Nick Slape (CEO) and Louise Britnell (CFO) will host a video conference on 29 July 2021 at 2pm (UK time) to present the interim results for the six months ended 30 June 2021 and a Q&A session.
The video conference will be held via BlueJeans video conferencing.
To request access to the call please email investorrelations@co-operativebank.co.uk for the mandatory entry details.
Participants can join the conference via:

The BlueJeans mobile app; available from your respective app store (video and audio)
Direct from a web browser (video and audio)
Or by telephone (audio only)

Additional materials are available on the Bank's investor relations website which can be found at the following address:
www.co-operativebank.co.uk/investorrelations

BASIS OF PRESENTATION

The Co-operative Bank Holdings Limited is the immediate parent company of The Co-operative Bank Finance p.l.c. and the ultimate parent company of The Co-operative Bank p.l.c. In the following pages the term 'Group' refers to The Co-operative Bank Holdings Limited and its subsidiaries. The term 'Finance Group' refers to The Co-operative Bank Finance p.l.c. and its subsidiaries. The term 'Bank' refers to The Co-operative Bank p.l.c. and its subsidiaries which are consolidated within the Finance Group and then ultimately the Group. Unless otherwise stated, information presented for the Group equally applies to the Bank and the Finance Group.

Underlying basis: The statutory results are adjusted to remove certain items that do not promote an understanding of historical or future trends of earnings or cash flows, which therefore allows a more meaningful comparison of the Group's underlying performance.
Alternative performance measures: The Group uses a number of alternative performance measures, including underlying profit or loss, in the discussion of its business performance and financial position.

2021 INTERIM FINANCIAL REPORT

The Co-operative Bank ("the Bank") is pleased to provide an update on its performance in the six months ended 30 June 2021:

- **Statutory profit before tax of £21.4m and underlying profit of £12.9m**; second consecutive quarter in which profits have been reported
- **Underlying cost:income ratio of 92% (improved from 115% in 1H 20)**; statutory cost:income ratio of 89% (1H 20: 122%)
- **Balance sheet growth**; net residential lending of £1.8bn with a strong pipeline (c.£1.5bn) of applications
- **Net credit impairment gain of £0.1m**; reflects improving economic outlook and a reduction in post-model uplift to secured provisions. We expect the full year Asset Quality Ratio (AQR) to be approximately 5-10bps in light of this improved outlook
- **CET1 generative with a strong liquidity position**; CET1 resources increase by £17.3m; CET1 ratio increased by 0.9pp to 20.1%; liquidity coverage ratio (LCR) of 161.6%
- **Market-leading values and ethics – recognised as the UK's best ESG-rated high street bank by independent experts, Sustainalytics**; reflecting the heritage and long-standing commitments to deliver positive banking aligned to our unique customer-led ethical policy
- **Strategy refresh planned for later in 2021**; to renew our growth and efficiency ambitions for the next phase of our strategy – investor event scheduled for early October 2021

Nick Slape, Chief Executive Officer, said:

"I am delighted to report that the relentless focus on delivering our plan is driving a strong financial and operational performance for the Bank. As a result of a disciplined approach to cost alongside taking opportunities swiftly as they arise, we have delivered a second consecutive quarter of underlying and statutory profit. We have made excellent progress against the strategic priorities that we outlined at the end of 2020, remaining firmly on track to deliver our full year guidance and to return the Bank to sustainable profitability this year.

The Co-operative Bank is well known as a leader in ethical banking and we have been beyond carbon neutral for 14 years now. Earlier this month we were awarded the best ESG rating for any UK high street bank from the leading ESG rating provider,

Sustainalytics, and we have also been recognised for driving positive change in our communities. To achieve so much whilst at the same time delivering a step-change in financial performance further validates our long-term strategy.

Our commitment to making a positive difference to our communities has been reinforced by our support for the co-operative sector, through sponsorship of Co-op Congress and the Co-op of the Year awards. We've also continued to shine a spotlight on the issue of economic abuse, launching a new awareness campaign with our charity partner Refuge, helping people understand and identify where this is happening so they can take action. We were delighted to be shortlisted in this year's Charity Times awards - recognition of both our long-standing partnership with Refuge and our ethical commitments to campaigning for important causes and issues.

This has been a very busy period for both our retail and SME businesses. In retail, total gross residential lending of £3.1bn has driven net lending of £1.8bn, which is equivalent to a 10% increase in mortgage balances. The uplift in volume, along with improved mortgage margins and the re-pricing of retail liabilities, has been a key driver in the improvement to the overall customer net interest margin to 154bps despite increased MREL-debt expense. As we head into the second half of the year, the pipeline remains strong with £1.5bn of mortgages at an average margin of approximately 200bps. In May, we re-entered the higher LTV product market as the UK economy continues to recover from the impact of the pandemic.

Our SME banking proposition is progressing well, attracting over 10,000 new customers through the Incentivised Switching Scheme which closed earlier this year. The Bank achieved a 15% share of those switching to a new provider through this scheme, placing us 4th in terms of attracting these customers. We have also launched a new SME mobile app, business credit card and same-day onboarding for new customers.

Externally, progress against our plan has been reflected in one-notch upgrades from Moody's and Fitch to the Bank's long-term deposit and issuer default ratings. I am also encouraged to see positive performance in secondary market pricing of the Bank's MREL debt. The transformation plan we set out in 2018 has now entered its final phase and we are working to update and extend our strategy as we look to the future, with sustainability and co-operative values and ethics at the heart of our plans. I am looking forward to sharing further details later this year."

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About The Co-operative Bank
The Co-operative Bank p.l.c. provides a range of banking products and services to about 3.2m retail customers and c.94k small and medium sized enterprises ('SME'). The Bank is committed to values and ethics in line with the principles of the co-operative movement. The Co-operative Bank is the only high street bank with a customer-led ethical policy, which gives customers a say in how their money is used. Launched in 1992, the policy has been updated on five occasions, with new commitments added in January 2015 to cover how the Bank operates its business, products and services, workplace and culture, relationships with suppliers and other stakeholders and campaigning. In August 2021 the Bank will launch its sixth values and ethics poll, to further shape the ethical policy.

The Co-operative Bank p.l.c. is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Co-operative Bank p.l.c. eligible customers are protected by the Financial Services Compensation Scheme in the UK, in accordance with its terms.

Note: all figures contained in this announcement are unaudited.

FINANCIAL PERFORMANCE UPDATE

INCOME STATEMENT

£m	6 months ended 30 June 2021	2020 (re-presented)[1]

Retail	**141.8**	122.8
SME	**30.4**	28.4
Core customer income	**172.2**	151.2
Legacy & central items	**(4.2)**	(2.8)
Total income	**168.0**	148.4
Operating costs	**(151.7)**	(168.1)
Continuous improvement spend	**(3.5)**	(3.0)
Operating expenditure	**(155.2)**	(171.1)
Net credit impairment gains/(losses)	**0.1**	(11.2)
Underlying profit/(loss)	**12.9**	(33.9)
Strategic project costs	**(9.7)**	(15.0)
Non-operating income	**18.2**	4.3
Statutory profit/(loss) before tax	**21.4**	(44.6)
Income tax	**23.5**	20.1
Profit/(loss) after tax	**44.9**	(24.5)

1. Treasury is no longer reported as a separate segment, and therefore the 2020 comparatives have been re-presented on the current segmental basis. This change has no impact on income or underlying profit/(loss) in total. More information on the revised segmental framework is included in note 3 below.

Key ratios:		
Customer net interest margin (bps) [1]	**154**	141
Underlying cost:income ratio (%) [2]	**92**	115
Asset quality ratio (bps) [3]	**(0)**	12
CET1 ratio (%) [4]	**20.1**	19.2

1. Calculated as annualised net interest income over average customer assets
2. Calculated as operating expenditure over total income
3. Calculated as annualised impairment charge over average customer assets
4. Comparator is FY 20

Statutory profit before tax of £21.4m and underlying profit of £12.9m

Total income, which includes net interest income and other operating income, has increased by 13% in comparison to the six months ended 30 June 2020 to £168.0m (1H 20: £148.4m).

Net interest income has increased by 17% to £149.4m (1H 20: £127.4m) and customer net interest margin (NIM) has increased by 13 basis points (bps) from 141bps to 154bps reflecting improved mortgage margins and deposit re-pricing actions. The Group issued £200m of MREL-qualifying debt in November 2020 which has negatively impacted net interest income and customer NIM by £9.3m and 10bps respectively. Income from legacy operations continues to reduce as planned, as the Group continues to exit these products and services.

Other operating income has reduced by £2.4m to £18.6m (11%) since 1H 20, primarily due to a one-off benefit in 2020 relating to the renewal of strategic partnerships. Fee income continues to be impacted by reduced volumes of customer transactions, as a result of changes to customer behaviour during the national lockdown.

During the period, underlying operating expenditure has reduced by 9% to £155.2m (1H 20: £171.1m). The reduction follows continued action to simplify the Bank and reflects the benefits realised from the restructuring activity completed in 2020. Depreciation levels are also lower in the period, as the level of strategic spend required to turnaround the Bank has substantially reduced. The underlying cost:income ratio in the period is 92%, an improvement from 115% in 1H 20.

Net credit impairment gains of £0.1m reflect the net impact of balance sheet growth, offset by a release relating to secured assets and improving economic conditions (1H 20 losses: £11.2m). We will continue to monitor our portfolios closely in the second half of the year, to ensure our asset portfolios are adequately provided for.

Strategic project costs charged to the income statement total £9.7m (1H 20: £15.0m). This reduction reflects the current stage of transformation, having completed IT separation from the Co-op Group in 2020. We anticipate that the rate of expenditure will increase in the second half of the year as activity accelerates in our multi-year strategic project to improve the IT platforms for

mortgages and savings; however, we expect this to remain within our market guidance. More information about our key deliveries in the first half of 2021 is included below.

We have reported an £18.2m non-operating exceptional gain (1H 20: £4.3m gain) which includes £13.3m in relation to cash refunded to the Bank related to historical overcharges on business rates on ATMs (1H 20: £nil) and a £2.6m write-back in relation to legacy net customer redress charges following the substantive completion of our PPI remediation programme.

Income tax credit of £23.5m

The income statement tax credit of £23.5m has arisen mainly due to the increase in the corporation tax rate from 19% to 25% and its associated impact on deferred tax assets. The magnitude of this impact has been reduced due to the utilisation of deferred tax assets against the profits chargeable to corporation tax for the year to date.

SUMMARY BALANCE SHEET

£m

	Core				
30 June 2021	**Retail**	**SME**	**Total**	**Legacy & central items**	**Group**
Assets	19,124.4	475.4	**19,599.8**	7,220.2	**26,820.0**
Liabilities	17,819.4	3,432.5	**21,251.9**	4,080.9	**25,332.8**

	Core				
31 December 2020[1]	**Retail**	**SME**	**Total**	**Legacy & central items**	**Group**
Assets	17,360.7	447.8	17,808.5	7,791.0	25,599.5
Liabilities	17,300.0	2,964.4	20,264.4	3,860.7	24,125.1

1. Treasury assets and liabilities are no longer reported as a separate segment. The balance sheet as at 31 December 2020 has been re-presented to align to the current basis of segmental reporting. More information on the revised segmental framework is included in note 3 below.

Balance sheet growth: net residential lending of £1.8bn with a strong pipeline (c.£1.5bn)

Total assets have increased by £1.2bn compared with 31 December 2020, driven by growth in retail and SME lending partially offset by reductions in legacy and cash balances. Total liabilities have also grown by £1.2bn over the period to fund asset growth. The most significant areas have been:

- Net growth in retail secured balances to £18.9bn from £17.1bn. The pipeline of mortgage applications as at 30 June 2021 remains strong at c.£1.5bn; and
- Total customer deposits across retail and SME have increased 5% in the first half to £21.3bn (FY 20: £20.3bn), due to higher average balances across the Bank's variable savings and current accounts products, reflecting the change in customer spending patterns during lockdown periods as referred to above.

The AQR measures the level of impairment charge compared to the size of the relevant portfolio. AQR in total across retail, SME and legacy customer lending remains low, reflecting the Bank's low-risk lending profile. AQR for the Bank as a whole as at 30 June totals 0bps (1H 20: 12bps; FY 20: 12bps). Excluding the revision to secured provision, the AQR would have been 2bps.The average mortgage completion loan-to-value (LTV) remains low at 57.9% (FY 20 56.1%). Accounts that are greater than three months in arrears represented 0.11% of total accounts as at 30 June 2021 (FY 20 0.12%). Further information on the credit risk quality of the Group's loan portfolios is included within the risk management report below.

CET1 generative with a strong liquidity position

CET1 resources have grown by £17.3m to £917.6m, including the intangibles software benefit which is expected to be reversed from 2022. Including the intangibles software benefit of 0.7% (FY 20: 0.7%) the CET1 ratio increased by 0.9pp in the period to 20.1% (FY 20: 19.2%); total capital ratio increased by 0.9pp to 24.6% (FY 20: 23.7%).

Risk-weighted assets (RWAs) totalled £4.6bn (FY 20: £4.7bn). Growth in new secured lending RWAs is offset by:

- The disposal of Optimum which settled in February (reducing RWAs by £117m);
- Final settlement of the Bank's Surrendered Loss Debtor (reducing RWAs by £48m); and

- A reduction in unsecured lending (£25m).

The liquidity coverage ratio of 161.6% remains well above the regulatory minimum (FY 20: 193.4%); the ratio remains higher than in normal conditions, as we continue to access TFSME funding to generate mortgage balance growth and customer spending patterns remain affected by lockdowns, therefore creating an increase in customer deposits that ultimately may not be an enduring trend. £2.2bn TFSME funding has been drawn to date with further funding capacity available (c.£3.0bn) before the 31 October 2021 scheme drawing deadline.

BUSINESS PERFORMANCE UPDATE

Number one ethical banking brand position maintained

At the start of this year, we confirmed how important it is to the Bank to maintain its position as the leading ethical bank in the UK and we refreshed our ESG commitments for 2021 and beyond. In the second quarter, we were delighted to be recognised as the UK's best ESG-rated high street bank with a market-leading score of 9.2 from Sustainalytics, a leading independent provider of ESG and corporate governance ratings.

As we have said previously, our commitment to values and ethics remains at the heart of everything we do. Some highlights from the first half of 2021 include:

- Awarded the Best Charity Banking Provider for the sixth consecutive year by Moneyfacts, and shortlisted in this year's Charity Times award;
- Continued commitment to the co-operative movement through £1.7m of investment into The Hive, a support programme for co-operative businesses, and sponsoring Co-op Congress and Co-operative of the Year Awards 2021;
- Supporting survivors of economic abuse through our partnership with Refuge and Surviving Economic Abuse to launch 'Spot the Signs' campaign;
- Training the next generation of human rights defenders through our support of Amnesty International UK's Rise Up programme;
- Tackling youth homelessness with Centrepoint through a donation of over £100,000 in the first half of the year through our Centrepoint mortgage proposition (£5 donated for every new mortgage); and
- Our Everyday Rewards proposition has raised £1.3m for charity since being launched in 2016.

Delivering our strategy

In our **retail segment** we have continued to see high levels of demand for mortgage products in the first half of 2021, following periods of high demand at times during 2020, and to accommodate this we have flexed our resourcing levels both internally and in partnership with our outsourced providers. To support our customers to access the products they need, we have:

- Re-introduced higher LTV lending (95% mortgages) in May as the economic outlook improved; and
- Extended ways in which our customers can access our mortgage products, piloting a direct mortgage (rather than via a broker) with us, which is delivered through a centralised telephony team.

65% of all new business written in the second quarter of 2021 is on a five-year tenor, an increase of 12% compared to the same period in 2020.

We have also enhanced measures which protect our customers from fraudulent or erroneous activity, introducing 'confirmation of payee' across our mobile app and online banking channel. This enables customers to validate the details associated with the account to which funds are transferred prior to making the transaction to ensure they match the intended recipient.

Our customer service continues to be recognised externally with a variety of industry awards, including Branch Network of the Year by Moneyfacts.

In our **SME segment** the first half of 2021 has seen intense activity, not only from the incentivised switching scheme (ISS) in the months leading to the scheme being closed, but also delivering multiple digital upgrades and enhancements as we strive to deliver further capabilities in line with our Banking and Competition Remedies (BCR) commitments. We continue to focus on the ongoing financial support for our customers through access to CBILS and Bounce-Back loans, including providing the flexible options of repayments ('Pay As You Grow') introduced in March where customers have options to tailor their repayments in line with their individual circumstances.

Key highlights include:

- Welcoming over 10,000 new customers in total through ISS (representing 15% of all such switchers);
- Launching a Business Concierge service in partnership with Assurant, providing legal, HR and technical support for customers;
- Providing new capabilities for business invoicing, including a 'request to pay' service to support cash flow management; and
- Providing over £320m of lending support through the Bounce-Back Loan and Coronavirus Business Interruption Loans schemes since the start of the pandemic.

We are also very proud that our three primary SME business current accounts are all rated 5 stars by Moneyfacts.

BOARD MATTERS

The Board or its committees have focused on several key topics in the period. These include, amongst others:

- The refresh of the Bank's strategy which is ongoing and expected to conclude in the third quarter of 2021;
- The regular reforecasting of the annual financial performance and impact on the longer-term financial and capital plans, including future capital issuance plans;
- The approval of the 2020 Annual Report and Accounts in February 2021 and the first quarter results in April 2021;
- Overseeing franchise growth including the re-entry into the 95% LTV market in the second quarter of 2021;
- The regulatory agenda including the review and approval of the Bank's internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) and the review and discussion of the impact of regulatory change on RWAs including PS11/20 and CP14/20;
- The adoption of a macro fair value hedging strategy;
- Overseeing the Bank's approach to the ongoing support of co-operatives, the continued progress on our values and ethics-led ESG commitments and ensuring the risks from climate change are properly considered and incorporated into all areas of the business; and
- The Board continues to oversee the transformation and simplification plans, including approving additional funds in February 2021 to accelerate the investment into the simplification of mortgage and savings platforms.

During the period, the Board appointed three new Directors as disclosed in the 2020 Annual Report and Accounts. Sebastian Grigg and Richard Slimmon were appointed as Non-executive Directors in January 2021 and Louise Britnell, the Chief Financial Officer, joined the Board as an Executive Director on 1 March 2021.

OUTLOOK

As we look to the second half of 2021 and beyond, we are now entering an environment in which, despite the successful vaccination roll-out in the UK, there remain uncertainties in relation to the impact of COVID-19 infection and hospitalisation rates on society, including the potential for further lockdowns or other measures to control the pandemic, along with continued uncertainty on the impact of government support schemes coming to an end. Despite these uncertainties, the Bank is well-placed with a low-risk business model and is confident in its return to sustainable profitability this year, having exceeded its targets for this point in the year to date.

The mortgage market dynamics have resulted in improved margins so far and we do expect an increase in competitive pressure as demand starts to normalise. As a result we continue to review our product offerings and ways to develop the choices on offer for our loyal customer base as well as re-emphasising the Co-operative Bank brand to attract and retain customers who share our values.

Through the pandemic we have seen evidence of conservative customer behaviour in both our retail and SME segments, making fewer transactions and maintaining higher savings balances. We expect that this will start to normalise as lockdown restrictions come to an end and our access to TFSME funding will help provide low-cost funding to continue to grow our lending.

In the first half of 2021, we have benefitted from some non-recurring gains, primarily refunds relating to the historical overcharges on business rates on ATMs of £13.3m. Whilst this was in line with expectations and represents a positive outcome from negotiations, the second half of the year will be dominated by driving underlying growth and converting our pipeline to completions along with continued delivery of our SME capabilities. For many years we have planned to simplify our IT infrastructure for mortgages and savings and this multi-year programme commenced earlier this year, which will accelerate in the second half, and should result in reduced annual operating costs.

The Bank of England (BoE) has provided further clarity on MREL requirements, which remain in line with our current plans. End-state MREL requirements are expected to be in force from 1 January 2023 and to be equivalent to two times TCR. This further clarity on the requirements will enable the Bank to finalise its capital issuance plans and timings. We were pleased that the recent consultation paper on leverage requirements (CP14/21) provided clarity in relation to the leverage framework and confirmed that there is no binding requirement for the Bank, although we continue to measure and monitor the metric in line with the PRA's expectations of mid-tier banks.

Looking forward over the longer term, the Board is currently reviewing and refreshing its strategic ambitions to reflect the progress made at this point since the strategy was approved at the end of 2018 and will provide an update later this year.

RISK MANAGEMENT

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

Risk Management Framework

In 2021, the Group has taken the decision to establish the financial risks arising from climate change as a 'thematic risk'. This means that rather than identifying climate change as a risk in isolation, it reflects the fact that it impacts and contributes towards many of the Group's existing principal risk-types. By establishing climate change risk as a thematic risk, the Bank is able to assess the combined impact of climate change across the full risk profile of the organisation, ensuring that all areas are aware of how it might impact their business activities, including taking the necessary mitigating actions.

Governance

The Group's governance structure was set out in detail in the risk management section (1.7) of the 2020 Annual Report and Accounts. There have been no material changes since year end.

Although there have been no material changes to the Bank's governance structure, the Bank is trialling a two-day concentrated governance cycle for all Executive Committee, Executive Risk Oversight Committee and their sub-committee meetings, in order to drive reduced duplication, as well as enhanced understanding and assessment of risks in a more collaborative way, across committees.

Principal risks and uncertainties

As disclosed within the 2020 Annual Report and Accounts risk management section (1.8), the Group has assessed its eight principal risks categories on the basis of the key themes and emerging risks associated with a particular category. The Group classifies significant risks and emerging risks as follows:

Significant risks: A risk that, if crystallised, the residual risk (based on its probability of crystallising and impact/loss to the Bank if it crystallised) is likely to cause a significant impact to the Group's ability to operate, service customers, protect its reputation and sustain its viability.

Emerging risks: A risk that has been identified but not yet sufficiently materialised to allow it to become a significant risk or issue that the Group is actively managing.

The principal risks categories faced by the Group and which may include significant or emerging risks are set out below:

- Capital;
- Credit;
- Model;
- Market;
- Pension;
- Operational (of which there are 13 sub-risks);
- Liquidity and funding; and
- Reputational.

Where relevant, the Group as a whole applies the same principal risk categories and risk management processes to its subsidiary companies.

Material changes to principal risks since the year end

There have been no material changes to the principal risk categories identified by the Group, with all as reported in the 2020 Annual Report and Accounts. Updates to these risks versus what was reported in the 2020 Annual Report and Accounts are presented in this section.

One key update relates to a possible increase in the Bank's secured RWAs, driven in particular by PS11/20 (Credit Risk: Probability of Default and Loss Given Default estimation) and CP14/20 (Internal Ratings Based UK mortgage risk weights: Managing deficiencies in model risk capture), which are effective from 1 January 2022.

We previously estimated this impact to be an increase in RWAs of approximately £1bn. However, on 9 April 2021 we announced that following substantial completion of detailed modelling activity in relation to their implementation, the RWA impact is now expected to be broadly neutral, subject to regulatory approval and further validation. When coupled with the Bank's improved expectations for the wider economy, this represents a significant improvement in RWA outlook when compared to the 2020 Annual Report and Accounts.

Financial risks arising from climate change

We are dedicated to ensuring that values and ethics are at the heart of our governance as a business. Our commitment to safeguarding the environment and promoting sustainable development have been central elements of our customer-led ethical policy for over 25 years.

The PRA expects firms' boards and senior leaders to consider how climate-related risks might impact all aspects of their risk profiles and take action in specific areas, set out in PS11/19 and SS3/19 (Enhancing banks' and insurers' approaches to managing the financial risks from climate change) and be able to evidence this by December 2021. As outlined in the 2020 Annual Report and Accounts, these risks can be categorised as the following:

- Physical risks, which arise as a result of acute or severe weather events (e.g. flooding, subsidence, etc.); and
- Transitional risks, which arise we move towards a low-carbon economy (e.g. exposures to counterparties or customers that rely on the fossil fuel industry).

Climate change risks can manifest themselves in a number of ways, with each of the two categories potentially driving increases in the level of risk across the Bank's principal risk categories. For example, increasing flood risk drives additional credit risk across the Bank's mortgage portfolio, potentially damaging asset values and the customer's willingness to repay their debt obligations. A further example may arise from the government imposing new legislation that increases the cost base of firms dependent on fossil fuels, which may drive some third party supplier operational risks that could crystallise as Bank losses.

As noted due to the broad nature of how climate change risks could crystallise, the Group has decided to establish this risk type as a thematic risk, in order to ensure that it is holistically embedded across its broader Risk Management Framework and weaved through its current suite of principal risks. The Group has taken a number of other steps in 2021 to address this:

- Each risk framework owner has been asked to review the impact of climate change on their risk type for future inclusion in their respective risk policy and control standards;
- The 2021 Internal Capital Adequacy Assessment Process has been used to assess the potential impacts of climate change to the Group's principal risks, and whether the Group should capitalise those risks;
- The Group's balance sheet portfolios have been considered in the context of potential physical and/or transitional risks and the Group has engaged with an external provider in July 2021 to perform a proportionate scenario analysis of climate change by the end of 2021;
- We have committed to investing in the modelling capability required to assess climate change risks on an ongoing basis; and
- The Group is committed to continuing to develop its ESG strategy, with an ongoing focus on embedding this across the Bank's various functions.

The Bank's climate change working group, made up of representatives from across the business, was established in 2020 and continues to ensure the effective delivery of embedding climate change risk awareness more broadly in the second half of 2021. The Bank expects to be fully compliant with PS11/19 and SS3/19 by December 2021.

Capital risk

Definition:

The risk that the Bank's regulatory capital resources are inadequate to cover its regulatory capital requirements.

Key themes previously reported:

In the 2020 Annual Report and Accounts, we noted that the successful implementation of the Bank's strategy and its return to profitability (and organic capital growth) are contingent upon a range of external factors, including market conditions, the general business environment, regulation (including currently unexpected regulatory change), the activities of its competitors and consumers and the legal and political environment. The Bank has reported a profit in the first half of the year and organic capital resource growth. However, there is ongoing uncertainty around the impact of COVID-19 on the wider economy and the Bank is aware that this drives a risk to future profitability. This will be closely monitored throughout the remainder of 2021.

The introduction of the MREL framework in the UK requires the Bank to issue additional MREL-qualifying capital to meet future requirements. These capital issuances are subject to investor appetite in a challenging economic environment and therefore are subject to heightened execution risk. We previously noted that in the fourth quarter of 2020 the Bank successfully completed a £200m MREL capital transaction, in addition to the £200m Tier 2 issuance in 2019. Whilst the increased level of debt creates further downward pressure on its net interest income, this represents another significant step for the Bank in reaching future-state MREL requirements and demonstrating capital resilience. The Bank is now well-positioned in the current uncertain economic environment, as we focus on providing the support our customers need and delivering our strategy to return to profitability.

In December 2020, acknowledging the challenges that have been faced by some banks in debt issuance and to enable the review of the leverage ratio framework to be taken into consideration, the BoE issued a discussion paper outlining their plans to undertake a review of MREL. As a result of this, the Bank's MREL requirements were delayed by one year to 1 January 2023, in line with other mid-tier banks.

Our shareholders continue to be supportive of our business, and we are committed to achieving future end-state MREL obligations. For planning purposes, we continue to work on the basis that the maximum MREL requirement will be applicable to the Group from 1 January 2023 and remain fully committed to meeting requirements. In the meantime, the Group will provide a response to the specific points raised in the discussion paper, which will be followed by a consultation later this year once responses to the discussion paper are collated. It should be noted that following recent announcements regarding the UK leverage ratio framework, the Bank no longer expects this to be a binding constraint.

Update:

Since the UK entered the first national lockdown in March 2020, the UK government has provided a range of economic support packages to ensure that UK businesses and consumers have access to the essential support they need. The UK vaccination programme has since been rolled-out in the first half of 2021 and lockdown measures have been eased across the country. However, the risk posed by new variants of the virus as the most recent lockdown eases could see a further rise in cases and hospitalisations, driving new lockdown restrictions. The Bank is aware of this risk, alongside the potential need for additional support measures. This risk sits alongside the risk that, as these economic support packages unwind (e.g. the Coronavirus Job Retention Scheme), there may arise wider economic shocks, such as a rise in unemployment or fall in HPI.

Our risk-weighted assets (RWAs) at 30 June 2021 total £4.6bn. RWAs reflect our risk-adjusted assets factoring in probability of default, loss given default and exposure at default. This calculation is used to derive the capital requirement of the Bank. Increases in RWAs are driven either by increases in the underlying assets or increases in the risk-weighting assigned to these assets. We previously noted that regulatory change is expected to increase the Bank's secured RWAs by approximately £1bn, in particular with regard to PS11/20 (Credit Risk: Probability of Default and Loss Given Default estimation) and CP14/20 (Internal Ratings Based UK mortgage risk weights: Managing deficiencies in model risk capture), which are effective from 1 January 2022. However, on 9 April 2021 we announced that following substantial completion of detailed modelling activity in relation to their implementation, the RWA impact is now expected to be broadly neutral. When coupled with the Bank's improved expectations for the wider economy, this represents a significant improvement in RWA outlook when compared to the 2020 Annual Report and Accounts, albeit dependent on successful regulatory approval. However, it should be noted that discussions are ongoing with the regulator around the timing of conclusions for industry responses and final model approvals. If timescales are pushed out, this would leave the Bank carrying a potential risk as RWAs may increase as a consequence of the approval process. It should also be noted that the PRA recently published PS16/21, following consultation on CP14/20, which outlined the removal of the 7% risk-weight floor to be applied to individual mortgages, but noted that the 10% risk-weight floor would remain across the total mortgage portfolio. The Bank is currently assessing the impact of this change, but initially notes that the overall impact of these regulatory changes (PS11/20 and CP14/20 / PS16/21) will remain broadly neutral, as previously stated.

The Bank's improved expectations, with respect to the macroeconomic environment and RWAs, have been reflected in its latest financial plan and will help to ensure the Bank's strategic objectives are aligned to its goal of sustainable profitability.

As previously noted, the BoE had entered discussions with the banking industry on their plans for end-state MREL requirements. On 22 July 2021, the BoE published a consultation paper which highlighted that for banks with a balance sheet of larger than

£25bn, of which the Bank is one, the end-state requirements would be two times TCR and are scheduled to become binding from 1 January 2023. The proposals outlined within the consultation paper are in line with the Bank's plan and the update affords the Bank additional clarity to plan its capital issuance in anticipation of end-state requirements.

Operational risk

Definition:
The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

Operational risk has 13 sub-risks as part of the Bank's RMF. These sub-risks are focussed on individually in the commentary below. All sub-risks are subject to annual review and each risk is managed individually and in line with the Bank's RMF, including having individual risk framework owners, risk policies and control frameworks.

Key themes previously reported:
Previously, the Bank reported that operational risk levels remain elevated due to a number of issues such as reliance on manual processes and legacy IT systems. The COVID-19 pandemic, which poses risks to multiple operational areas, has further elevated operational risks, especially related to supplier and people risks. The Bank reported that a number of emerging risks were on the horizon, including regulatory expectations with respect to operational resilience and the other regulatory change initiatives, such as PSD2, LIBOR to SONIA and HMT Breathing Space.

Update:
The implementation of the UK vaccination programme and other COVID-19 mitigations have helped to improve the overall resilience of the country to the pandemic, mitigating some of the people and third party supplier risks previously noted. The easing of lockdown restrictions in the first half of 2021 is also a good sign of the potential return to some form of normality in 2021. However, the Bank is aware that there is still a great deal of uncertainty with respect to the pandemic and this drives increased levels of operational risk.

In light of more positive macroeconomic expectations, the Bank has taken the strategic decision to accelerate its planned mortgage and saving platform simplification activity in 2021 and 2022, ensuring that it can more quickly remediate its technology debt exposures, thus reducing its operational risk profile overall. The Bank remains cognisant that this will not remediate the Bank's entire technology debt exposure, but will tackle the riskiest part of this overall exposure. This activity will require significant data migration, which has historically proved challenging when compared to other large transformation projects. However, the Bank is well-positioned to deliver this change from both an organisational and financial perspective.

Fraud losses have been a significant contributing factor to operational losses in 2021. Sophistication in scams to target customers to enable authorised push payment fraud continues to be a risk to fraud and operational loss. Improvements in controls are in plan and will be delivered through 2021, including the rollout of a PSD2 compliant card not present solution, a behavioural biometrics solution for digital and an upgrade of payment fraud systems. A confirmation of payee solution, to reduce the risk of authorised push payment scams, was delivered for digital retail customers in in the first half of 2021 with a solution for digital SME customers planned for delivery in the second half of 2021. The Bank continues to engage in industry fraud calls on Bounce-Back loans to monitor any issues and understand the risk of fraud on these loans. Additional steps have been taken since the start of 2021, including establishing a working group of key stakeholders across the first and second lines of defence focussed on managing fraud, which has meant that fraud risk is more closely monitored and includes increased education and awareness for customers to help protect them from fraud. This working group is driving initiatives to reduce fraud with executive support and will continue through the second half of the year, using the funding allocated to combat fraud in the first quarter of 2021.

Credit risk

Definition:
Credit risk is the risk to profits and capital that arises from a customer's failure to meet legal and contractual payment obligations. Credit risk applies to retail and SME.

Key themes previously reported:
In the 2020 Annual Report and Accounts, we noted that the key risks in 2021 relate to the macroeconomic impacts from unemployment and house price movements. In addition, the ongoing uncertainty as a result of the pandemic is likely to impact

many SME customers. These risks in turn will result in increased arrears across the portfolios, hence crystallising increased losses to the Bank.

To manage this, the Bank has closely monitored its risk appetite measures across each asset portfolio, to ensure that it can adapt its credit criteria to protect itself from losses. This included monitoring retail scorecard cut-offs, employment criteria (including income from the Coronavirus Job Retention Scheme), high-LTV lending appetite and payment deferrals. For SME customers, new data from the credit reference agency Experian is being used to closely monitor their performance and ensure the Bank can strategically manage 'at risk' customers.

Update:
As a result of its low-risk, high-quality balance sheet, the Bank has continually been able to adapt to the changing macroeconomic landscape, whilst ensuring it is well-positioned to optimise its credit risk exposure. To support the first time buyer market, the Bank re-entered 95% LTV mortgage lending in the second quarter of 2021. This decision was taken following the Bank's updated expectations with respect to HPI and unemployment, and in light of the broader mortgage market reopening at this LTV band. The Bank has tightened lending criteria at 95% LTV compared to its pre-COVID-19 position, allowing for additional mitigation against an economic downturn. The Bank is closely monitoring the performance of this product range and the wider market/macroeconomic contexts.

The Bank has continued to see good performance with respect to those customers on or previously on a payment deferral agreement. As SME customers begin to repay their CBILS and Bounce-Back loan facilities, the Bank will closely monitor their performance, alongside customer uptake with respect to 'Pay As You Grow'.

More information on credit risk is given below.

Other risks

LIBOR transition:
The Group has exposure to legacy LIBOR-linked products, primarily across its legacy retail secured and corporate portfolios. The LIBOR benchmark is due to be phased out at the end of 2021, and the work to transition the Group's affected exposures to an alternative basis of rates is well underway at 30 June 2021. The project is jointly sponsored by the Group's Chief Financial Officer and Chief Operating Officer, and progress is regularly reported into relevant committees, including the Group's Asset and Liability Committee (ALCo) and Executive Risk Oversight Committee (EROC), with a Bank-wide working group managing and co-ordinating transition delivery.

During the first half of the year the Group has made significant progress within its treasury exposures in replacing its LIBOR-based derivative exposures with SONIA-based alternatives to the extent that has only a single cohort of legacy corporate derivatives remaining to be transitioned. Customer contact across retail secured and corporate LIBOR exposures is continuing, with contractual changes expected to be implemented through the remainder of 2021. To minimise the risk of customer harm and mitigate legal contractual risks arising at transition, the majority of customer rates are expected to move to a SONIA-based equivalent from their first interest reset in early 2022.

The primary risks to which the Group is exposed through the transition work is operational risk associated with the execution of the transitions, and conduct risk arising from potential detrimental customer outcomes, particularly where 'tough legacy' contracts do not allow for variation of benchmark rates. The Group is actively working to mitigate these risks, including by engaging extensively with relevant regulatory bodies and the wider industry to ensure its approach adheres to market best practice.

The table below outlines the Group's exposure at 30 June 2021 to significant IBORs subject to reform that are yet to be transitioned to an alternative benchmark rate. The table excludes exposures due to mature prior to the removal of LIBOR or that were migrated prior to 30 June 2021, but includes balances that are currently on fixed rates but would revert to LIBOR at the end of their fixed rate term. The carrying amounts of financial assets are presented gross of any expected credit losses (ECLs).

	Non-derivatives		Derivatives
30 June 2021	**Financial assets Carrying value**	**Financial liabilities Carrying value**	**Nominal amount**
GBP LIBOR	741.6	-	335.5

The Group also has responsibility for the migration of certain legacy LIBOR retail secured assets sold to wholesale securitisation structures where it continues to hold legal title. The gross outstanding balances of these LIBOR assets not recognised on the Group's balance sheet are £1,017.4m at 30 June 2021.

Hedge accounting:

The Group is exposed to interest rate risk arising from changes in market interest rates. A variety of strategies are employed to mitigate interest rate risk with the overall objective of hedging interest rates paid and received, predominantly back to SONIA. To reduce the reporting volatility introduced as a result of entering into derivatives for economic hedging purposes, the Group applies hedge accounting. The Group continues to apply the same hedging strategy as noted in the 2020 Annual Report and Accounts except for the new hedging approach implemented for current accounts described in the next paragraph.

In the first half of 2021, a new macro fair value hedging strategy was adopted that uses receive fixed interest rate swaps to hedge non-interest bearing balances ("NIBBs"), mainly current accounts in a layered portfolio (the 'layer approach'). The hedging strategy is in line with the requirements of the EU-endorsed version of IAS 39 'Financial Instruments: Recognition and Measurement', which unlike the version issued by the IASB does not prohibit hedging customer deposits and its associated effectiveness testing using a layer approach in a macro fair value hedge. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

As at 31 December 2020, the Bank de-designated or terminated most swaps from its cash-flow hedge programme, which had been used for a similar economic hedging purpose, in readiness for the implementation the new Macro Fair Value Hedge. The remaining swaps were de-designated from the cash flow hedge and then re-designated to the new fair value hedge. The Group's accounting policy and risk management strategy for hedging remains unchanged and aligned with existing economic hedging of fair value movement after application of this new approach.

Conclusion to other risks

There are no significant updates to other risks addressed in the Bank's 2020 Annual Report and Accounts. The Bank continues to maintain a strong liquidity and funding position, with a loan to deposit ratio of 96% and liquidity coverage ratio of 162% as at 30 June 2021. From a market risk perspective, the Bank remains cognisant of the uncertainties driven by COVID-19 with respect to the Bank's exposures to interest rate volatilities across its balance sheet. Government support schemes and the UK vaccination programme have helped to keep markets stable but the Bank is aware of the risks as the economy begins to emerge from lockdown restrictions. Other risks, including model risk and pension risk, have no further updates. There are no updates to report with respect to reputational risk, although the Bank continues to monitor the risk of fraud and the potential indirect impact this might have to the Bank's reputation. The Bank continues to focus on maintaining effective communications with its customers and other key stakeholders as the UK moves through the COVID-19 pandemic.

Material changes to emerging risks due to COVID-19

Key emerging risks remain broadly unchanged to those set out in the risk management section (1.8) of the 2020 Annual Report and Accounts, although the broader impact of COVID-19 on the principal risks outlined above is expected to be more favourable than previously expected.

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 his/her 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.

COVID-19 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. A number of concessions were granted to customers in response to the short-term financial consequences of COVID-19. In line with regulatory guidance, these interim measures are not considered to be forbearance, as determined by the Group's forbearance policy. Impairment provisions reflect the net impact of the COVID-19 impact on the economy and these concessions granted through government and BoE support measures.

During 2021 we have observed the following impacts from COVID-19 or support measures:

1. Level of arrears in the mortgage portfolio remains stable compared to the year end: 0.11% as at 30 June 2021 (0.12% at 31 December 2020).
2. Payment deferrals were provided by the Bank to over 17,500 mortgage customers and 3,000 unsecured customers until the scheme ended in March (with all deferrals completed by 31 July 2021). Of these customers, 98% and 81% respectively have now returned to full payment.
3. There have been no material defaults in our 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 our 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

The following tables analyse the allowance for losses as at 30 June 2021 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.

	Core		Legacy &		Of which:
	Retail	SME	central items	Total	FVTPL[1]
Allowance for losses (ECL provision)					
Modelled	7.7	0.4	4.4	**12.5**	-
Individually assessed	-	0.3	0.9	**1.2**	0.9
Post-model-adjustment (PMA)	18.0	5.8	1.0	**24.8**	1.9
30 June 2021	25.7	6.5	6.3	**38.5**	2.8
Modelled	10.8	0.9	5.5	**17.2**	-
Individually assessed	-	2.7	2.1	**4.8**	2.1
PMA	18.5	4.5	(2.1)	**20.9**	-
31 December 2020	29.3	8.1	5.5	**42.9**	2.1

	Core		Legacy &		Of which:
	Retail	SME	central items	Total	FVTPL[1]
Credit impairment (ECL charge)					
Six months to 30 June 2021	2.0	(0.9)	(1.0)	**0.1**	(0.7)

1. Relates to credit risk adjustment to fair value. Shown within Legacy & central items.

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. expert management judgement overlays). These management judgements were described within the Annual Reports and Accounts within the risk management report. During the period, the following represents the key movements within ECL:

Retail – the ECL provision has decreased from £29.3m to £25.7m. This £3.6m reduction is driven by retail secured £0.9m, credit cards £1.3m and overdrafts £1.4m. Whilst the modelled provision reflects an improvement to the economic outlook since the 31 December 2020 provision was calculated, a number of the changes in ECL arises from changes to PMAs, notably, a reduction in the level of uplift applied to the Platform book and the removal of an uplift to reflect the future impact of payment deferrals as follows, whilst applying additional provisions to reflect growth in the Platform balances:

- Platform PMA - the vast majority of the retail secured book (specifically the Platform portfolio) has limited experience of defaults, leading to a low modelled ECL. The Group has historically judged the pure model output to understate the risk associated with these mortgages as a result of the limited observed defaults experienced. It has for a number of years applied additional model adjustments to increase the overall ECL to a set coverage ratio, which is determined by

reference to external benchmarking and observed loss rates on the Bank's legacy secured portfolios in stressed conditions. This has been determined by targeting a 10bp coverage on the Platform portfolio, and as a measure of sensitivity, an increase in coverage of 1bp would increase the size of the PMA by £1.6m. The PMA is applied after any other specific PMAs have been applied to this portfolio and by the growth in the Platform balance. This has decreased from the 12bps applied at 31 December 2020 reflecting the latest peer review and general improvement in the economy seen since the year end. After all these movements the size of the PMA at 30 June 2021 was £14.8m (31 December 2020: £13.1m).

- Payment deferral PMA – this reflected the potential future adverse impact on a cohort of customers who have been on a payment deferral but for whom any change in the risk profile has not yet been recognised. As this support measure is no longer open and the majority of customers who accessed the support have returned to full payment, the PMA has been largely removed given that modelled data would be expected to reflect any ongoing increased risk. At 31 December 2020, this PMA totalled £1.5m (secured) and £0.9m (unsecured) with only £0.1m unsecured PMA now remaining.

SME – the decrease of ECL provision from £8.1m to £6.5m is from the write off of corporate cases that were being individually assessed, offset by additional provisions on new lending. The majority of the provision is PMAs, some of which were introduced specifically to take into account further risks arising from COVID-19 that would not be expected to be reflected in modelled provisions immediately. Further information was provided within the risk management report within the 2020 Annual Report and Accounts. The key PMA relates to:

- PMA for at risk customers – totals £3.4m (31 December 2020: £3.1m). This PMA was introduced as a specific exercise to identify corporate sectors more exposed to COVID-19 (such as commercial real estate, leisure, retail, charities, education and care) and recognises the increased risk of tenant failure alongside the lower activity within these sectors in the current environment.

Legacy & central items – the ECL provision has increased from £5.5m at 31 December 2020 to £6.3m (including assets held at FVTPL). This provision included a specific uplift to take account of the risk of non-payment when customers who applied for a payment deferral reach the end of the agreed deferral period, which has now been removed as described above for retail, and at 31 December 2020 totalled £0.2m. Changes in the economic environment have not had a significant impact on the provision. The FVTPL charge represents individually assessed legacy loan impairment provisions recognised that are unrelated to COVID-19 with a partial release on one case more than offset by increased collective coverage following assessment of cases under watchlist.

Analysis of credit risk

Although the Group manages credit risk arising from a number of balance sheet items, the most significant is the loans and advances to customers and is analysed by segment below:

	Core		Legacy &		Of which:
30 June 2021	**Retail**	**SME**	**central items**	**Total**	**FVTPL**
Analysis of credit risk exposure					
Gross customer balance	19,124.4	475.4	770.8	20,370.6	106.8
Credit commitments	1,995.5	103.8	133.3	2,232.6	-
Gross customer exposure	21,119.9	579.2	904.1	22,603.2	106.8
Less: allowance for losses	(25.7)	(6.5)	(6.3)	(38.5)	(2.8)
Net customer exposure	21,094.2	572.7	897.8	22,564.7	104.0
Gross exposure for ECL calculation					
Gross customer exposure	21,119.9	579.2	904.1	22,603.2	
Less: Fair Value Through Profit and Loss (FVTPL)	(1.5)	(3.8)	(101.5)	(106.8)	
Gross customer exposure for ECL calculation	21,118.4	575.4	802.6	22,496.4	
Reconciliation of customer to accounting balances					
Net customer exposure	21,094.2	572.7	897.8	22,564.7	104.0
Less credit commitments	(1,995.5)	(103.8)	(133.3)	(2,232.6)	-
Plus accounting adjustments	53.1	2.4	23.0	78.5	22.0
Gross loans and advances – note 8	**19,151.8**	**471.3**	**787.5**	**20,410.6**	**126.0**

	Core		Legacy &		Of which:
31 December 2020	**Retail**	**SME**	**central items**	**Total**	**FVTPL**
Analysis of credit risk exposure					
Gross customer balance	17,360.7	447.8	812.7	18,621.2	109.8
Credit commitments	2,280.0	106.8	161.6	2,548.4	-

Gross customer exposure	19,640.7	554.6	974.3	21,169.6	109.8
Less: allowance for losses	(29.3)	(8.1)	(5.5)	(42.9)	(2.1)
Net customer exposure	19,611.4	546.5	968.8	21,126.7	107.7
Gross exposure for ECL calculation					
Gross customer exposure	19,640.7	554.6	974.3	21,169.6	
Less: FVTPL	(1.5)	(4.1)	(104.2)	(109.8)	
Gross customer exposure for ECL calculation	19,639.2	550.5	870.1	21,059.8	
Reconciliation of customer to accounting balances					
Net customer exposure	19,611.4	546.5	968.8	21,126.7	107.7
Less: credit commitments	(2,280.0)	(106.8)	(161.6)	(2,548.4)	-
Plus accounting adjustments	72.9	2.0	29.3	104.2	28.3
Gross loans and advances – note 8	17,404.3	441.7	836.5	18,682.5	136.0

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 31 December 2020	18,272.6	1,226.6	55.2	84.8	**19,639.2**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(186.0)	186.0	-	-	-
To credit impaired (stage 1 or 2 to 3)	(4.8)	(11.0)	15.8	-	-
To 12 month ECL (stage 2 to 1)	764.2	(764.2)	-	-	-
From credit impaired (stage 3 to 2 or 1)	2.9	2.9	(5.8)	-	-
Net changes arising from stage transfers	**576.3**	**(586.3)**	**10.0**	**-**	**-**
Other charges/(releases):					
New assets originated or purchased	3,295.9	-	-	-	**3,295.9**
Other changes to risk parameters	(206.8)	-	-	-	**(206.8)**
Redemptions and repayments	(1,485.9)	(103.0)	(10.5)	(8.0)	**(1,607.4)**
Net other charges/(releases)	**2,179.5**	**(689.3)**	**(0.5)**	**(8.0)**	**1,481.7**
Assets written off	(0.3)	(0.8)	(1.4)	-	**(2.5)**
At 30 June 2021	20,451.8	536.5	53.3	76.8	**21,118.4**

Gross customer exposure for ECL – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 31 December 2020	89.4	455.8	4.0	1.3	**550.5**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(86.4)	86.4	-	-	-
To credit impaired (stage 1 or 2 to 3)	-	(0.1)	0.1	-	-
To 12 month ECL (stage 2 to 1)	9.5	(9.5)	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	-
Net changes arising from stage transfers	**(76.9)**	**76.8**	**0.1**	**-**	**-**
Other charges/(releases):					
New assets originated or purchased	124.6	-	-	-	**124.6**
Other changes to risk parameters	-	-	-	(0.1)	**(0.1)**
Redemptions and repayments	(23.6)	(73.5)	-	-	**(97.1)**
Net other charges/(releases)	**24.1**	**3.3**	**0.1**	**(0.1)**	**27.4**
Assets written off	-	(0.1)	(2.4)	-	**(2.5)**
At 30 June 2021	**113.5**	**459.0**	**1.7**	**1.2**	**575.4**

Gross customer exposure for ECL – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 31 December 2020	820.1	36.0	4.4	9.6	**870.1**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(0.8)	0.8	-	-	-
To credit impaired (stage 1 or 2 to 3)	(0.3)	(0.2)	0.5	-	-

To 12 month ECL (stage 2 to 1)	3.2	(3.2)	-	-	**-**
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	**-**
Net changes arising from stage transfers	**2.1**	**(2.6)**	**0.5**	**-**	**-**
Other charges/(releases):					
New assets originated or purchased	-	-	-	-	**-**
Other changes to risk parameters	-	-	-	-	**-**
Redemptions and repayments	(59.8)	(5.0)	(1.3)	(1.0)	**(67.1)**
Net other charges/(releases)	**(57.7)**	**(7.6)**	**(0.8)**	**(1.0)**	**(67.1)**
Assets written off	-	-	(0.4)	-	**(0.4)**
At 30 June 2021	**762.4**	**28.4**	**3.2**	**8.6**	**802.6**

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 31 December 2020	17.2	7.7	4.2	0.2	**29.3**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(0.4)	1.2	-	-	**0.8**
To credit impaired (stage 1 or 2 to 3)	-	(0.4)	1.8	-	**1.4**
To 12 month ECL (stage 2 to 1)	0.9	(3.8)	-	-	**(2.9)**
From credit impaired (stage 3 to 2 or 1)	-	-	(0.3)	-	**(0.3)**
Net changes arising from stage transfers	0.5	(3.0)	1.5	-	**(1.0)**
Other charges/(releases):					
New assets originated or purchased	3.0	-	-	-	**3.0**
Other changes to risk parameters	(0.6)	(0.6)	(0.1)	-	**(1.3)**
Redemptions and repayments	(1.3)	(0.3)	(0.5)	(0.1)	**(2.2)**
Net other charges/(releases)	1.6	(3.9)	0.9	(0.1)	**(1.5)**
Assets written off	(0.2)	(0.7)	(1.2)	-	**(2.1)**
At 30 June 2021	**18.6**	**3.1**	**3.9**	**0.1**	**25.7**

Allowance for losses – SME	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At 31 December 2020	0.3	4.2	2.7	0.9	**8.1**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	-	1.1	-	-	**1.1**
To credit impaired (stage 1 or 2 to 3)	-	-	-	-	**-**
To 12 month ECL (stage 2 to 1)	-	(0.3)	-	-	**(0.3)**
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	**-**
Net changes arising from stage transfers	-	0.8	-	-	**0.8**
Other charges/(releases):					
New assets originated or purchased	-	-	-	-	**-**
Other changes to risk parameters	(0.1)	1.2	-	(0.3)	**0.8**
Redemptions and repayments	(0.1)	(0.6)	-	-	**(0.7)**
Net other charges/(releases)	(0.2)	1.4	-	(0.3)	**0.9**
Assets written off	-	(0.1)	(2.4)	-	**(2.5)**
At 30 June 2021	**0.1**	**5.5**	**0.3**	**0.6**	**6.5**

Allowance for losses – Legacy	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At 31 December 2020	1.6	1.1	0.6	0.1	**3.4**
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)	-	(0.1)	-	-	**(0.1)**
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	**-**
Net changes arising from stage transfers	-	(0.1)	-	-	**(0.1)**
Other charges/(releases):					
Other changes to risk parameters	(0.2)	0.7	0.1	-	**0.6**
Redemptions and repayments	-	(0.1)	-	(0.1)	**(0.2)**

Net other charges/(releases)	(0.2)	0.5	0.1	(0.1)	**0.3**
Assets written off	-	-	(0.2)	-	**(0.2)**
At 30 June 2021	**1.4**	**1.6**	**0.5**	**-**	**3.5**

Secured residential portfolio analysis

The following tables show the secured residential balances (excluding Legacy) analysed by a number of key risk measurements. The portfolio has grown by a net £1.8bn. Within this book 4.7% of balances have a probability of default (PD) of greater than 1% (31 December 2020: 4.1%). The book is also subject to a range of forbearance measures which are detailed in the 2020 Annual Report and Accounts.

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). Total interest only balances have reduced by £0.1bn. At the same time, total capital repayment balances have increased by £1.9bn. The proportion of total balances with current LTV less than 50% has slightly declined in the period at 31.4% (31 December 2020: 34.4%).

	30 June 2021			31 December 2020		
LTV %	Capital repayment	Interest only	Total	Capital repayment	Interest only	Total
Less than 50%	**4,922.7**	**1,004.5**	**5,927.2**	4,779.0	1,106.7	5,885.7
50% to 60%	**2,656.9**	**547.1**	**3,204.0**	2,458.4	543.2	3,001.6
60% to 70%	**3,366.6**	**357.3**	**3,723.9**	3,153.4	324.9	3,478.3
70% to 80%	**3,688.8**	**53.8**	**3,742.6**	3,024.0	64.0	3,088.0
80% to 90%	**2,032.9**	**4.8**	**2,037.7**	1,435.4	8.3	1,443.7
90% to 100%	**241.5**	**0.9**	**242.4**	203.4	3.9	207.3
Greater than or equal to 100%	**0.3**	**1.5**	**1.8**	0.7	2.8	3.5
	16,909.7	**1,969.9**	**18,879.6**	15,054.3	2,053.8	17,108.1

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. 99.8% 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 0.2% of the total book.

	30 June 2021			31 December 2020		
	Gross customer balance	Average LTV %	Interest only %	Gross customer balance	Average LTV %	Interest only %
Prime residential	**17,486.3**	**58.4**	**4.6**	15,748.6	56.5	5.7
Buy-to-let	**1,353.6**	**52.6**	**83.3**	1,316.7	52.0	84.8
Self-certified	**28.1**	**35.0**	**91.3**	29.8	35.7	91.2
Almost prime	**11.1**	**33.0**	**35.3**	12.4	33.5	33.3
Non-conforming	**0.5**	**43.4**	**45.5**	0.6	43.2	40.6
	18,879.6	**57.9**	**10.4**	17,108.1	56.1	12.0

c) UK regional distribution

The table below shows the analysis of LTVs and gross customer balances by UK regions. The largest region of London and South East also has the lowest average LTV.

	30 June 2021		31 December 2020	
	Gross customer balance	LTV - %	Gross customer balance	LTV - %
London & South East	**7,131.1**	**57.1**	6,265.5	53.0
Northern England	**4,354.2**	**59.2**	4,024.3	58.9
Midlands & East Anglia	**4,024.4**	**57.7**	3,721.6	57.7
Wales & South West	**2,303.4**	**57.9**	2,080.6	56.1

Other	**1,066.5**	**59.0**	1,016.1	58.0
	18,879.6	**57.9**	17,108.1	56.1

Unsecured retail portfolio analysis

The table below shows the analysis of unsecured retail gross customer exposure by product. The decline reflects the run-off in the unsecured loan portfolio which is now closed and the continued lower usage of cards and overdrafts due to COVID-19. The drawn balance has declined from a combined £292.1m to £271.2m.

	30 June 2021		31 December 2020	
	Gross customer exposure	ECL	Gross customer exposure	ECL
Credit cards	**1,165.9**	**6.2**	1,214.0	7.5
Overdrafts	**198.3**	**3.3**	202.8	4.7
Loans	**26.4**	**0.8**	39.5	1.0
	1,390.6	**10.3**	1,456.3	13.2

SME portfolio analysis

The table below shows the analysis of SME gross customer exposure by product. The increase is driven through further CBILS and Bounce-Back loan lending.

	30 June 2021		31 December 2020	
	Gross customer exposure	ECL	Gross customer exposure	ECL
Secured loans	**173.2**	**2.5**	167.4	2.4
Unsecured loans	**335.7**	**2.3**	316.2	1.7
Credit cards	**10.0**	**0.1**	8.5	0.1
Overdrafts	**60.3**	**1.6**	62.5	3.9
	579.2	**6.5**	554.6	8.1

Corporate legacy portfolio analysis

The table below shows the analysis of corporate legacy gross customer exposure by product. As shown below the majority of the balance is either in the low-risk PFI or housing association sectors.

	30 June 2021		31 December 2020	
	Gross customer exposure	ECL	Gross customer exposure	ECL
Secured loans	**451.7**	**0.4**	480.5	0.4
Unsecured loans	**402.6**	**4.9**	429.7	3.7
Credit cards	**0.3**	**-**	0.1	-
Overdrafts	**0.5**	**-**	-	-
	855.1	**5.3**	910.3	4.1

Sector analysis

The table below analyses the gross customer exposure for the SME and corporate and unallocated segments by sector. The exposure to higher-risk COVID-19 sectors is limited.

	30 June 2021		31 December 2020	
	SME	Corporate legacy	SME	Corporate legacy
Private finance initiative (PFI)	**-**	**522.7**	-	556.9
Business banking	**295.8**	**-**	286.0	-
Housing association	**2.1**	**285.1**	2.3	302.9
Commercial real estate (CRE)	**86.8**	**13.0**	84.3	13.4
Food/hotel	**34.9**	**-**	27.4	-
Education	**9.9**	**16.6**	9.8	17.0
Care	**19.6**	**-**	17.8	-

Retail/wholesale	**17.6**	**1.9**	17.1	2.8
Charities	**17.3**	**0.3**	17.5	0.4
Renewable energy	**13.9**	**-**	20.7	-
Finance/legal	**8.8**	**-**	10.3	-
Other	**72.5**	**15.5**	61.4	16.9
	579.2	**855.1**	554.6	910.3

INDEPENDENT REVIEW REPORT TO THE CO-OPERATIVE BANK HOLDINGS LIMITED

Conclusion

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cashflows, Consolidated Statement of Changes in Equity and related notes 1 to 17. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with the accounting policies outlined in Note 1.1, which comply with UK adopted International Accounting Standards.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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.

As disclosed in note 1.3, the annual financial statements of the Group will be prepared in accordance with UK adopted International Accounting Standards.

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with the accounting policies set out in note 1.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report

Use of our report

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
28 July 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

£m

	Note	Six months ended 30 June 2021	2020
Interest income calculated using the effective interest rate method		**201.7**	207.2
Other interest and similar income		**7.2**	6.7
Interest income and similar income	4	**208.9**	213.9
Interest expense and similar charges	4	**(59.5)**	(86.5)
Net interest income		**149.4**	127.4
Fee and commission income		**27.4**	27.7
Fee and commission expense		**(16.7)**	(14.4)
Net fee and commission income		**10.7**	13.3
Other operating income (net)	5	**23.5**	12.0
Operating income		**183.6**	152.7
Operating expenses	6	**(164.9)**	(186.1)
Net customer redress release	11	**2.6**	-
Total operating expenses		**(162.3)**	(186.1)
Operating profit/(loss) before net credit impairment gains/(losses)		**21.3**	(33.4)
Net credit impairment gains/(losses)	8	**0.1**	(11.2)
Profit/(loss) before taxation		**21.4**	(44.6)
Income tax	7	**23.5**	20.1
Profit/(loss) for the period		**44.9**	(24.5)

The results above wholly relate to continuing activities.

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

Notes 1 to 17 form part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£m

	Six months ended 30 June 2021	2020
Profit/(loss) for the period	**44.9**	(24.5)
Items that may be recycled to profit or loss:		
Changes in cash flow hedges:		
Net changes in fair value recognised directly in equity	**-**	14.4
Transfers from equity to income or expense	**(5.4)**	1.0
Income tax	**-**	(4.6)
Changes in fair value through other comprehensive income:		
Net changes in fair value recognised directly in equity	**16.3**	(25.0)
Transfers from equity to income or expense	**(20.1)**	24.3
Income tax	**0.8**	(0.1)
Items that may not subsequently be recycled to profit or loss:		
Changes in net retirement benefit asset:		
Defined benefit plans gains for the period	**13.2**	62.7
Income tax	**(36.9)**	(28.9)

Other comprehensive (expense)/income for the period, net of income tax	**(32.1)**	43.8
Total comprehensive income for the period	**12.8**	19.3

Notes 1 to 17 form part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

£m

	Note	**30 June 2021**	**31 December 2020**
Assets			
Cash and balances at central banks		**3,713.8**	3,877.8
Loans and advances to banks		**417.8**	536.2
Loans and advances to customers	8	**20,410.6**	18,682.5
Fair value adjustments for hedged risk		**42.3**	134.1
Investment securities	9	**1,165.9**	1,148.5
Derivative financial instruments		**195.6**	189.9
Property, plant and equipment classified as held-for-sale		**0.2**	0.3
Equity shares		**23.7**	22.1
Investment properties		**1.9**	1.9
Other assets		**10.5**	188.9
Prepayments		**24.0**	13.2
Property, plant and equipment		**32.2**	35.2
Intangible assets		**63.6**	63.4
Right-of-use assets		**50.1**	53.7
Net retirement benefit asset	12	**667.8**	651.8
Total assets		**26,820.0**	25,599.5

Liabilities			
Deposits by banks		**2,456.7**	2,066.4
Customer accounts		**21,326.2**	20,365.8
Fair value adjustments for hedged risk (Liabilities)		**(1.8)**	-
Debt securities in issue		**726.2**	728.8
Derivative financial instruments		**206.7**	340.1
Other liabilities		**38.0**	33.7
Accruals and deferred income		**32.1**	35.0
Provisions	11	**33.7**	46.4
Other borrowed funds	10	**405.7**	408.2
Lease liabilities		**50.1**	53.6
Deferred tax liabilities		**50.9**	38.3
Net retirement benefit liability	12	**8.3**	8.8
Total liabilities		**25,332.8**	24,125.1

Capital and reserves attributable to the Group's equity holders			
Ordinary share capital	15	**0.9**	0.9
Share premium account	15	**313.8**	313.8
Retained earnings		**(1,365.3)**	(1,410.2)
Other reserves		**2,537.8**	2,569.9
Total equity		**1,487.2**	1,474.4
Total liabilities and equity		**26,820.0**	25,599.5

Notes 1 to 17 form part of these interim condensed consolidated financial statements.

Approved by the Board of The Co-operative Bank Holdings Limited on 28 July 2021:

Bob Dench
Chairman

Nick Slape
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

£m

	Six months ended 30 June	
	2021	2020
Cash flows (used in)/from operating activities:		
Profit/(loss) before taxation	**21.4**	(44.6)
Adjustments for non-cash movements:		
Non-cash movements on pension	**(2.4)**	(4.4)
Net credit impairment (gains)/losses	**(0.1)**	11.2
Depreciation, amortisation and impairment	**19.6**	20.3
Other non-cash movements including exchange rate movements	**62.8**	21.6
Changes in operating assets and liabilities:		
Increase in deposits by banks	**390.3**	278.2
Increase in prepayments and accrued income	**(10.8)**	(3.1)
Decrease in accruals and deferred income	**(2.9)**	(17.6)
Increase in customer accounts	**959.9**	1,078.9
(Decrease)/increase in debt securities in issue	**(2.6)**	10.1
Increase in loans and advances to banks	**(29.6)**	(24.4)
Increase in loans and advances to customers	**(1,746.4)**	(371.1)
Net movement of other assets and other liabilities	**118.7**	(65.5)
Income tax received	**-**	0.7
Net cash flows (used in)/from operating activities	**(222.1)**	890.3
Cash flows (used in)/from investing activities:		
Purchase of tangible and intangible assets	**(13.3)**	(8.5)
Purchase of investment securities	**(445.7)**	(686.3)
Proceeds from sale of property and equipment	**1.8**	1.9
Proceeds from sale and maturity of investment securities	**389.9**	732.4
Dividends received	**0.1**	0.2
Net cash flows (used in)/from investing activities	**(67.2)**	39.7
Cash flows used in financing activities:		
Interest paid on Tier 2 and senior unsecured debt	**(18.5)**	(9.5)
Lease liability principal payments	**(4.2)**	(5.4)
Net cash flows used in financing activities	**(22.7)**	(14.9)
Net (decrease)/increase in cash and cash equivalents	**(312.0)**	915.1
Cash and cash equivalents at the beginning of the period	**4,229.5**	2,436.6
Cash and cash equivalents at the end of the period	**3,917.5**	3,351.7
Comprising of:		
Cash and balances at central banks	**3,633.9**	2,913.8
Loans and advances to banks	**283.6**	437.9

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASHFLOWS ARISING FROM FINANCING ACTIVITIES

£m

Six months ended 30 June 2021 Six months ended 30 June 2020

	Lease liabilities	Other borrowed funds	Total	Lease liabilities	Other borrowed funds	Total
Balance at the beginning of the period	53.6	408.2	**461.8**	71.2	204.2	275.4
Changes from financing cash flows:						
Interest paid on Tier 2 and senior unsecured debt	-	(18.5)	**(18.5)**	-	(9.5)	(9.5)
Lease liability principal payments	(4.2)	-	**(4.2)**	(5.4)	-	(5.4)
	49.4	**389.7**	**439.1**	65.8	194.7	260.5
Other changes:						
Interest payable on lease liabilities, Tier 2 and senior unsecured debt	0.7	18.4	**19.1**	1.1	9.5	10.6
Other non-cash movements	-	(2.4)	**(2.4)**	-	5.1	5.1
Recognition of lease liabilities	-	-	**-**	1.5	-	1.5
Balance at the end of the period	**50.1**	**405.7**	**455.8**	68.4	209.3	277.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£m

Six months ended 30 June 2021	**Share capital**	**Share premium**	**FVOCI reserve**	**Cash flow hedging reserve**	**Capital redemption reserve**	**Capital re-organisation reserve**	**Defined benefit pension reserve**	**Retained earnings**	**Total equity**
At 1 January 2021	0.9	313.8	4.8	22.5	410.0	1,737.5	395.1	(1,410.2)	**1,474.4**
Total comprehensive (expense)/income for the period	-	-	(3.0)	(5.4)	-	-	(23.7)	44.9	**12.8**
At 30 June 2021	**0.9**	**313.8**	**1.8**	**17.1**	**410.0**	**1,737.5**	**371.4**	**(1,365.3)**	**1,487.2**

Six months ended 30 June 2020	**Share capital**	**Share premium**	**FVOCI reserve**	**Cash flow hedging reserve**	**Capital redemption reserve**	**Capital re-organisation reserve**	**Defined benefit pension reserve**	**Retained earnings**	**Total equity**
At 1 January 2020	0.9	313.8	4.1	16.7	410.0	1,737.5	443.4	(1,314.5)	1,611.9
Total comprehensive (expense)/income for the period	-	-	(0.8)	10.8	-	-	33.8	(24.5)	19.3
At 30 June 2020	0.9	313.8	3.3	27.5	410.0	1,737.5	477.2	(1,339.0)	1,631.2

Year ended 31 December 2020	**Share capital**	**Share premium**	**FVOCI reserve**	**Cash flow hedging reserve**	**Capital redemption reserve**	**Capital re-organisation reserve**	**Defined benefit pension reserve**	**Retained earnings**	**Total equity**
At 1 January 2020	0.9	313.8	4.1	16.7	410.0	1,737.5	443.4	(1,314.5)	1,611.9
Total comprehensive income/(expense) for the year	-	-	0.7	5.8	-	-	(48.3)	(95.7)	(137.5)
At 31 December 2020	0.9	313.8	4.8	22.5	410.0	1,737.5	395.1	(1,410.2)	1,474.4

Notes 1 to 17 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 SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The Interim Financial Statements for the Group are for the six month period ended 30 June 2021 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 Limited (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 considered information in respect of the 18-month period ending 31 December 2022 (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 has been based on the most recent long-term forecast reviewed by the Directors and includes the latest view of the response to the COVID-19 pandemic along with the current expectation that MREL requirements will increase to a multiple of two-times TCR from 1 January 2023 ('end-state requirements') and, therefore, considers actions within the Assessment Period that are required in advance of this date. The Directors have included within the base case, the impact of recent improvements to risk-weighted asset projections following the substantial completion of modelling the impacts of regulatory change on these projections. The assessment also considered further, more pessimistic scenarios than are included within the base case that could reasonably possibly incur, along with stress-testing and reverse stress-testing of the long-term forecast. This assessment included a detailed review of projected profitability and forecast liquidity and capital resources, including capital adequacy ratios in varying scenarios, including where risk-weighted asset assumptions differ to the base case. The results of this assessment were compared to minimum binding regulatory requirements expected to be in force throughout the Assessment Period, so do not include the requirements associated with the CRD IV and PRA buffers.

When identifying further, more pessimistic scenarios that could occur, the Directors considered the principal risks faced by the Group as summarised in the risk management section 1. The most relevant risks identified were capital and credit risk and the most relevant regulatory requirement was binding MREL requirements which are TCR plus £400m throughout the Assessment Period. The Directors also considered the impact of end-state requirements on day 1, to consider the extent to which actions during the Assessment Period might need to be revised under more pessimistic scenarios.

The Directors considered the recent announcements in relation to the leverage ratio framework in the UK, and have updated their going concern assessment to reflect the fact leverage is no longer considered to be a binding requirement for the Bank. Liquidity risk was considered less relevant to the going concern assessment due to the current and projected levels of liquidity and availability of further funding, notably through the government's TFSME scheme, should it be required.

As part of the review of these risks, the Directors' assessment includes, but was not limited to the macroeconomic environment in which the Group operates, and in particular, the amount and timing of future changes in house prices, either in isolation or combined with a deterioration of income or increase in operating costs, along with changes in regulatory capital requirements which impact capital adequacy ratios. Appropriate consideration was given to the historical accuracy of management's forecasting, particularly in the post-COVID environment. The reverse stress-testing identified the level of house price deterioration in isolation that would need to occur to breach minimum regulatory capital requirements and also identified the combination of house price deterioration coupled with risks to profitability that would need to occur. In both instances, the circumstances that would need to prevail to breach minimum requirements, are considered a remote possibility during the Assessment Period. In relation to the impact of end-state requirements on this position, the Directors continue to monitor the outcome of the consultation paper before finalising their capital issuance plans, the quantum of which would be informed by reasonably possible economic scenarios and any changes to forecast risk-weighted asset projections including the impact of regulatory change on our assumptions. The Directors have considered the amount of capital required to be issued within the Assessment Period under a range of scenarios and whilst a successful issuance is not certain, the Group's recent successful issuance and progress delivering the strategy have reduced the level of uncertainty in this regard.

After considering the matters above, the Directors have a reasonable expectation that both the Group and Bank will continue in operational existence for at least the next 12 months from the date of signing the financial statements. Accordingly, these Financial Statements have been prepared on a going concern basis with no material uncertainties.

1.3 Significant accounting policies

The accounting policies, presentation and methods of computation are consistent with those applied by the Group in its audited 2020 Annual Financial Statements, which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, with the exception of the items below which have been adopted for the first time in 2021:

1.3.1 Interest Rate Benchmark Reform - Phase 2

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, in anticipation of the phasing out of the LIBOR benchmark rate at the end of 2021. The amendments became effective from 1 January 2021, following endorsement by the United Kingdom in January 2021.

The key impacts of the changes provide reliefs such that entities may:

- Avoid recognising significant modification gains or losses on financial instruments if a change resulting directly from IBOR reform sees an IBOR rate replaced with an 'economically equivalent' alternative; and
- Maintain existing hedging relationships where modifications have been required by IBOR reform.

The Group has adopted the amendments with effect from 1 January 2021. The Group's LIBOR transition activities have not had significant impact during the period, and the Group does not anticipate any significant impact to arise during the remainder of the transition work. Further disclosures with regard to the Group's LIBOR transition activities are outlined in the risk management section 1.

1.4 Standards and interpretations issued

Information on pronouncements that will be relevant in future periods is provided in the 2020 Annual Report and Accounts.

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 2020 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 Bank has not significantly amended the nature of the judgements applied in estimating credit losses from those disclosed by the Group in its 2020 Annual Report and Accounts, including the bases for post-model adjustments (which are disclosed in further detail in the risk management section 2); however, certain key estimation assumptions have changed in the Bank's most recent assessment of expected credit losses (ECL).

a) Collective impairment provisions - scenario selection and weighting

ECLs are probability-weighted amounts, which are determined by evaluating a range of possible economic scenarios of varying probabilities in order to capture non-linearities and asymmetries within the ECL calculation:

- A base scenario, which is consistent with the economic forecasts used by the Group in its financial planning process, is determined by reference to a combination of the Bank of England (BoE)'s Monetary Policy Reports, HM Treasury consensus and expert judgement.
- Alternative scenarios, reflecting outlooks of differing severity or optimism, are modelled by the application of multipliers to base scenario forecasts and by reference to stress scenarios published by the BoE.
- The relative weighting of each scenario is determined by reference to probability-weighted distribution of economic forecasts published by the BoE in its Monetary Policy Reports.
- All scenarios and weightings are regularly benchmarked against available industry data.

Once the scenarios and weightings have been determined, ECLs are calculated by applying each scenario to the Group's ECL models and multiplying the result by the respective scenario weighting.

The scenario categorisations and the weightings applied to each scenario as at 30 June 2021 are outlined in the table below, alongside illustrations of how the modelled ECL would change if 100% weighting was applied to each of the scenarios. The scenario categorisation (mild upside, base, mild downside and downside) and weightings are the same as were used at 31 December 2020.

	% applied in model	Core Retail	Core SME	Legacy & central items	Total
Base	40%	7.4	0.4	4.3	12.1
Mild upside	30%	7.1	0.4	4.2	11.7
Mild downside	25%	8.2	0.4	4.3	12.9
Downside	5%	12.2	0.8	4.9	17.9
Weighted average	-	7.8	0.4	4.3	12.5

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 and these should therefore not be considered reliable forecasts of expected losses under such economic conditions. In practice, if any such scenario was experienced in isolation it would be reasonable to expect customers to transfer between stages which would impact the total ECL. It should also be noted that the above considers only modelled ECLs and not the impact of any PMAs. In practice, certain PMAs implemented by the Group may offset the above modelled movements to reduce the sensitivity of the overall ECL.

The key economic assumptions used within the Bank's range of economic scenarios are shown in the table below as the annual and total average over the five year forecast period used within all scenarios. The long-term rate is not materially different from that assumed at the end of the forecast period, which is consistent with the long term economic trends expected prior to the COVID-19 pandemic.

	2021	2022	2023	2024	2025	5 year average
GDP[1]						
Mild upside	8.7%	6.9%	1.3%	1.2%	1.7%	4.0%
Base	7.4%	5.8%	1.3%	1.2%	1.7%	3.5%
Mild downside	6.1%	3.7%	2.5%	1.7%	1.7%	3.1%
Downside	0.6%	3.7%	6.0%	3.1%	1.6%	3.0%
Unemployment[2]						
Mild upside	4.9%	4.2%	4.1%	4.1%	3.9%	4.2%
Base	5.1%	4.4%	4.3%	4.3%	4.0%	4.4%
Mild downside	7.3%	6.2%	5.2%	4.8%	4.4%	5.6%
Downside	11.5%	11.5%	8.3%	5.5%	4.9%	8.3%
HPI[3]						
Mild upside	3.3%	1.8%	1.9%	4.8%	4.0%	3.2%
Base	1.6%	(0.5%)	1.9%	4.8%	4.0%	2.4%
Mild downside	(2.5%)	(3.0%)	1.9%	4.8%	4.0%	1.0%
Downside	(9.8%)	(23.9%)	21.0%	15.4%	6.1%	1.8%
Base rate[2]						
Mild upside	0.25%	0.50%	0.75%	1.00%	1.00%	0.70%
Base	0.10%	0.25%	0.50%	0.75%	1.00%	0.52%
Mild downside	0.10%	0.10%	0.10%	0.25%	0.50%	0.21%
Downside	0.00%	(0.10%)	(0.10%)	0.00%	0.00%	(0.04%)

1. Annual average YoY%

2. Year end %

3. Year end YoY%

b) Collective impairment provisions – model variable 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 2020 Annual Report and Accounts.

c) Individual impairment provisions

As disclosed in the 2020 Annual Report and Accounts, the Group's individual impairment provisions are not sensitive to economic variables.

2.2 Deferred tax assets

The Group has been loss-making for some time and, as a result, has unrecognised deferred tax assets of £616.8m (31 December 2020: £482.2m) in respect of accumulated trading losses of £2,288.0m (31 December 2020: £2,300.4m) and other temporary differences of £27.1m (31 December 2020: £27.1m).

Where it is permissible to do so, the Group has recognised deferred tax assets to offset against deferred tax liabilities. The Group has recognised deferred tax assets of £187.4m (31 December 2020: £154.5m) on this basis.

With regards to the recognition of deferred tax assets based on future profitability, whilst the Group has reported an accounting profit for two consecutive quarters the criteria, outlined in both IAS 12 and guidance issued by the European Securities and Markets Authority, have not yet been met to recognise deferred tax assets on this basis. There may be scope to recognise a deferred tax asset if the Group continues to generate sustainable profits in the second half of the year. Deferred tax asset recognition based on future profitability will be reassessed for the year ended 31 December 2021.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax liability at 30 June 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

A bank corporation tax surcharge of 8% also applies to The Co-operative Bank p.l.c. entity. The government is due to undertake a review of the surcharge in Autumn 2021 to ensure that the combined rate of tax on banks' profits does not increase substantially from its current level.

For further information, refer to note 7.

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 corporate entities. The Group revised its reportable segments in the period, following an exercise to improve its internal management reporting of income and cost allocations. As a result, the operating costs of all business functions are allocated to the income-generating businesses, to support further understanding of the profitability of those businesses and accordingly the Treasury function, whose income and cost was previously reported separately, has been fully allocated to customer segments and is no longer reported separately. Treasury balances have not been allocated to segments to maintain clarity on underlying customer product balances. The Group therefore now identifies two segments, Retail Banking and SME Business Banking, and has re-presented comparatives on this basis.

	Core				
Six months ended 30 June 2021	**Retail**	**SME**	**Total**	**Legacy & central items**	**Group**
Net interest income/(expense)	131.2	22.4	**153.6**	(4.2)	**149.4**
Other operating income	10.6	8.0	**18.6**	-	**18.6**
Operating income/(expense)	**141.8**	**30.4**	**172.2**	**(4.2)**	**168.0**
Operating expenses	(126.5)	(26.5)	**(153.0)**	(2.2)	**(155.2)**
Net credit impairment gains/(losses)	2.0	(0.9)	**1.1**	(1.0)	**0.1**
Underlying profit/(loss)	**17.3**	**3.0**	**20.3**	**(7.4)**	**12.9**
Strategic change					**(9.7)**
Gain on shares revaluation					**2.3**
Loss on asset sales					**-**

Other exceptional items	**15.9**
Statutory profit before tax	**21.4**

Six months ended 30 June 2020 Re-presented	Core				
	Retail	SME	Total	Legacy & central items	Group
Net interest income/(expense)	109.5	20.6	130.1	(2.7)	127.4
Other operating income/(expense)	13.3	7.8	21.1	(0.1)	21.0
Operating income/(expense)	122.8	28.4	151.2	(2.8)	148.4
Operating expenses	(141.6)	(26.6)	(168.2)	(2.9)	(171.1)
Net credit impairment losses	(5.2)	(2.3)	(7.5)	(3.7)	(11.2)
Underlying loss	(24.0)	(0.5)	(24.5)	(9.4)	(33.9)
Strategic change					(15.0)
Gain on shares revaluation					4.4
Loss on asset sales					(0.1)
Other exceptional items					-
Statutory loss before tax					(44.6)

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.

		Removal of:			
Six months ended 30 June 2021	**IFRS statutory**	**Volatile items[1]**	**Strategic projects**	**Non recurring[2]**	**Underlying basis**
Net interest income	**149.4**	-	-	-	**149.4**
Other operating income/(expense)	**34.2**	(2.3)	-	(13.3)	**18.6**
Operating income	**183.6**	**(2.3)**	**-**	**(13.3)**	**168.0**
Operating expenses	**(164.9)**	-	9.7	-	**(155.2)**
Net customer redress release	**2.6**	-	-	(2.6)	**-**
Net credit impairment gains	**0.1**	-	-	-	**0.1**
Profit before taxation/underlying basis	**21.4**	**(2.3)**	**9.7**	**(15.9)**	**12.9**

1. In the period ended 30 June 2021, this comprises gain on shares revaluation.

2. In the period ended 30 June 2021, this comprises refunds of historical ATM business rates paid and a release of PPI provision.

		Removal of:			
Six months ended 30 June 2020	**IFRS statutory**	**Volatile items[1]**	**Strategic projects**	**Non recurring[2]**	**Underlying basis**
Net interest income	127.4	-	-	-	127.4
Other operating income/(expense)	25.3	(4.4)	-	0.1	21.0
Operating income	152.7	(4.4)	-	0.1	148.4
Operating expenses	(186.1)	-	15.0	-	(171.1)
Net customer redress charge	-	-	-	-	-
Net credit impairment losses	(11.2)	-	-	-	(11.2)
Loss before taxation/underlying basis	(44.6)	(4.4)	15.0	0.1	(33.9)

1. In the period ended 30 June 2020, this comprises gain on shares revaluation.

2. In the period ended 30 June 2020, this comprises loss on asset sales.

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

30 June 2021	Core				
	Retail	**SME**	**Total**	**Legacy & central items**	**Underlying basis**
Segment assets	19,124.4	475.4	**19,599.8**	7,220.2	**26,820.0**

Segment liabilities	17,819.4	3,432.5	**21,251.9**	4,080.9	**25,332.8**

31 December 2020 Re-presented	Core			Legacy & central items	Underlying basis
	Retail	SME	Total		
Segment assets	17,360.7	447.8	17,808.5	7,791.0	25,599.5
Segment liabilities	17,300.0	2,964.4	20,264.4	3,860.7	24,125.1

4. NET INTEREST INCOME

Interest income and similar income

	Six months ended 30 June 2021				Six months ended 30 June 2020			
	Amortised cost	FVOCI	Other	Total	Amortised cost	FVOCI	Other	Total
On financial assets not at fair value through profit or loss:								
Loans and advances to customers	**196.3**	**-**	**-**	**196.3**	195.3	-	-	195.3
Loans and advances to banks	**1.8**	**-**	**-**	**1.8**	3.8	-	-	3.8
Investment securities	**0.5**	**3.1**	**-**	**3.6**	0.8	7.3	-	8.1
Net interest income on net defined benefit pension asset	**-**	**-**	**4.5**	**4.5**	-	-	6.9	6.9
	198.6	**3.1**	**4.5**	**206.2**	199.9	7.3	6.9	214.1
On financial assets at fair value through profit or loss:								
Loans and advances to customers	**-**	**-**	**5.5**	**5.5**	-	-	5.8	5.8
Net interest expense on financial instruments hedging assets	**-**	**-**	**(20.0)**	**(20.0)**	-	-	(12.6)	(12.6)
Net interest income on financial instruments not in a hedging relationship	**-**	**-**	**17.2**	**17.2**	-	-	6.6	6.6
	198.6	**3.1**	**7.2**	**208.9**	199.9	7.3	6.7	213.9

Interest expense and similar charges

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Amortised cost	Other	Total	Amortised cost	Other	Total
On financial liabilities not at fair value through profit or loss:						
Customer accounts	**(17.4)**	**-**	**(17.4)**	(53.4)	-	(53.4)
Subordinated liabilities, debt securities in issue and other deposits	**(32.7)**	**-**	**(32.7)**	(28.9)	-	(28.9)
Interest on lease liabilities	**-**	**(0.9)**	**(0.9)**	-	(1.2)	(1.2)
Net interest expense on unfunded pension obligations	**-**	**(0.1)**	**(0.1)**	-	(0.1)	(0.1)
	(50.1)	**(1.0)**	**(51.1)**	(82.3)	(1.3)	(83.6)
On financial liabilities at fair value through profit or loss:						
Net interest income on financial instruments hedging liabilities	**-**	**5.7**	**5.7**	-	5.4	5.4
Net interest expense on financial instruments not in a hedging relationship	**-**	**(14.1)**	**(14.1)**	-	(8.3)	(8.3)
	(50.1)	**(9.4)**	**(59.5)**	(82.3)	(4.2)	(86.5)

5. OTHER OPERATING INCOME (NET)

	Six months ended 30 June	
	2021	**2020**
Profit on sale of investment securities	**0.9**	-
Gain on sale of shares	**0.7**	-
Loss on sale of loans and advances to customers	**-**	(0.1)
Fair value movement on loans and advances to customers designated at fair value	**(6.0)**	4.9

Income/(expense) from derivatives and hedge accounting	**9.5**	(1.3)
Income from assets and liabilities held at fair value through profit or loss[1]	**1.0**	3.6
Income from foreign payments	**4.1**	4.2
ATM benefit[2]	**13.3**	-
Other operating income	**-**	0.7
	23.5	12.0

1. Income from assets and liabilities held at fair value through profit or loss of £1.0m (30 June 2020: £3.6m) include £1.6m gain on equity shares (30 June 2020: £4.2m).
2. Refund of historical ATM business rates paid following the Supreme Court ruling handed down in May 2020.

6. OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020 Re-presented[1]
Staff costs	**61.7**	67.9
Depreciation, amortisation and impairment[2]	**19.6**	20.3
Technology costs	**24.4**	30.3
Outsourced operations	**29.1**	32.3
Professional services and IT consultancy costs	**9.8**	12.3
Property costs	**3.4**	7.3
Credit checking and screening	**2.5**	1.6
Regulatory levies	**1.9**	1.5
Other expenses	**12.5**	12.6
	164.9	186.1

1. During the period, the Bank has provided further analysis of operating costs, reducing the proportion described as 'other', and prior period comparative information has been re-presented for consistency with the current period. There is no net impact to total operating costs as a result of this re-presentation.
2. Mainly comprises amortisation of intangible assets of £13.0m (2020: £12.2m).

7. INCOME TAX

	Six months ended 30 June	
	2021	**2020**
Current tax credit	**-**	(0.2)
Deferred tax credit	**(23.5)**	(19.9)
Total tax credit	**(23.5)**	(20.1)

In addition to the above, included within other comprehensive income is a deferred tax charge of £36.1m (2020: £33.6m).

The tax on the profit/(loss) before taxation differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

	Six months ended 30 June	
	2021	**2020**
Profit/(loss) before taxation	**21.4**	(44.6)
Tax credit calculated at a rate of 19% (2020: 19%)	**4.0**	(8.5)
Effects of:		
Impact of corporation tax rate change	**(25.9)**	(8.9)
Movement in unrecognised deferred tax	**(2.3)**	0.7
Impact of surcharge on deferred tax	**0.7**	(3.3)
Expenses not deductible for tax purposes	**0.2**	0.2
Non-taxable income	**(0.2)**	(0.1)
Adjustment in respect of prior period	**-**	(0.2)
Total tax credit	**(23.5)**	(20.1)

Deferred tax assets based on future profitability have not been recognised. The Group has unrecognised deferred tax assets totalling £616.8m (31 December 2020: £482.2m). Whilst the Group has reported an accounting profit for two consecutive quarters, the criteria outlined in both IAS 12 and guidance issued by the European Securities and Markets Authority have not yet been met to recognise deferred tax assets on the basis of future profitability. Deferred tax asset recognition based on future profitability will be reassessed for the year ended 31 December 2021.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax liability at 30 June 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

A bank corporation tax surcharge of 8% also applies to The Co-operative Bank p.l.c. entity. The government is due to undertake a review of the surcharge in Autumn 2021 to ensure that the combined rate of tax on banks' profits does not increase substantially from its current level.

8. LOANS AND ADVANCES TO CUSTOMERS

Analysis of the balance sheet

	30 June 2021	31 December 2020
Gross loans and advances	**20,449.1**	18,725.4
Less: allowance for losses	**(38.5)**	(42.9)
	20,410.6	18,682.5

Loans and advances to customers include £126.0m (31 December 2020: £136.0m) of financial assets designated at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency; of these, £57.8m (31 December 2020: £58.4m) are secured by real estate collateral. Exposure is predominantly within the UK.

For stage allocation and analysis, including the impact which the COVID-19 pandemic has had on the impairment losses for the period, please 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 13 for further details on encumbered and pledged assets.

Analysis of allowance for impairment losses

	Retail	SME	Legacy & central items	Total
At 1 January 2021	29.3	8.1	5.5	**42.9**
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2)	0.8	1.1	-	**1.9**
To credit impaired (stage 1 or 2 to 3)	1.4	-	-	**1.4**
To 12 month ECL (stage 2 to 1)	(2.9)	(0.3)	(0.1)	**(3.3)**
From credit impaired (stage 3 to 2)	(0.3)	-	-	**(0.3)**
Net changes arising from stage transfers	**(1.0)**	**0.8**	**(0.1)**	**(0.3)**
Other charges/(releases):				
New assets originated or purchased	3.0	-	-	**3.0**
Other changes to risk parameters	(1.3)	0.8	1.3	**0.8**
Redemptions and repayments	(2.2)	(0.7)	(0.2)	**(3.1)**
Net other charges	**(1.5)**	**0.9**	**1.0**	**0.4**
Assets written off	(2.1)	(2.5)	(0.2)	**(4.8)**
At 30 June 2021	**25.7**	**6.5**	**6.3**	**38.5**

Analysis of income statement

	Six months ended 30 June	
	2021	2020
Net other charges	**(0.4)**	(12.4)
Amounts recovered against amounts previously written off	**0.1**	0.7
Adjustment to recognise interest on stage 3 assets based on their net carrying value	**0.4**	0.5

Net impairment gain/(loss) for the period as shown in the income statement	**0.1**	(11.2)

9. INVESTMENT SECURITIES

Analysis of investment securities

	30 June 2021				31 December 2020			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
Investment securities[1] (listed)	**72.6**	**1,090.3**	**3.0**	**1,165.9**	77.4	1,067.6	3.5	1,148.5

1. Investment securities were net of impairment in both periods.

Movement in investment securities

	30 June 2021				31 December 2020			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
At the beginning of the period	**77.4**	**1,067.6**	**3.5**	**1,148.5**	95.0	1,506.4	4.2	1,605.6
Acquisitions	**-**	**445.7**	**-**	**445.7**	-	969.6	-	969.6
Disposals and maturities	**(4.8)**	**(384.2)**	**-**	**(389.0)**	(17.5)	(1,404.7)	-	(1,422.2)
FVOCI	**-**	**(3.9)**	**-**	**(3.9)**	-	1.8	-	1.8
Fair value through profit or loss	**-**	**(34.8)**	**(0.5)**	**(35.3)**	-	(7.5)	(0.7)	(8.2)
Amortisation	**-**	**-**	**-**	**-**	-	2.3	-	2.3
Movement in interest accrual	**-**	**(0.1)**	**-**	**(0.1)**	(0.1)	(0.3)	-	(0.4)
At the end of the period	**72.6**	**1,090.3**	**3.0**	**1,165.9**	77.4	1,067.6	3.5	1,148.5

Certain investment securities have been pledged or transferred by the Group; see note 13 for further details on encumbered and pledged assets.

Analysis of investment securities by issuer

	30 June 2021	31 December 2020
Investment securities issued by public bodies:		
Government securities	**418.7**	463.7
Other public sector securities	**262.0**	226.1
	680.7	689.8
Other debt securities:		
Other floating rate notes	**400.3**	377.8
Mortgage backed securities	**84.9**	80.9
	485.2	458.7
Total investment securities by issuer	**1,165.9**	1,148.5

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

10. OTHER BORROWED FUNDS

	30 June 2021	31 December 2020
Fixed rate subordinated notes	**400.0**	400.0
Issue costs, discounts and accrued interest	**1.7**	1.2
Hedged risk adjustment	**4.0**	7.0
	405.7	408.2

Other borrowed funds comprise:

- £200m of MREL-qualifying Tier 2 notes issued in April 2019. These are fixed rate reset callable subordinated notes. These notes have contractual maturity of 25 April 2029, an optional call date of 25 April 2024 with a coupon of 9.5% and are listed on the London Stock Exchange.
- £200m of MREL-qualifying fixed rate reset callable senior unsecured debt issued in November 2020 to meet the Group's

Minimum Requirements for own funds and Eligible Liabilities. These notes:

i. Are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank pari passu without any preference among themselves and, in the event of a winding-up, will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Bank;
ii. Have a contractual maturity of 27 November 2025, an optional call date of 27 November 2024 and a coupon of 9% which will reset at the optional call date; and
iii. Are listed on the London Stock Exchange.

11. PROVISIONS

	Property	PPI	Conduct / legal	Other	Total
At 1 January 2021	22.8	8.6	1.1	13.9	**46.4**
Provided in the period:					
Operating expenses	(1.1)	-	0.1	3.5	**2.5**
Net customer redress release	-	(2.6)	-	-	**(2.6)**
Utilised during the period	(2.9)	(0.8)	(0.7)	(8.2)	**(12.6)**
At 30 June 2021	**18.8**	**5.2**	**0.5**	**9.2**	**33.7**
Amounts falling due within one year	4.5	5.2	0.5	3.4	**13.6**
Amounts falling due after one year	14.3	-	-	5.8	**20.1**
	18.8	**5.2**	**0.5**	**9.2**	**33.7**

Property

The Group has a number of leasehold properties available for rent. Provisions are made when either the sub-lease income does not cover the rental expense or the property is vacant. The provision is based on the expected outflows during the remaining periods of the leases. In addition, dilapidation provisions are recorded to the extent that the Group has incurred dilapidations and/or the dilapidation clause within the contract has been invoked.

Payment Protection Insurance (PPI)

The Group has materially concluded its remediation activity under its legacy PPI redress programme and expects the remaining provision to be adequate in respect of residual liabilities.

Other

Other provisions include a net charge of £3.5m (30 June 2020: £0.3m) which mainly comprises movements in the provisions for employee variable pay.

12. RETIREMENT BENEFITS

Details of the pension schemes operated by the Group are provided in the 2020 Annual Report and Accounts. The amounts recognised in the balance sheet in relation to defined benefit schemes are as follows:

	31 December 2020	Movement	30 June 2021
Retirement benefit net surplus	651.8	16.0	**667.8**
Retirement benefit liabilities	(8.8)	0.5	**(8.3)**
Total amounts recognised in the balance sheet	**643.0**	**16.5**	**659.5**
Represented by:			
Funded DB schemes (Pace DB and BPS)	651.8	16.0	**667.8**
Unfunded DB schemes	(8.8)	0.5	**(8.3)**
Total amounts recognised in the balance sheet	**643.0**	**16.5**	**659.5**

The present value of the defined benefit obligation as at 30 June 2021 has been derived using assumptions that are consistent with those used for the 31 December 2020 value, updated for market conditions at the reporting date. The increase in the net asset was driven by a one-off experience gain following completion of the 2020 BPS triennial valuation, which was concluded in February 2021, net interest income earned and expense reimbursement contributions to BPS. These increases have been partially offset, primarily due to the increase in corporate bond yields over the first half of 2021, which has the effect of increasing the discount rate

and reducing liabilities. The schemes employ 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 exceeds the reduction in accounting liabilities, driving a reduction in the net surplus position.

13. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES

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 2021	31 December 2020
	Contractual amount	Contractual Amount
Contingent liabilities arising from customer transactions:		
Guarantees and irrecoverable letters of credit	**4.8**	5.6
Other commitments arising from customer transactions:		
Undrawn formal standby facilities, credit lines and other commitments to lend (includes revocable and irrevocable commitments)[1]	**2,119.7**	2,406.7
	2,124.5	2,412.3

1. Undrawn loan commitments include revocable commitments which are unused credit card limits of £933.6m (31 December 2020: £974.5m).

Other contingent liabilities, contractual commitments and guarantees

There have been no significant changes to the position of the Group's other contingent liabilities, contractual commitments and guarantees as disclosed in the 2020 Annual Report and Accounts.

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 are provided below.

30 June 2021	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	2,945.5	-	**2,945.5**
Covered bond	-	41.2	1,158.8	-	**1,200.0**
Pension scheme contingent security	-	54.1	476.0	-	**530.1**
Payment scheme collateral	280.0	51.2	48.0	41.8	**421.0**
Interest rate swap collateral	-	154.4	-	180.4	**334.8**
Securitisations	-	15.6	252.3	-	**267.9**
Other	-	24.1	-	146.0	**170.1**
Total assets pledged	**280.0**	**340.6**	**4,880.6**	**368.2**	**5,869.4**

31 December 2020	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	2,346.7	-	2,346.7
Covered bond	-	41.9	1,236.6	-	1,278.5
Pension scheme contingent security	-	35.6	489.9	-	525.5
Payment scheme collateral	280.0	50.9	48.5	41.7	421.1
Interest rate swap collateral	-	302.7	-	158.5	461.2
Securitisations	-	11.3	265.7	-	277.0
Other	-	24.0	-	166.8	190.8
Total assets pledged	280.0	466.4	4,387.4	367.0	5,500.8

- **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 bond** – residential mortgages pledged as collateral against covered bond investment securities issued by the Group. Noteholders would have recourse to the underlying assets in the event of the Group's default.
- **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 retained securitisation notes (which do not appear on the Group's consolidated balance sheet), cash generated from the amortisation of the notes, 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 in the event that the Group was unable to meet future contribution obligations, as may be agreed with the relevant scheme trustee, insolvency or the failure to adhere to the terms of the security deeds.
- **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.
- **Securitisations** – residential mortgages pledged as collateral against investment securities issued by Group securitisation subsidiaries. Noteholders would have recourse to the underlying assets in the event of the Group's default. The Group may issue investment securities from the securitisations externally to investors for liquidity purposes, or may retain these internally to be used as collateral in other arrangements. Where such securities are retained internally, they are eliminated on consolidation and do not appear on the Group's balance sheet.
- **Other** – primarily relates to investment securities pledged to cover essential operational continuity costs that would be incurred if the Group was 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 rate to repurchase agreements (repos) and are quantified below:

	30 June 2021	31 December 2020
Investment securities sold under repurchase agreements		
Carrying amount of assets not derecognised	**223.7**	305.0
Carrying amount of associated liabilities	**223.3**	294.6

Unconsolidated structured entities

Details of the interests in unconsolidated structured entities are disclosed in note 36 of the 2020 Annual Report and Accounts, and there has been no significant change in the nature of the transactions in these entities since this was published.

14. RELATED PARTY TRANSACTIONS

During the first six months of the year, certain funds managed by Anchorage Illiquid Opportunities Offshore Master V L.P and SP Coop Investments Ltd have sold the majority of their holdings in the Tier 2 and senior unsecured debt issued by The Co-operative Bank Finance p.l.c. As at 30 June 2021 certain funds managed by SP Coop Investments Ltd only hold 3.6% of the Tier 2 debt.

During the period to 30 June 2021 there have been no changes to the nature of the related party transactions disclosed in note 32 of the 2020 Annual Report and Accounts that would materially affect the position or performance of the Group.

15. SHARE CAPITAL

	30 June 2021		31 December 2020	
	No. of shares (millions)	Share capital	No. of shares (millions)	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 (2020: 9,029,130,200) and 83 B shares (2020: 83) in The Co-operative Bank Holdings Limited. 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, other than on exit in an amount of £25.0m in aggregate, subject to achieving a minimum valuation threshold.

16. 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 2020 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 2021	Amortised cost	FVOCI	FVTPL – designated	FVTPL – mandatorily measured	Derivatives in a hedging relationship	Total
Financial assets						
Cash and balances at central banks	3,713.8	-	-	-	-	**3,713.8**
Loans and advances to banks	417.8	-	-	-	-	**417.8**
Loans and advances to customers	20,284.6	-	125.2	0.8	-	**20,410.6**
Investment securities	72.6	1,090.3	-	3.0	-	**1,165.9**
Derivative financial instruments	-	-	-	119.2	76.4	**195.6**
Equity shares	-	-	-	23.7	-	**23.7**
Other assets	9.9	-	-	-	-	**9.9**
	24,498.7	**1,090.3**	**125.2**	**146.7**	**76.4**	**25,937.3**
Financial liabilities						
Deposits by banks	2,456.7	-	-	-	-	**2,456.7**
Customer accounts	21,326.2	-	-	-	-	**21,326.2**
Debt securities in issue	726.2	-	-	-	-	**726.2**
Derivative financial instruments	-	-	-	131.8	74.9	**206.7**
Other borrowed funds	405.7	-	-	-	-	**405.7**
Other liabilities	34.4	-	-	-	-	**34.4**
	24,949.2	**-**	**-**	**131.8**	**74.9**	**25,155.9**

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

		Measured at fair value				
31 December 2020	Amortised cost	FVOCI	FVTPL – designated	FVTPL – mandatorily measured	Derivatives in a hedging relationship	Total
Financial assets						
Cash and balances at central banks	3,877.8	-	-	-	-	3,877.8
Loans and advances to banks	536.2	-	-	-	-	536.2
Loans and advances to customers	18,546.5	-	135.2	0.8	-	18,682.5
Investment securities	77.4	1,067.6	-	3.5	-	1,148.5
Derivative financial instruments	-	-	-	168.1	21.8	189.9
Equity shares	-	-	-	22.1	-	22.1
Other assets	141.1	-	-	47.8	-	188.9
	23,179.0	1,067.6	135.2	242.3	21.8	24,645.9
Financial liabilities						
Deposits by banks	2,066.4	-	-	-	-	2,066.4
Customer accounts	20,365.8	-	-	-	-	20,365.8
Debt securities in issue	728.8	-	-	-	-	728.8
Derivative financial instruments	-	-	-	184.3	155.8	340.1

Other borrowed funds	408.2	-	-	-	-	408.2
Other liabilities	33.7	-	-	-	-	33.7
	23,602.9	-	-	184.3	155.8	23,943.0

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;
- Level 3 – Valuation techniques using unobservable inputs.

		Fair value at end of the reporting period using:			
30 June 2021	**Category**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-derivative financial assets					
Loans and advances to customers	FVTPL – designated	-	123.6	1.6	**125.2**
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.8	**0.8**
Investment securities	FVOCI	1,090.3	-	-	**1,090.3**
Investment securities	FVTPL – mandatorily measured	-	-	3.0	**3.0**
Equity shares	FVTPL – mandatorily measured	0.3	-	23.4	**23.7**
Other assets	FVTPL – mandatorily measured	-	-	-	**-**
Derivative financial assets		-	195.6	-	**195.6**
Non-financial assets:					
Investment properties		-	-	1.9	**1.9**
Total assets carried at fair value		**1,090.6**	**319.2**	**30.7**	**1,440.5**
Derivative financial liabilities		-	206.7	-	**206.7**
Total liabilities carried at fair value		**-**	**206.7**	**-**	**206.7**

		Fair value at end of the reporting period using:			
31 December 2020	**Category**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-derivative financial assets					
Loans and advances to customers	FVTPL – designated	-	133.4	1.8	135.2
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.8	0.8
Investment securities	FVOCI	1,067.6	-	-	1,067.6
Investment securities	FVTPL – mandatorily measured	-	-	3.5	3.5
Equity shares	FVTPL – mandatorily measured	0.3	-	21.8	22.1
Other assets	FVTPL – mandatorily measured	-	-	47.8	47.8
Derivative financial assets		-	189.9	-	189.9
Non-financial assets:					
Investment properties		-	-	1.9	1.9
Total assets carried at fair value		1,067.9	323.3	77.6	1,468.8
Derivative financial liabilities		-	340.1	-	340.1
Total liabilities carried at fair value		-	340.1	-	340.1

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 £116.7m as at 30 June 2021 (31 December 2020: £126.5m) 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 RMBS of £3.0m (FVTPL – mandatorily measured) as at 30 June 2021 (31 December 2020: £3.5m FVTPL). 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. A 1% increase or decrease in the price of the notes will result in the value increasing or decreasing by approximately £30k respectively as at 30 June 2021.

- **Equity shares**

Equity shares primarily comprise US dollar-denominated convertible preference shares in Visa International, which are classified as FVTPL – designated, with any movements in fair value being recognised in the income statement. 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 discount was increased by 10%, it would result in a reduction in the overall fair value of the equity shares of £3.3m (14%) as at 30 June 2021.

- **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 2020	**Purchases and transfers in**	**Sales, transfers out and repayments**	**Other comprehensive income**	**Income statement**	**Fair value at 30 June 2021**
Loans and advances to customers	2.6	-	(0.1)	-	(0.1)	**2.4**
Investment securities	3.5	-	-	-	(0.5)	**3.0**
Equity shares	21.8	-	-	-	1.6	**23.4**
Investment properties	1.9	-	-	-	-	**1.9**
Other assets	47.8	-	(47.8)	-	-	**-**
	77.6	**-**	**(47.9)**	**-**	**1.0**	**30.7**

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 2021	**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	3,713.8	-	-	-	3,713.8	**3,713.8**
Loans and advances to banks	417.8	-	-	-	417.8	**417.8**

Loans and advances to customers	20,284.6	-	-	19,079.0	1,191.1	**20,270.1**
Investment securities	72.6	-	-	74.5	-	**74.5**
Other assets	9.9	-	-	-	9.9	**9.9**
Financial liabilities						
Deposits by banks	2,456.7	-	2,423.8	-	32.9	**2,456.7**
Customer accounts	21,326.2	-	-	2,303.8	19,029.5	**21,333.3**
Debt securities in issue	726.2	505.9	-	227.6	-	**733.5**
Other borrowed funds	405.7	-	435.5	-	-	**435.5**
Other liabilities	34.4	-	-	-	34.4	**34.4**

		Fair value				
31 December 2020	**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	3,877.8	-	-	-	3,877.8	3,877.8
Loans and advances to banks	536.2	-	-	-	536.2	536.2
Loans and advances to customers	18,546.5	-	-	17,552.8	897.2	18,450.0
Investment securities	77.4	-	-	78.5	-	78.5
Other assets	141.1	-	-	-	141.1	141.1
Financial liabilities						
Deposits by banks	2,066.4	-	2,045.2	-	21.4	2,066.6
Customer accounts	20,365.8	-	-	2,822.3	17,558.3	20,380.6
Debt securities in issue	728.8	505.8	-	236.6	-	742.4
Other borrowed funds	408.2	-	392.2	-	-	392.2
Other liabilities	33.7	-	-	-	33.7	33.7

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

17. 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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