			498.7	498.7			-	
Proceeds from issuance of Tier 2 notes and senior unsecured debt	-	-	-	-	-	199.3	-	199.3

Redemption of Tier 2 notes	-	(36.5)	-	(36.5)	-	-	-	-
Interest paid on Tier 2 notes and senior unsecured debt	-	(39.5)	-	(39.5)	-	(25.5)	-	(25.5)
Lease liability principal payments	(2.8)	-	-	(2.8)	(3.2)	-	-	(3.2)
Total changes from financing cash flows	27.3	815.2	498.7	1,341.2	27.8	820.7	-	848.5
Other changes:								
Interest payable on lease liabilities, Tier 2 notes and debt securities	0.5	38.8	0.8	40.1	0.5	27.4	-	27.9
Other non cash movements	-	1.5	-	1.5	-	1.7	-	1.7
Remeasurements of lease liabilities	0.3	-	-	0.3	1.9	-	-	1.9
Balance at the end of the period	28.1	855.5	499.5	1,383.1	30.2	849.8	-	880.0

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£m

Six months ended 30 June 2024	Share capital	Share premium	FVOCI reserve	Cash flow hedging reserve	Capital re-organisation reserve	Defined benefit pension reserve	Retained earnings	Total equity
At 31 December 2023	0.9	313.8	(8.0)	5.4	(1,011.4)	10.5	2,097.8	1,409.0
Total comprehensive income/(expense) for the period	-	-	4.3	(2.7)	-	(20.4)	15.4	(3.4)
Other movements	-	-	-	-	-	-	(0.5)	(0.5)
Dividend distribution	-	-	-	-	-	-	(12.0)	(12.0)
At 30 June 2024	0.9	313.8	(3.7)	2.7	(1,011.4)	(9.9)	2,100.7	1,393.1

Six months ended 30 June 2023	Share capital	Share premium	FVOCI reserve	Cash flow hedging reserve	Capital re-organisation reserve	Defined benefit pension reserve	Retained earnings	Total equity
At 31 December 2022	0.9	313.8	(5.3)	10.6	(1,011.4)	22.3	1,968.1	1,299.0
Total comprehensive income/(expense) for the period	-	-	1.9	(2.4)	-	(0.3)	103.2	102.4
At 30 June 2023	0.9	313.8	(3.4)	8.2	(1,011.4)	22.0	2,071.3	1,401.4

Year ended 31 December 2023	Share capital	Share premium	FVOCI reserve	Cash flow hedging reserve	Capital re-organisation reserve	Defined benefit pension reserve	Retained earnings	Total equity
At 31 December 2022	0.9	313.8	(5.3)	10.6	(1,011.4)	22.3	1,968.1	1,299.0
Total comprehensive (expense)/income for the year	-	-	(2.7)	(5.2)	-	(11.8)	129.7	110.0
At 31 December 2023	0.9	313.8	(8.0)	5.4	(1,011.4)	10.5	2,097.8	1,409.0

The Group interim condensed financial statements do not include all of the notes normally included in the Annual Report and Accounts.

Notes 1 to 18 form part of these interim condensed consolidated financial statements.

SELECTED NOTES TO THE FINANCIAL STATEMENTS

All amounts are stated in £m unless otherwise indicated

1. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

1.1 Basis of preparation

The Interim Financial Statements for the Group are for the six month period ended 30 June 2024 and are unaudited. The Group Interim Financial Statements have been prepared in accordance with UK-adopted International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

The Group Interim Financial Statements comprise the consolidated results and position of The Co-operative Bank Holdings p.l.c. (Holding Company) together with its subsidiaries (together, the Group).

1.2 Going concern

IAS 1 (Presentation of Financial Statements) requires Directors to make an assessment of a company's ability to continue as a going concern, and whether it remains appropriate to adopt the going concern basis of accounting in preparing the entity's financial statements. IAS 1 states that the information should cover at least 12 months from the end of the reporting period but not be limited to that period, and Financial Reporting Council (FRC) guidelines state that the information should consider a period of at least 12 months from the date the financial statements are authorised for issue. This assessment has therefore considered information in respect of the period ending 31 December 2025 (the 'assessment period').

When considering the going concern status of the Group, the Directors have referenced the FRC published guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (the '2016 Guidance').

The assessment is performed on the basis the Group remains compliant with all minimum capital and liquidity requirements. This has been considered against the backdrop of the principal risks faced by the Group as outlined in the risk management section, and included a detailed review of the forecast profitability, liquidity, capital resources, capital adequacy ratios and the associated binding minimum regulatory requirements as set out in the most recent long-term forecast reviewed by the Directors, which takes into account the Group's plans in respect of business activity, such as loan book growth, replacement of maturing debt instruments and capital distributions.

The Directors have considered a reverse stress test based on the June 2024 position and latest forecast. The Directors are satisfied that the Group has sufficient regulatory capital and liquidity, alongside an effective range of management actions if required, across the assessment period, for the accounts to be prepared on a going concern basis.

The Directors have also considered the expected sale of the Group to the Coventry Building Society (CBS) and have no reason to consider the Group would not be a Going Concern post the acquisition within the assessment period, on the basis that CBS' publicly stated intent is to keep the businesses separate 'for a number of years'.

As such, the Directors do not consider there to be a material uncertainty with regard to the Group's ability to remain compliant with its minimum binding regulatory requirements.

After considering the matters above, the Directors have a reasonable expectation that the Group will continue as a going concern with no material uncertainties over the assessment period. Accordingly, the accounts for period ended 30 June 2024 have been prepared on a going concern basis.

1.3 Material accounting policies

The accounting policies, presentation and methods of computation are consistent with those applied by the Group in its audited 2023 Annual Report and Accounts, which were prepared in accordance with UK-adopted international accounting standards and the provisions of the Companies Act 2006.

1.4 Standards and interpretations issued

The following standards and amendments to IFRSs became effective for annual reporting periods beginning on or after 1 January 2024 following endorsement by the UK Endorsement Board:

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements)
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

None of these standards or amendments had any significant impact on the Group on adoption.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial information requires management to make judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Assumptions and estimates are reviewed on an ongoing basis. Except as noted below, the accounting policies, presentation and methods of computation of critical accounting judgements and key sources of estimation uncertainty are consistent with those applied by the Group in the 2023 Annual Report and Accounts.

2.1 Loan impairment provisions

Further information on the Group's credit risk management practices are outlined in the risk management section 2. The Group has not significantly amended the nature of the judgements applied in estimating credit losses from those disclosed by the Group in its 2023 Annual Report and Accounts; however, certain key estimation assumptions have changed in the Group's most recent assessment of expected credit losses (ECL).

a) Collective impairment provisions – economic scenario selection and weighting sensitivity

The Group's approach to scenario selection and weighting is outlined in the explanatory information section 1.3.j.v of the Group's 2023 Annual Report and Accounts. The scenarios and weights used within the Group's ECL modelling process are shown below:

	30 June 2024	31 December 2023
Upside	20%	20%
Base	45%	45%
Mild downside	25%	20%
Downside	10%	10%
Stress downside	-	5%

At 30 June 2024, the Group has reduced the number of scenarios from five to four, removing the stress downside scenario. The severity of the current downside scenario is consistent with the previous stress downside scenario. In addition, the Group has made weighting shifts towards the mild downside scenario - if the 31 December 2023 weightings were applied to the 30 June 2024 modelled ECL (weighting the new downside scenario by 15%), it would increase by £0.4m.

The table below demonstrates the modelled ECL if 100% weighting was applied to each of the scenarios.

		Core				
30 June 2024	% applied in model	Retail secured	Retail unsecured	SME	Legacy & central items	Total
Upside	20%	1.2	6.7	1.2	1.4	10.5
Base	45%	1.5	6.9	1.2	1.4	11.0
Mild downside	25%	3.3	7.4	1.5	1.6	13.8
Downside	10%	8.6	7.9	1.8	1.7	20.0
Stress downside	-	-	-	-	-	-
Weighted average	100%	2.6	7.2	1.3	1.4	12.5

		Core				
31 December 2023	% applied in model	Retail secured	Retail unsecured	SME	Legacy & central items	Total
Upside	20%	1.3	7.1	1.6	1.7	11.7
Base	45%	2.5	7.3	1.8	1.7	13.3
Mild downside	20%	4.3	7.6	2.0	1.9	15.8
Downside	10%	6.1	7.9	2.2	2.0	18.2
Stress downside	5%	15.4	8.4	2.5	2.1	28.4
Weighted average	100%	3.6	7.5	1.9	1.8	14.8

The staging of individual loans contributing to the ECLs within the above table reflects the base case position only and no allowances for stage transfers have been made in fully weighted alternative scenarios; these should therefore not be considered reliable forecasts of expected losses under such economic conditions. In practice, if any such scenario were experienced in isolation it would be reasonable to expect customers to transfer between stages, which would affect the total ECL. It should also be noted that the above considers only modelled ECLs and not the impact of any judgemental adjustments. In practice, certain judgemental adjustments implemented by the Group may offset the modelled movements above to reduce the sensitivity of the overall ECL.

b) Collective impairment provisions – macroeconomic variables and sensitivities

The key forecast variables used within the Group's range of economic scenarios are depicted in the table below as the annual and average over the five-year forecast period used within all scenarios.

30 June 2024	2024	2025	2026	2027	2028	5 year average[5]	Jun-24 to peak	Jun-24 to trough
GDP[1]								
Upside	0.8%	1.9%	2.5%	2.8%	2.6%	1.9%	11.4%	0.0%
Base	0.7%	1.0%	1.2%	1.6%	1.7%	1.1%	6.5%	0.0%
Mild downside	0.3%	(2.0%)	0.8%	1.3%	1.4%	0.2%	1.7%	(2.5%)
Downside	0.0%	(4.1%)	0.9%	1.2%	1.2%	(0.2%)	0.0%	(5.0%)
Inflation[2]								
Upside	1.3%	1.1%	1.8%	1.8%	2.0%	1.7%	6.9%	0.0%
Base	2.6%	2.3%	2.0%	2.0%	2.0%	2.2%	10.0%	0.0%
Mild downside	3.3%	3.5%	3.0%	2.5%	2.0%	2.9%	13.6%	0.0%
Downside	4.6%	3.8%	1.8%	1.5%	1.8%	2.7%	13.0%	0.0%
HPI[2]								
Upside	3.5%	6.7%	8.0%	7.3%	5.1%	5.8%	31.8%	0.0%
Base	2.4%	2.6%	5.3%	4.8%	3.4%	3.5%	17.5%	0.0%

Mild downside	0.4%	(6.5%)	(3.7%)	4.3%	3.0%	(0.7%)	0.0%	(11.5%)
Downside	(1.3%)	(12.8%)	(14.9%)	4.4%	6.8%	(4.1%)	0.0%	(28.3%)
Unemployment[3]								
Upside	4.0%	3.6%	3.6%	3.6%	3.6%	3.7%	0.0%	(0.7%)
Base	4.4%	4.7%	4.8%	4.6%	4.4%	4.6%	0.6%	0.0%
Mild downside	4.7%	5.9%	6.3%	5.9%	5.5%	5.6%	2.2%	0.0%
Downside	5.2%	8.5%	8.0%	7.4%	6.8%	7.1%	4.2%	0.0%
Base rate[4]								
Upside	4.25%	2.50%	2.50%	2.50%	2.50%	3.15%	0.00%	(2.75%)
Base	4.75%	3.75%	3.50%	3.50%	3.50%	3.97%	0.00%	(1.75%)
Mild downside	5.25%	4.25%	4.00%	4.00%	4.00%	4.40%	0.00%	(1.25%)
Downside	6.00%	6.00%	5.00%	4.00%	3.00%	4.97%	0.75%	(2.25%)

1. Annual average YoY %
2. Q4 YoY %
3. Q4 %
4. Year-end %
5. Average of quarterly positions

As at 31 December 2023	2024	2025	2026	2027	2028	5 year average[5]	Dec-23 to peak	Dec-23 to trough
GDP[1]								
Upside	1.2%	1.9%	2.0%	2.6%	3.4%	2.0%	13.1%	0.0%
Base	0.1%	0.2%	0.8%	1.3%	1.7%	0.7%	4.8%	(0.0%)
Mild downside	(1.2%)	(0.4%)	0.9%	1.0%	1.4%	0.3%	2.2%	(2.1%)
Downside	(1.9%)	(1.3%)	1.0%	1.3%	1.6%	0.0%	1.1%	(3.6%)
Stress downside	(2.7%)	(2.0%)	1.0%	1.2%	1.2%	(0.3%)	0.0%	(5.0%)
Inflation[2]								
Upside	2.5%	1.6%	1.8%	1.8%	2.0%	2.1%	10.1%	0.0%
Base	3.1%	2.0%	2.0%	2.0%	2.0%	2.4%	11.6%	0.0%
Mild downside	4.7%	3.0%	2.5%	2.5%	2.0%	3.1%	15.6%	0.0%
Downside	7.8%	5.2%	3.0%	3.0%	2.0%	4.3%	22.7%	0.0%
Stress downside	11.2%	5.8%	1.8%	1.5%	1.3%	4.5%	23.6%	0.0%
HPI[2]								
Upside	3.0%	5.1%	5.5%	6.1%	7.7%	4.7%	30.7%	0.0%
Base	(5.6%)	2.0%	3.7%	4.1%	5.1%	1.2%	9.2%	(5.6%)
Mild downside	(7.2%)	(3.7%)	1.8%	2.0%	2.5%	(1.3%)	0.0%	(10.6%)
Downside	(9.6%)	(9.7%)	0.0%	2.4%	3.0%	(3.3%)	0.0%	(18.3%)
Stress downside	(13.5%)	(15.8%)	(2.3%)	7.1%	6.4%	(4.3%)	0.0%	(30.7%)
Unemployment[3]								
Upside	3.6%	3.6%	3.6%	3.6%	3.6%	3.7%	0.0%	(0.7%)
Base	4.7%	5.0%	5.1%	4.6%	4.1%	4.7%	0.8%	(0.2%)
Mild downside	5.1%	6.0%	6.2%	5.6%	5.0%	5.6%	2.2%	0.0%
Downside	5.4%	6.8%	7.1%	6.3%	5.5%	6.2%	3.2%	0.0%
Stress downside	7.6%	8.3%	7.7%	7.1%	6.5%	7.3%	4.2%	0.0%
Base rate[4]								
Upside	4.00%	3.00%	3.00%	3.00%	3.00%	3.39%	0.00%	(2.25%)
Base	4.50%	3.50%	3.50%	3.50%	3.50%	3.88%	0.00%	(1.75%)
Mild downside	5.00%	4.00%	4.00%	4.00%	4.00%	4.37%	0.50%	(1.25%)
Downside	3.25%	2.00%	2.00%	2.00%	2.00%	2.50%	0.00%	(3.25%)
Stress downside	6.00%	5.75%	4.75%	3.75%	3.50%	4.95%	0.75%	(1.75%)

1. Annual average YoY%
2. Q4 YoY%
3. Q4 %
4. Year-end %
5. Average of quarterly positions

The key parameters of the above scenarios are outlined in the table below:

GDP	Inflation	HPI	Unemployment	Base rate

Upside	Annual GDP growth increases by 0.8% in 2024 and 1.9% in 2025. Positive growth throughout the forecast, with levels increasing 11% from June 2024.	Inflation declines quicker than in the base, falling below the 2% target to 1.3% by Q4 2024, and reaching low point of 0.7% in Q2 2025. Inflation increases to 1.8% by Q4 2026 and back to 2% target by Q4 2028.	House price quarterly growth remains positive across the period. Prices increase 3.5% in 2024 and 6.7% in 2025. Prices exit 2028 32% higher than June 2024.	Unemployment improves to 4.0% by Q4 2024, and to 3.6% by Q2 2025. Level remains flat over the remainder of the forecast period.	Base rate cut 25bps at each meeting reaching 4.25% by Q4 2024, 50bps below the base at this time. Further 25bps cuts each meeting to terminal rate of 2.50% in Q4 2025.
Base	Annual GDP growth increased by 0.7% in 2024 and 1.0% in 2025. Positive quarterly growth throughout the forecast, with levels increasing 6% from June 2024 to December 2028.	Inflation increases to 2.6% by the end of 2024. Inflation falls back to the BoE's 2% target in Q2 2026. Inflation then remains at this level across the remainder of the forecast.	House price growth remains positive in 2024 with prices increasing 2.4%. Prices increase a further 2.6% in 2024. Prices exit 2028 17% higher than June 2024.	Unemployment deteriorates to 4.4% by Q4 2024, and peaks at 4.9% in Q3 2026. Unemployment improves from Q4 2026 to 4.4% by the end of the forecast period.	Base rate first cut 25bps in Q3, and 25bps in Q4 to 4.75% by end of 2024. Base rate then cut 25bps each quarter to 3.75% by Q4 2025, to terminal rate of 3.50% by Q1 2026.
Mild downside	Economy enters into four quarter recession from Q3 2024, with peak to trough fall of 2.5% by Q2 2025. Positive quarterly growth returns in Q3 2025 with levels exiting 2028 2% higher than June 2024.	Inflation rises above the base, exiting 2024 at 3.3% and increasing to 3.5% in Q4 2025. Inflation remains above the target throughout, falling to 2.0% in Q4 2028.	House price growth turns negative in Q3 2024 with a peak to trough fall of 12%. Positive quarterly growth returns in Q1 2027.	Unemployment deteriorates to 4.7% in Q4 2024, and peaks at 6.5% in Q2 2026.	Base rate remains at current level of 5.25% across 2024. First 25bps cut in Q1 2025, with 25bps cut each quarter thereafter to terminal rate of 4.0% in Q1 2026.
Downside	GDP annual average growth of 0.0% in 2024 as the economy enters into a four quarter recession with peak to trough fall of 5%. Positive quarterly growth returns in Q3 2025 however GDP levels exit 2028 1% lower than June 2024.	Inflation rises above the base in the short term to 4.6% from Q3 2024. Inflation improves from Q3 2025 falling below the 2% target in Q4 2026. Inflation returns back to 2% target outside of the planning window.	House prices decline 1.3% in 2024 and 12.8% in 2025 with a peak to trough fall of 28% by Q1 2027. Positive quarterly growth returns in Q2 2027. Prices exit 2028 20% lower than June 2024.	Unemployment deteriorates to 5.2% in Q4 2024 and peaks at 8.5% in Q4 2025.	Base rate increases 75bps in H2 2024 to 6.0% peak. Base rate remains at this level throughout 2025 with first 25bps cut in Q1 2026. Base rate is then cut 25bps each quarter to terminal level of 3.0% by Q4 2028.

The key changes to the base scenario forecasts over those in use at 31 December 2023 are:

- GDP – annual growth higher across the forecast due to benefits from measures announced in the Spring Budget, converging to the same growth rate by 2028.
- Inflation – improved in the short term due to reduced energy prices, higher in 2025 with both returning to the 2% target in 2026.
- HPI – improved growth in house prices with growth remaining positive throughout 2024 compared to fall in 2024 previously.
- Unemployment – lower levels in the short term due to improved economic output (GDP).
- Base rate – interest rates remain higher for longer exiting 2024 at 4.75% compared to 4.50% previously. Terminal rate of 3.5% remains in line.

Sensitivities

The Group has not made any significant changes to its IFRS 9 models in the period, the sensitivities of which are consistent with those disclosed by the Group in the 2023 Annual Report and Accounts.

c) Collective impairment provisions – post-model adjustments

The Group applies judgemental adjustments to its modelled outputs to capture risk characteristics for assets subject to collective provisioning but for which a specific risk characteristic is not captured within the collective models. These are typically implemented by the Group in the form of Post Model Adjustments (PMAs). The Group reviews judgemental adjustments on a quarterly basis to determine whether adjustments should be stood up, remeasured or retired. An overview of material judgemental adjustments is disclosed below:

	Core				
30 June 2024	Retail secured	Retail unsecured	SME	Legacy & unallocated	Total
Model assumption related PMAs	11.3	-	-	-	11.3
Affordability PMAs	0.7	1.1	2.3	-	4.1
Other PMAs	1.1	-	0.7	0.2	2.0

Total judgemental adjustments[1]	13.1	1.1	3.0	0.2	17.4

	Core				
31 December 2023	Retail secured	Retail unsecured	SME	Legacy & unallocated	Total
Model assumption related PMAs	10.4	0.6	-	0.1	11.1
Affordability PMAs	1.9	1.0	3.0	-	5.9
Other PMAs	1.1	-	1.5	0.1	2.7
Total judgemental adjustments[1]	13.4	1.6	4.5	0.2	19.7

1. Judgemental adjustments exclude operational model adjustments of £0.6m (31 December 2023: £1.3m) in respect of individually insignificant model corrections where management judgement does not have a substantial impact on the quantification of the adjustment. These are included in modelled ECL for internal and external reporting purposes.

	Nature of judgement	Application within ECL calculation	Criteria for removal
Model assumption related PMAs	Primarily that secured model understates risk due to book's relative immaturity and limited default experience	Stress factors are applied to modelled PDs and LTVs and additional stage 2 triggers based on consumer indebtedness levels are applied to uplift certain stage 1 customers to stage 2. As a measure of one of the key sensitivities within the PMA, if the 5% HPI stress factor applied in the PMA was reduced to nil, the PMA would decrease by £2.7m	PMA to remain long term as removal is dependent on the Group observing sufficient default and loss data points, through a full economic cycle
Affordability PMAs	All models considered to understate cost of living impacts on customer credit risk	Customers identified as being at a higher vulnerability to cost of living impacts based on a combination of stressed affordability tests (secured), consumer indebtedness levels (unsecured) and sector (SME) are uplifted from stage 1 to stage 2	Evidence of real wage growth and reduced level of inflation with stable arrears position
Other PMAs	There are certain other areas where models do not adequately capture certain identified risk factors, such as the potential exposure to reductions in value in flat properties, and EPC remediation. No PMA is individually significant	Various, depending on the nature of the PMA	Various, depending on the nature of the PMA

The key changes in judgemental adjustments during the period are primarily reductions in the affordability PMAs due either to improvements in affordability concerns, or SICR thresholds being met and impacted customers being moved to stage 2 in the Group's ECL models without the need for management adjustments.

d) Individual impairment provisions

As disclosed in the 2023 Annual Report and Accounts, the Group's individual impairment provisions of £2.9m (31 December 2023: £3.0m) are not sensitive to economic variables.

2.2 Effective interest rate (EIR)

When calculating the EIR to apply to an asset or liability held at amortised cost, the Group estimates future cash flows considering all contractual terms of an instrument and associated transaction costs. In most cases, the future cash flows arising from an asset or liability will be dependent on a number of variables, such as the proportion of mortgage customers who do not switch product after a discount period ends, or future interest rates set by the market. Therefore, it follows that management is required to apply significant judgement in creating assumptions about the value of these variables in the future.

At 30 June 2024, the Group recognised an EIR adjustment of £57.8m (31 December 2023: £63.3m) in respect of its fixed rate mortgage portfolio. Of this adjustment, £31.8m (31 December 2023: £37.3m) is attributable to fees charged and received in the mortgage origination process, and £26.0m (31 December 2023: £26.0m) is attributable to expectations of increased future income from those customers who revert to the Group's SVR. The element of the adjustment attributable to fees is neither significantly judgemental nor sensitive. However, the element of the adjustment attributable to future SVR income is subject to significant estimation uncertainty, with the two most sensitive variables being as follows:

a) Standard variable rate

The assumed SVR, which will be in effect at the end of a fixed rate product term, determines expected income to be received post-reversion. This is determined with reference to expected Bank of England base rate changes, with a proportion of future decreases assumed to pass through to the Group's standard variable rate.

As a measure of the sensitivity of this variable, a 50bp increase or decrease to the forecast SVR (currently 8.12% (31 December 2023: 8.12%) with rises tracking the base rate assumptions used within the central base rate forecast used in the Group's ECL model – see note 2.1 b)) following the expiry of the fixed rate period would result in a £2.5m (31 December 2023: £2.4m) increase or decrease respectively in the EIR asset within the loans and advances to customers balance.

b) Timing of redemptions (behavioural lives)

Once a customer reaches the expiry of the fixed rate period on the fixed product, interest is charged at the Group's SVR, which is higher than the product fixed rate. The amount of time that the customer stays on SVR affects the total lifetime income from the customer, which affects the EIR adjustment.

The Group typically expects all fixed rate mortgages to spend a weighted average of 0.48 months (31 December 2023: 0.48 months) on SVR. This is driven by an expectation of a weighted average of 8% (31 December 2023: 8%) of fixed rate mortgages to become chargeable for at least one month of SVR, and then remain on the SVR rate for a weighted average of 6 months (31 December 2023: 6 months). As a measure of the sensitivity of this variable, if the average time spent on SVR for those customers who spend at least 1 month on SVR increases or decreases by 1 month, the EIR asset would increase or decrease by £4.3m (31 December 2023: £4.4m) respectively, and if the proportion of balances reverting to SVR increases or decreases by 1%, the EIR asset would increase or decrease by £3.3m (31 December 2023: £3.3m).

3. SEGMENTAL INFORMATION

The Group provides a wide range of banking services within the UK. The Executive Committee (ExCo) has been determined to be the chief operating decision-maker of the Group. The Group's operating segments reflect its organisational and management structures in place at the reporting date. ExCo reviews information from internal reporting based on these segments in order to assess performance and allocate resources. The segments are differentiated by whether the customers are individuals or business entities. The operating costs of all business functions are allocated to the income-generating businesses. Treasury balances are included in legacy & unallocated to maintain clarity on underlying customer product balances.

	Core				
Six months ended 30 June 2024	Retail	SME	Total	Legacy & unallocated	Total
Net interest income	177.5	51.6	229.1	0.4	229.5
Other operating income	12.0	7.7	19.7	0.4	20.1
Operating income	189.5	59.3	248.8	0.8	249.6
Operating expenses	(169.6)	(33.9)	(203.5)	(25.3)	(228.8)
Net credit impairment gains	0.6	1.5	2.1	0.8	2.9
Non-operating income	-	-	-	0.5	0.5
Profit before tax	20.5	26.9	47.4	(23.2)	24.2

	Core				
Six months ended 30 June 2023	Retail	SME	Total	Legacy & unallocated	Total
Net interest income	199.2	45.2	244.4	0.7	245.1
Other operating income	12.8	8.3	21.1	0.3	21.4
Operating income	212.0	53.5	265.5	1.0	266.5
Operating expenses	(158.4)	(32.8)	(191.2)	(14.6)	(205.8)
Net credit impairment gains/(losses)	0.1	0.2	0.3	(0.6)	(0.3)
Non-operating income	-	-	-	1.4	1.4
Profit before tax	53.7	20.9	74.6	(12.8)	61.8

The table below represents the reconciliation of the underlying basis and the segmental note to the consolidated income statement. The underlying basis is the basis on which information is presented to the chief operating decision-maker and excludes the items below which are included in the statutory results. All reconciling items are included within the legacy & unallocated segment in calculating statutory profit before tax.

		Removal of:			
Six months ended 30 June 2024	IFRS statutory	Volatile items[1]	Strategic projects	Non recurring[2]	Underlying basis
Net interest income	229.5	-	-	-	229.5
Other operating income	20.6	(0.5)	-	-	20.1
Operating income	250.1	(0.5)	-	-	249.6
Operating expenses	(228.8)	-	6.2	17.2	(205.4)
Net credit impairment gains	2.9	-	-	-	2.9
Profit before tax	24.2	(0.5)	6.2	17.2	47.1
Cost:income ratio[3]	91%				82%

1. In the period ended 30 June 2024, this comprises gain on shares revaluation.
2. In the period ended 30 June 2024, this comprises other exceptional costs, predominantly relating to transaction and restructuring costs.
3. Cost:income ratio is calculated as (operating expenses + net customer redress release)/(operating income).

Six months ended 30 June 2023	IFRS statutory	Removal of: Volatile items[1]	Strategic projects	Non recurring[2]	Underlying basis
Net interest income	245.1	-	-	-	245.1
Other operating income	22.8	(0.9)	-	(0.5)	21.4
Operating income	267.9	(0.9)	-	(0.5)	266.5
Operating expenses	(205.8)	-	7.5	4.3	(194.0)
Net credit impairment losses	(0.3)	-	-	-	(0.3)
Profit before tax	61.8	(0.9)	7.5	3.8	72.2
Cost:income ratio[3]	77%				73%

1. In the period ended 30 June 2023, this comprises gain on shares revaluation.
2. In the period ended 30 June 2023, this comprises one-off income gains and other exceptional costs.
3. Cost:income ratio is calculated as (operating expenses + net customer redress release)/(operating income).

The table below represents the segmental analysis of assets and liabilities.

30 June 2024	Core Retail	Core SME	Core Total	Legacy & unallocated	Total
Segment assets	19,563.5	381.3	19,944.8	6,163.2	26,108.0
Segment liabilities	15,933.2	3,190.0	19,123.2	5,591.7	24,714.9

31 December 2023	Core Retail	Core SME	Core Total	Legacy & unallocated	Total
Segment assets	19,302.9	378.4	19,681.3	6,390.0	26,071.3
Segment liabilities	15,690.4	3,320.7	19,011.1	5,651.2	24,662.3

4. NET INTEREST INCOME

Interest income and similar income

	Six months ended 30 June 2024 Amortised cost	FVOCI	Other	Total	Six months ended 30 June 2023 Amortised cost	FVOCI	Other	Total
On financial assets not at fair value through profit or loss:								
Loans and advances to customers	359.0	-	-	359.0	299.6	-	-	299.6
Loans and advances to banks	74.9	-	-	74.9	94.6	-	-	94.6
Investment securities	1.6	48.0	-	49.6	1.4	18.3	-	19.7
	435.5	48.0	-	483.5	395.6	18.3	-	413.9
On financial assets at fair value through profit or loss:								
Loans and advances to customers	-	-	4.5	4.5	-	-	4.9	4.9
Net interest income on financial instruments hedging assets	-	-	88.5	88.5	-	-	98.6	98.6
Net interest income on financial instruments not in a hedging relationship	-	-	13.3	13.3	-	-	21.9	21.9
Net interest income on net defined benefit pension asset	-	-	3.5	3.5	-	-	3.9	3.9
Total net interest income	435.5	48.0	109.8	593.3	395.6	18.3	129.3	543.2

Interest expense and similar charges

	Six months ended 30 June 2024 Amortised cost	Other	Total	Six months ended 30 June 2023 Amortised cost	Other	Total
On financial liabilities not at fair value through profit or loss:						
Customer accounts	(193.2)	-	(193.2)	(123.8)	-	(123.8)
Subordinated liabilities, debt securities in issue and other deposits	(155.9)	-	(155.9)	(146.6)	-	(146.6)

Interest on lease liabilities	-	(0.5)	(0.5)	-	(0.5)	(0.5)
	(349.1)	(0.5)	(349.6)	(270.4)	(0.5)	(270.9)
On financial liabilities at fair value through profit or loss:						
Net interest expense on financial instruments hedging liabilities	-	(5.7)	(5.7)	-	(9.3)	(9.3)
Net interest expense on financial instruments not in a hedging relationship	-	(8.3)	(8.3)	-	(17.8)	(17.8)
Net interest expense on unfunded pension obligations	-	(0.2)	(0.2)	-	(0.1)	(0.1)
Total interest expense and similar charges	(349.1)	(14.7)	(363.8)	(270.4)	(27.7)	(298.1)

5. OTHER OPERATING INCOME (NET)

	Six months ended 30 June 2024	2023
Gain on sale of investment securities	0.2	0.1
Gain on sale of loans and advances to customers	-	0.3
Fair value movement on loans and advances to customers designated at fair value	(2.2)	(3.0)
Income from derivatives and hedge accounting	2.8	2.8
(Expense)/Income from assets and liabilities held at fair value through profit or loss[1]	(0.3)	0.6
Foreign currency transactions	2.9	3.0
Other operating income	1.6	0.2
Total other operating income	5.0	4.0

1. (Expense)Income from assets and liabilities held at fair value through profit or loss of £0.3m (30 June 2023: £0.6m) include £0.4m gain on equity shares (30 June 2023: £0.8m).

6. OPERATING EXPENSES

	Six months ended 30 June 2024	2023
Staff costs	86.3	76.7
Depreciation, amortisation and impairment of fixed assets[1]	16.9	17.5
Technology costs	31.7	23.6
Outsourced operations	24.1	26.8
Professional services and IT consultancy costs	22.7	22.3
Property costs	5.6	5.8
Credit checking and screening	3.5	4.4
Regulatory levies	1.7	1.9
Other expenses	36.3	26.8
Total operating expenses	228.8	205.8

1. Mainly comprises amortisation of intangible assets of £11.4m (30 June 2023: £11.5m).

7. INCOME TAX AND DEFERRED TAX

	Six months ended 30 June 2024	2023
Current tax charge	-	3.7
Deferred tax charge/(credit)	8.8	(45.1)
Total tax charge/(credit)	8.8	(41.4)

In addition to the above, included within other comprehensive income is a deferred tax credit of £9.3m (2023: credit of £1.2m).

The tax on the profit before tax differs from the theoretical amount that would arise using the standard corporation tax rate in the UK as follows:

	Six months ended 30 June 2024	2023
Profit before tax	24.2	61.8
Tax charge calculated at a rate of 25% (2023: 23.52%)	6.0	14.5
Effects of:		
Expenses not deductible for tax purposes	2.4	0.4
Impact of banking surcharge on deferred tax	1.0	(4.3)
Movement in previously unrecognised deferred tax	(0.6)	(49.0)
Impact of tax rate changes on deferred tax	-	(3.1)
Banking surcharge	-	0.1
Total tax charge/(credit)	8.8	(41.4)

The movement in unrecognised deferred tax represents the recognition of historical tax losses, previously derecognised, that are brought onto the balance sheet reflecting their expected utilisation against future probable taxable profits.

For the year ended 31 December 2023, the Group considered a number of future profitability scenarios based on the most recent Board approved plan, including both upside and downside scenarios, and estimated the utilisation of historical tax losses to determine a range of deferred tax asset ("DTA") values. A range approach is considered to be appropriate in estimating the DTA due to the inherent uncertainty in forecasting future profits. The latest profit forecasts are consistent with the Board approved plan and so there have been no changes to the DTA range as established at year ended 31 December 2023. The recognised DTA on losses continues to fall within the range established at year ended 31 December 2023. The Group has unrecognised DTAs totalling £423.8m (31 December 2023: £424.5m).

The UK corporation tax rate increased from 19% to 25% on 1 April 2023. The rate for the year ended 31 December 2023 was 23.52% and is 25% for the year ended 31 December 2024 onwards. The banking surcharge of 8% also applies to The Co-operative Bank p.l.c. The banking surcharge reduced from a rate of 8% to 3% on 1 April 2023, and is chargeable on banking profits above £100m (previously £25m). From 1 April 2023, the combined rate of tax on banking profits in excess of £100m is 28%.

Deferred tax assets and liabilities have been calculated by reference to the appropriate rate based on the forecast reversals of the related temporary differences.

Movements on deferred tax are as follows:	Six months ended 30 June 2024	Year ended 31 December 2023
Deferred tax at the beginning of the period	233.9	167.4
(Charged)/credited to the income statement	(8.8)	59.9
Credited to other comprehensive income	9.3	6.6
Deferred tax at the end of the period	234.4	233.9

Deferred tax at the end of the period comprises the following temporary differences:	30 June 2024	31 December 2023
Losses	197.5	197.5
Capital allowances on fixed assets	75.4	83.8
Retirement benefits	(33.7)	(41.5)
Other temporary differences	(4.8)	(5.9)
Deferred tax at the end of the period	234.4	233.9

The Group's effective tax rate remains difficult to predict due to the movement in unrecognised DTAs. As such, the tax charge for the six months ended 30 June 2024 reflects a year to date actual tax calculation which is considered to be the best estimate of the effective tax rate for the year.

Pillar Two model rules: Amendments to IAS 12 were issued in May 2023 and received endorsement for use in the UK in July 2023. Pillar Two legislation was enacted in the UK on 11 July 2023. The legislation is effective for the Group's financial year beginning 1 January 2024. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the Organisation for Economic Co-operation and Development Pillar Two model rules. The Group applied the temporary exception for the year ended 31 December 2023 and for the six months to 30 June 2024. The Group is in scope of the enacted legislation that affects UK groups and performed an initial assessment of the Group's potential exposure to Pillar Two income taxes based on the year ended 31 December 2023 results. Based on this assessment, the Pillar Two effective tax rate in the UK is above 15% and the Group does not currently expect a potential exposure to Pillar Two top-up taxes.

8. LOANS AND ADVANCES TO CUSTOMERS

Analysis of the balance sheet

	30 June 2024	31 December 2023
Gross loans and advances	20,596.1	20,354.3
Less: allowance for losses	(32.8)	(37.4)
Fair value adjustment for hedged risk	(205.8)	(167.5)
Total loans and advances to customers net of allowance for losses	20,357.5	20,149.4

Loans and advances to customers include £74.4m (31 December 2023: £93.1m) of financial assets designated at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency; of these, £38.7m (31 December 2023: £50.1m) are secured by real estate collateral.

For stage allocation and analysis, refer to the credit risk section of the risk management report.

Certain loans and advances to customers have been pledged by the Group; see note 14 for further details on encumbered and pledged assets.

Analysis of allowance for impairment losses

	Retail	SME	Legacy & unallocated	Total
At 31 December 2023	26.1	8.5	2.8	37.4
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2 or 3)	4.6	0.2	-	4.8
To credit impaired (stage 1 or 2 to 3)	1.6	0.3	-	1.9
To 12 month ECL (stage 2 or 3 to 1)	(6.1)	(0.3)	-	(6.4)
From credit impaired (stage 3 to 2)	(0.1)	-	-	(0.1)
Net changes arising from stage transfers	-	0.2	-	0.2
Other charges/(releases):				
New assets originated or purchased	1.4	0.4	-	1.8
Other changes to risk parameters	0.1	(0.9)	(0.6)	(1.4)
Redemptions and repayments	(1.6)	(1.1)	-	(2.7)
Net other releases	(0.1)	(1.4)	(0.6)	(2.1)
Assets written off	(2.0)	(0.5)	-	(2.5)
At 30 June 2024	24.0	6.6	2.2	32.8

Analysis of income statement

	Six months ended 30 June 2024	2023
Net other releases/(charges)	2.1	(1.0)
Amounts recovered against amounts previously written off	0.4	0.1
Adjustment to recognise interest on stage 3 assets based on their net carrying value	0.4	0.5
Portfolio sale/financial guarantees impairment releases	-	0.1
Net impairment gains/(losses) for the period as shown in the income statement	2.9	(0.3)

9. INVESTMENT SECURITIES

Analysis of investment securities

	30 June 2024				31 December 2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
Investment securities[1] (listed)	51.5	1,875.9	2.5	1,929.9	47.2	2,037.8	3.3	2,088.3

1. Investment securities are shown net of impairment (nil for the current and previous periods).

Movement in investment securities

	30 June 2024				31 December 2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
At the beginning of the period	47.2	2,037.8	3.3	2,088.3	56.4	883.3	3.0	942.7
Acquisitions	23.0	647.7	24.1	694.8	-	1,542.7	-	1,542.7
Disposals and maturities	(18.7)	(816.2)	(24.1)	(859.0)	(9.2)	(425.4)	-	(434.6)
FVOCI	-	4.3	-	4.3	-	(2.7)	-	(2.7)
Fair value through profit or loss	-	(8.7)	(0.8)	(9.5)	-	27.5	0.3	27.8
Amortisation of discount and premium	-	7.5	-	7.5	-	4.3	-	4.3
Movement in interest accrual	-	3.5	-	3.5	-	8.1	-	8.1
At the end of the period	51.5	1,875.9	2.5	1,929.9	47.2	2,037.8	3.3	2,088.3

Certain investment securities have been pledged or transferred by the Group; see note 14 for further details on encumbered and pledged assets.

Analysis of investment securities by issuer

	30 June 2024	31 December 2023
Investment securities issued by public bodies:		
Government securities	486.9	527.5
Other public sector securities	328.2	319.4
Total investment securities issued by public bodies	815.1	846.9
Other debt securities:		
Other floating rate notes	1,018.3	1,124.9
Mortgage backed securities	96.5	116.5
Total other debt securities	1,114.8	1,241.4
Total investment securities	1,929.9	2,088.3

Other floating rate notes (FRNs) are sterling-denominated, with contractual maturities ranging from six months to five years from the balance sheet date.

10. DEBT SECURITIES IN ISSUE

	Issue date	Maturity date	Optional maturity extension	30 June 2024	31 December 2023
Covered bonds					
SONIA + 53bps Series 2024-1 Floating Rate	June 2024	June 2027	June 2028	500.0	-
Issue costs and accrued interest				(0.5)	-
				499.5	-

Debt securities in issue is comprised of a single covered bond issued in June 2024 to meet Group liquidity needs. All instruments are listed on the London Stock Exchange.

11. PROVISIONS

	Property	Employee pay	Conduct / legal	Other	Total
At 31 December 2023	7.4	20.7	29.4	3.1	60.6
Provided in the period:					
Right-of-use asset	0.6	-	-	-	0.6
Operating expenses	(0.3)	8.5	0.2	7.4	15.8
Utilised during the period	(0.3)	(10.7)	(2.3)	(3.9)	(17.2)
At 30 June 2024	7.4	18.5	27.3	6.6	59.8
Amounts falling due within one year	4.0	6.2	27.3	6.6	44.1
Amounts falling due after one year	3.4	12.3	-	-	15.7
Total provisions	7.4	18.5	27.3	6.6	59.8

Property

The Group has a number of leasehold properties for which dilapidation provisions are recorded to the extent that the Group has incurred an obligation to restore a property to a defined state of repair and/or any dilapidation clauses within the contract have been invoked.

Employee pay

Provisions are recognised in respect of employee remuneration, including staff bonuses and various other incentive plans, the details of which are disclosed within the 2023 Annual Report and Accounts. Of these liabilities, £11.1m (31 December 2023: £9.5m) are classed as share based payments under IFRS 2. The liabilities currently recognised on the Group's balance sheet in respect of variable pay do not currently include the impact of any accelerated vesting of LTIPs, or crystallisation of other incentive plans contingent on the sale of the Group to Coventry Building Society whilst the terms of the transaction remain subject to regulatory approval.

Conduct / legal

In November 2023, the Group received two final decisions from the Financial Ombudsman Service (FOS) that partly upheld complaints brought by customers regarding historical changes to the Standard Variable Rate (SVR) within a closed book of mortgages acquired by the Group as part of its merger with the Britannia Building Society in 2009. In light of these decisions, the Board approved proposals from management to take proactive steps concerning other closed-book SVR customers, regardless of whether or not they had complained. It was concluded that eligible closed-book SVR customers impacted by the decisions will be partially refunded historically charged interest, in line with the Bank's obligations under the FCA's complaint handling rules.

The provision currently recognised by the Group in respect of this matter is £26.3m (31 December 2023: £28.9m) in respect of its best estimates of interest rate refunds, compensatory interest, and the cost to deliver a proactive redress scheme that the Group has set out in discussions with key stakeholders. The reduction in the provision in the period reflects payments made to impacted customers and associated operational costs; the Group anticipates settling the vast majority of the remaining liability during 2024. Within the parameters of the agreed redress scheme, the Group considers there to be a relatively low degree of estimation uncertainty. This notwithstanding, there remain a number of uncertain contingent events that could lead to increases in the provision recognised. The Group does not currently consider additional outflows probable.

Beyond this, in the ordinary course of business, the Group may be subject to complaints or legal claims from customers, suppliers or other parties. Consideration of such complaints and claims may result in a contingent liability, a provision, or both. At the balance sheet date no such matters beyond the matter mentioned above are considered to be material, or have evolved significantly since the year end.

Other

Other provisions primarily include severance costs related to organisational restructures announced in the period.

12. OTHER BORROWED FUNDS

	Issue date	Call date	Maturity date	30 June 2024	31 December 2023
Tier 2-qualifying liabilities					
9.5% fixed rate reset callable subordinated notes	April 2019	April 2024	April 2029	-	36.5
11.75% fixed rate reset callable subordinated notes	Nov 2023	May 2029	May 3034	200.0	200.0
MREL-qualifying liabilities					
9.0% fixed rate reset callable senior unsecured notes	Nov 2020	Nov 2024	Nov 2025	200.0	200.0
6.0% fixed rate reset callable notes	April 2022	April 2026	April 2027	250.0	250.0
9.5% fixed rate reset callable senior unsecured notes	May 2023	May 2027	May 2028	200.0	200.0
Fixed rate subordinated notes				850.0	886.5
Issue costs, discounts and accrued interest				5.5	5.2
Fair value hedge accounting adjustment				-	(0.5)
				855.5	891.2

Other borrowed funds comprise various subordinated liabilities issued to meet the Group's Minimum Requirements for own funds and Eligible Liabilities and Tier 2 capital requirements. The Tier 2 qualifying liabilities rank junior to the MREL-qualifying liabilities, which rank *pari passu* amongst themselves. All instruments are listed on the London Stock Exchange.

13. RETIREMENT BENEFITS

Details of the pension schemes operated by the Group are provided in the 2023 Annual Report and Accounts. The amounts recognised in the balance sheet in relation to defined benefit schemes are as follows:

	31 December 2023	Movement	30 June 2024
Retirement benefit net surplus	148.5	(28.0)	120.5
Retirement benefit liabilities	(5.9)	0.5	(5.4)
Total amounts recognised in the balance sheet	142.6	(27.5)	115.1
Represented by:			
Funded DB schemes (Pace DB and BPS)	148.5	(28.0)	120.5
Unfunded DB schemes	(5.9)	0.5	(5.4)
Total amounts recognised in the balance sheet	142.6	(27.5)	115.1

The present value of the defined benefit obligation as at 30 June 2024 has been derived using assumptions that are consistent with those used for 31 December 2023, updated for market conditions at the reporting date. Refer below for more information on financial assumptions at the reporting date.

BPS employs a liability-driven investment strategy with the objective of hedging the impact to liabilities, on the technical provisions basis, of changes in interest rates and inflation. Accordingly, on an accounting basis, the reduction in assets tends to exceed the reduction in accounting liabilities driven by rising interest rates, and, together with scheme expenditure and losses incurred on sale of direct lending assets within the portfolio, has driven a reduction in the net surplus position. An experience loss following the completion of the 2023 triennial valuation in June 2024 has further contributed to a decrease in the retirement benefit asset for BPS, partially offset by net interest income earned and contributions paid into the scheme.

Pace employs a strategy to invest in annuities to substantially mitigate the primary investment and longevity risks arising in the scheme, through full risk transfer to specialist insurers. These annuities, which now make up the vast majority of Pace's assets, are valued in such a way that they match the associated liabilities that have been insured. Consequently, movements in the Bank's retirement benefit net surplus for Pace between periods is predominantly a result of cash used to fund scheme expenses.

The key assumptions used to determine the funded and unfunded pension obligations for accounting purposes are set out in the following tables:

	30 June 2024	31 December 2023
Discount rate	5.20%	4.70%
Revaluation in deferment (CPI) - BPS	2.60%	2.50%
Revaluation in deferment (CPI) - Pace DB	2.50%	2.40%
Future pension increases where capped at 5.0% per annum (CPI)	2.60%	2.50%
Future pension increases where capped at 5.0% per annum, minimum 3.0% (CPI)	3.40%	3.40%
Future pension increases where capped at 6.0% per annum (RPI)	3.10%	3.00%
Future pension increases where capped at 5.0% per annum (RPI)	3.00%	2.90%
Future pension increases where capped at 2.5% per annum (RPI)	2.20%	2.10%

The measurement of the Group's defined benefit liabilities are sensitive to changes in certain key assumptions, which are described below. The methods used to carry out the sensitivity analyses presented below for the material assumptions are the same as those the Group has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related; for example, if the scenario is to show the effect of inflation being higher than expected, it might be reasonable to expect that nominal yields on corporate bonds would increase as well, whilst the annuity policies held by Pace are designed to fully offset changes in liabilities. However, it enables the reader to isolate one effect from another.

Discount rate	This has been selected following actuarial advice received by the Group, taking into account the duration of the liabilities. An increase in the discount assumption of 0.5% would result in a £84.9m decrease in the present value of the defined benefit obligation. A decrease in the discount assumption of 0.5% would result in a £94.5m increase in the present value of the defined benefit obligation.
Inflation	Inflation is a significant assumption as it is used to determine salary-related benefits and pension increases before and after retirement. A decrease in the inflation assumption of 0.5% would result in a £63.9m decrease in the present value of the defined benefit obligation. An increase in the inflation assumption of 0.5% would result in a £65.6m increase in the present value of the defined benefit obligation.
Mortality rates	The mortality assumptions adopted are based on those recommended by the actuary that advises management and reflect the most recent information as appropriate. The impact on the liability if members were assumed to live for one year longer against the current mortality assumption would increase the present value of the defined benefit obligation by £38.0m.

14. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES

There have been no significant changes to the position of the Group's contingent liabilities, contractual commitments and guarantees as disclosed in the 2023 Annual Report and Accounts, except as disclosed below.

The tables below provide the contractual amounts of contingent liabilities and commitments. The contractual amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk.

	30 June 2024	31 December 2023
Contingent liabilities arising from customer transactions:		
Guarantees and irrecoverable letters of credit	2.5	2.4
Other commitments arising from customer transactions:		
Undrawn formal standby facilities, credit lines and other commitments to lend (includes revocable and irrevocable commitments)[1]	1,942.8	1,559.8
	1,945.3	1,562.2

1. Revocable commitments represent unused credit card limits of £800.2m (31 December 2023: £810.3m).

Encumbered and pledged assets

The Group pledges certain assets as collateral to third parties as part of its day-to-day activities. The carrying value of amounts pledged to each counterparty types, as well as a high level summary of the terms of the arrangements, is provided below.

30 June 2024	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	4,610.9	-	4,610.9
Covered bonds	-	12.9	1,457.2	-	1,470.1
Pension scheme contingent security	-	25.0	-	47.3	72.3
Payment scheme collateral	280.0	50.6	-	-	330.6
Interest rate swap collateral	-	0.3	-	135.4	135.7
Other	-	27.6	-	150.4	178.0
Total assets pledged	280.0	116.4	6,068.1	333.1	6,797.6

31 December 2023	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	5,170.2	-	5,170.2
Covered bonds	-	-	-	-	-
Pension scheme contingent security	-	47.2	212.3	-	259.5
Payment scheme collateral	280.0	49.5	-	-	329.5
Interest rate swap collateral	-	27.8	-	167.1	194.9
Other	-	22.2	-	137.2	159.4
Total assets pledged	280.0	146.7	5,382.5	304.3	6,113.5

- Term Funding Scheme with incentives for SME – residential mortgages pledged as collateral against the Group's drawings from the Bank of England's Term Funding Scheme.
- Covered bonds – residential mortgages pledged as collateral against bonds issued by the Group. Payments to bondholders are guaranteed under the covered bond structure, whereby they receive priority of payments from the mortgage assets that have been pledged as collateral.
- Pension scheme contingent security – contingent security provided by the Group to its defined benefit pension schemes. Security has been pledged primarily in the form of AAA-rated bonds, which can be substituted for further high-quality investment securities, and cash held in custody for the benefit of the Pace scheme in lieu of deficit recovery contributions. These assets can only be accessed by the trustees on the occurrence of certain events, including if the Group was unable to meet future contribution obligations, as may be agreed with the relevant scheme trustee, or insolvency.
- Payment scheme collateral – collateral posted as part of the Group's involvement in transactional payment schemes, including Visa and BACS.
- Interest rate swap collateral – collateral posted by the Group against derivative contract exposures as part of its interest rate risk hedging activities.
- Other – primarily relates to investment securities pledged to cover essential operational continuity costs that would be incurred if the Group were to be put into resolution.

Transferred assets not derecognised

In certain circumstances the Group sells assets to third parties in arrangements where the risk and reward has not been fully transferred. In these instances, the Group retains the asset on its balance sheet, but reflects a liability to the third party for amount due under the arrangement. These primarily relate to repurchase agreements ('repos') and are quantified below:

	30 June 2024		31 December 2023	
	Assets not derecognised	Associated liabilities	Assets not derecognised	Associated liabilities
Repurchase agreements				
Investment securities	59.7	-	54.9	-
Deposits by banks	-	62.9	-	53.4
Total	59.7	62.9	54.9	53.4

Unconsolidated structured entities

Details of the interests in unconsolidated structured entities are disclosed in note 35 of the 2023 Annual Report and Accounts, and there has been no significant change in the nature of the transactions in these entities since this was published.

15. RELATED PARTY TRANSACTIONS

During the period to 30 June 2024 there have been no changes to the nature of the related party transactions disclosed in note 31 of the 2023 Annual Report and Accounts that would materially affect the position or performance of the Group.

16. SHARE CAPITAL

	30 June 2024		31 December 2023	
	No. of shares (millions)	Value	No. of shares (millions)	Value
Share capital allotted, called up and fully paid				
At the beginning and end of the period	9,029.1	0.9	9,029.1	0.9
Share premium account				
At the beginning and end of the period		313.8		313.8

There are 9,029,130,200 A shares (31 December 2023: 9,029,130,200) and 83 B shares (31 December 2023: 83) in The Co-operative Bank Holdings p.l.c. The holders of the ordinary A shares do not hold any voting rights but are entitled to participate in distributions and to receive a dividend on liquidation. The B shareholders have one vote for every share held and also benefit from certain governance, notification and approval rights with respect to the Holding Company, but have no rights to distributions. B shareholders are also, on a qualifying 'exit' event, entitled to a priority payment of £25.0m in aggregate, subject to achieving a minimum valuation threshold. Whilst it is expected this threshold will be met as part of the expected sale of the Group to Coventry Building Society, this will have no impact on the Group's financial statements, as the arrangement simply reflects a priority payment of sale proceeds prior to allocation of remaining sale proceeds to A shareholders.

The Co-operative Bank Holdings p.l.c. paid a final dividend in respect of the year ended 31 December 2023 of £12.0m, equating to 0.13290 pence per ordinary A share in The Co-operative Bank Holdings p.l.c.

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The methodology and assumptions for determining the fair value of financial assets and liabilities are consistent with those disclosed in the 2023 Annual Report and Accounts.

Balance sheet classification and measurement category

The tables below analyse the balance sheet carrying values of financial assets and liabilities by classification.

		Measured at fair value				
30 June 2024	Amortised cost	FVOCI	FVTPL – designated	FVTPL – mandatorily measured	Derivatives in a hedging relationship	Total
Financial assets						
Cash and balances at central banks	2,549.3	-	-	-	-	2,549.3
Loans and advances to banks	408.6	-	-	-	-	408.6
Loans and advances to customers[1]	20,282.4	-	74.4	0.7	-	20,357.5
Investment securities	51.5	1,875.9	-	2.5	-	1,929.9
Derivative financial instruments	-	-	-	14.9	269.0	283.9
Equity shares	-	-	-	12.9	-	12.9
Other assets	3.6	-	-	-	-	3.6
Total financial assets	23,295.4	1,875.9	74.4	31.0	269.0	25,545.7
Financial liabilities						
Deposits by banks	3,898.7	-	-	-	-	3,898.7
Customer accounts[1]	19,253.9	-	-	-	-	19,253.9
Debt securities in issue	499.5	-	-	-	-	499.5
Derivative financial instruments	-	-	-	9.2	39.7	48.9
Other borrowed funds	855.5	-	-	-	-	855.5
Other liabilities	39.0	-	-	-	-	39.0
Total financial liabilities	24,546.6	-	-	9.2	39.7	24,595.5

1. Net of Fair Value Adjustment for Hedged Risk.

All other balance sheet categories represent non-financial assets and liabilities.

		Measured at fair value				
31 December 2023	Amortised cost	FVOCI	FVTPL – designated	FVTPL – mandatorily measured	Derivatives in a hedging relationship	Total
Financial assets						

Cash and balances at central banks	2,708.3	-	-	-	-	2,708.3
Loans and advances to banks	212.6	-	-	-	-	212.6
Loans and advances to customers[1]	20,059.7	-	89.0	0.7	-	20,149.4
Investment securities	47.2	2,037.8	-	3.3	-	2,088.3
Derivative financial instruments	-	-	-	29.6	279.5	309.1
Equity shares	-	-	-	12.6	-	12.6
Other assets	9.8	-	-	-	-	9.8
Total financial assets	23,037.6	2,037.8	89.0	46.2	279.5	25,490.1
Financial liabilities						
Deposits by banks	4,288.9	-	-	-	-	4,288.9
Customer accounts[1]	19,215.1	-	-	-	-	19,215.1
Debt securities in issue	-	-	-	-	-	-
Derivative financial instruments	-	-	-	26.9	83.4	110.3
Other borrowed funds	891.2	-	-	-	-	891.2
Other liabilities	33.6	-	-	-	-	33.6
Total financial liabilities	24,428.8	-	-	26.9	83.4	24,539.1

1. Net of Fair Value Adjustment for Hedged Risk.

Valuation of financial assets and liabilities measured at fair value

The carrying values of financial assets and liabilities measured at fair value are analysed in the following tables by the three level fair value hierarchy defined as follows:

- Level 1 – Quoted market prices in active markets;
- Level 2 – Valuation techniques using observable inputs; and
- Level 3 – Valuation techniques using unobservable inputs.

		Fair value at end of the reporting period using:			
30 June 2024	Category	Level 1	Level 2	Level 3	Total
Non-derivative financial assets					
Loans and advances to customers	FVTPL – designated	-	73.4	1.0	74.4
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.7	0.7
Investment securities	FVOCI	1,860.9	-	15.0	1,875.9
Investment securities	FVTPL – mandatorily measured	-	-	2.5	2.5
Equity shares	FVTPL – mandatorily measured	-	-	12.9	12.9
Derivative financial assets		-	283.9	-	283.9
Non-financial assets:					
Investment properties		-	-	1.6	1.6
Total assets carried at fair value		1,860.9	357.3	33.7	2,251.9
Derivative financial liabilities		-	48.9	-	48.9
Total liabilities carried at fair value		-	48.9	-	48.9

		Fair value at end of the reporting period using:			
31 December 2023	Category	Level 1	Level 2	Level 3	Total
Non-derivative financial assets					
Loans and advances to customers	FVTPL – designated	-	87.9	1.1	89.0
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.7	0.7
Investment securities	FVOCI	2,019.7	-	18.1	2,037.8
Investment securities	FVTPL – mandatorily measured	-	-	3.3	3.3
Equity shares	FVTPL – mandatorily measured	-	-	12.6	12.6
Derivative financial assets		-	309.1	-	309.1
Non-financial assets:					
Investment properties		-	-	1.7	1.7
Total assets carried at fair value		2,019.7	397.0	37.5	2,454.2
Derivative financial liabilities		-	110.3	-	110.3
Total liabilities carried at fair value		-	110.3	-	110.3

Key elements of the valuation techniques, inputs and assumptions used in measuring the fair value of level 2 and 3 financial assets are as follows:

- Loans and advances to customers

Loans and advances to customers primarily comprise of corporate loans of £73.4m as at 30 June 2024 (31 December 2023: £85.0m) which are fair valued through profit or loss using observable inputs. Loans held at fair value are valued at the sum of all future expected cash flows, discounted using a yield curve based on observable market inputs.

- Derivative financial instruments

Over-the-counter (i.e. non-exchange traded) derivatives are valued using valuation models which are based on observable market data. Valuation models calculate the present value of expected future cash flows, based upon 'no arbitrage' principles. The Group enters into vanilla foreign exchange and interest rate swap derivatives, for which modelling techniques are standard across the industry. Examples of inputs that are generally observable include foreign exchange spot and forward rates, and benchmark interest rate curves.

- Investment securities

Investment securities comprise residential mortgage-backed securities (RMBS) of £15.0m (FVOCI) and £2.5m (FVTPL – mandatorily measured) as at 30 June 2024 (31 December 2023: FVOCI: £18.1m and FVTPL £3.3m). An independent third party valuation agent is used to provide prices for the rated RMBS obtained from large financial institutions. These prices are indicative values only and do not represent an offer to purchase the securities. These RMBS represent the Group's interests in unconsolidated structured entities.

- Equity shares

Equity shares primarily comprise of US Dollar-denominated convertible preference shares in Visa Inc., with any movements in fair value being recognised through profit or loss. The fair value of the Visa Inc. shares has been calculated by taking the period end NYSE share price and discounting for illiquidity and clawback. If the illiquidity premium to the discount rate was increased by an absolute 10%, it would result in a reduction in the overall fair value of the equity shares of £1.6m as at 30 June 2024 (31 December 2023: £1.5m).

- Investment properties

Investment properties are valued by using recent valuations of individual assets within the portfolio, index linked to the balance sheet date using the relevant house price index.

Movements in fair values of instruments with significant unobservable inputs (level 3) were:

	Fair value at 31 December 2023	Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	Fair value at 30 June 2024
Loans and advances to customers	1.8	-	(0.1)	-	-	1.7
Investment securities	21.4	-	(3.1)	(0.1)	(0.7)	17.5
Equity shares	12.6	-	-	-	0.3	12.9
Investment properties	1.7	-	(0.2)	-	0.1	1.6
	37.5	-	(3.4)	(0.1)	(0.3)	33.7

Fair values of financial assets and liabilities not carried at fair value

The carrying values of financial assets and liabilities measured at amortised cost are analysed in the following tables by the three level fair value hierarchy set out above.

		Fair value				
30 June 2024	Total carrying value	Level 1	Level 2	Level 3	Items where fair value approximates carrying value	Total
Financial assets						
Cash and balances at central banks	2,549.3	-	-	-	2,549.3	2,549.3
Loans and advances to banks	408.6	-	283.9	-	124.7	408.6
Loans and advances to customers[1]	20,282.4	-	-	19,072.5	723.5	19,796.0
Investment securities	51.5	8.1	-	44.1	-	52.2
Other assets	3.6	-	-	-	3.6	3.6
Financial liabilities						
Deposits by banks	3,898.7	-	3,659.2	-	239.5	3,898.7
Customer accounts[1]	19,253.9	-	-	1,188.8	18,075.9	19,264.7
Debt securities in issue	499.5	500.2	-	-	-	500.2
Other borrowed funds	855.5	916.9	-	-	-	916.9
Other liabilities	39.0	-	-	-	39.0	39.0

1. Net of Fair Value Adjustment for Hedged Risk.

31 December 2023	Total carrying value	Fair value Level 1	Level 2	Level 3	Items where fair value approximates carrying value	Total
Financial assets						
Cash and balances at central banks	2,708.3	-	-	-	2,708.3	2,708.3
Loans and advances to banks	212.6	-	36.2	-	176.4	212.6
Loans and advances to customers[1]	20,059.7	-	0.1	18,699.9	728.5	19,428.5
Investment securities	47.2	-	-	47.8	-	47.8
Other assets	9.8	-	-	-	9.8	9.8
Financial liabilities						
Deposits by banks	4,288.9	-	4,104.4	-	184.5	4,288.9
Customer accounts[1]	19,215.1	-	-	1,749.1	17,467.7	19,216.8
Debt securities in issue	-	-	-	-	-	-
Other borrowed funds	891.2	925.2	-	-	-	925.2
Other liabilities	33.6	-	-	-	33.6	33.6

1. Net of Fair Value Adjustment for Hedged Risk.

There were no transfers between level 1, 2 and 3 during the period.

18. EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events to report.

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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