Nick Slape (CEO) and Louise Britnell (CFO) will host a video conference on 28 July 2022 at 9am (UK time) to present the interim results for the six months ended 30 June 2022 and a Q&A session.

To access the call please visit https://www.co-operativebank.co.uk/about-us/investor-relations/

Additional materials are also available at this address.

BASIS OF PRESENTATION

The Co-operative Bank Holdings 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.

2022 INTERIM FINANCIAL REPORT

The Co-operative Bank ('the Bank') is pleased to provide an update on its performance for the six months ended 30 June 2022:

- **Profit before tax of £61.9m and underlying profit of £63.6m;** significant increase on 1H 21 (underlying profit £12.9m)
- **Balance sheet remains stable with a low-risk portfolio;** net impairment release reflects robust credit performance
- **Reinforced capital position;** compliant with implied end-state MREL requirements including CRDIV buffers; no further capital issuance planned for this year
- **Launched our sixth customer-led ethical policy;** c50,000 customers have helped shape the new pillars which will define how we conduct our business – Planet, People and Community
- **Guidance upgraded;** reflecting a strong first half performance and an improved outlook for the remainder of the year

Nick Slape, Chief Executive Officer, said:

"We have made significant progress in the delivery of our strategy in the first half of 2022. The statutory profit before tax of £61.9m and underlying profit before tax of £63.6m reflect sustained quarter-on-quarter growth. These results are better than anticipated at the start of the year and therefore, looking ahead, we have upgraded our outlook for 2022 whilst increasing the investment to be made available for customer service and simplification initiatives. Our low-risk balance sheet, along with the recent successful capital issuance, support our customer-focussed goals to grow the Bank from an efficient and resilient foundation.

While the economic outlook remains uncertain as we wait to see the full impact of higher inflation and cost of living pressures, we remain committed to helping customers and colleagues during these challenging times and services are available to anyone requiring support. We made the decision in the first quarter to make a one-off payment to lower-paid colleagues, and we have also committed that from September we will increase the annual salaries we pay to colleagues by £1,000 (full time equivalent). This change in base pay will apply to approximately 95% of colleagues across the Bank, excluding those already on the highest salaries.

Earlier this year we launched our sixth customer-led ethical policy which has confirmed the alignment between our strategy and what our customers expect of The Co-operative Bank. I was delighted that we were again recognised as the number one high street bank for ESG in the UK by Sustainalytics and I would like to take the opportunity to thank all our customers and colleagues for continuing to support us to deliver the important goals we share."

FINANCIAL PERFORMANCE UPDATE

INCOME STATEMENT (£m)

	6 months ended 30 June	
	2022	**2021**
Net interest income	**208.2**	149.4
Other operating income	**21.4**	18.6
Total income	**229.6**	168.0
Operating expenditure	**(175.1)**	(162.3)
Impairment	**2.8**	0.1
Non-operating income	**4.6**	15.6
Profit before tax	**61.9**	21.4
Taxation	**(33.5)**	23.5
Profit after tax	**28.4**	44.9
Adjustments to profit before tax		
Exceptional project expenditure	**5.5**	9.7
Other exceptional (gains)	**(3.8)**	(18.2)
Underlying profit before tax	**63.6**	12.9
Key ratios:		
Net interest margin (bps) [1]	**151**	122
Adjusted RoTE (%) [2]	**13.6**	3.0
Cost:income ratio (%) [3]	**74.8**	88.4
Asset quality ratio (bps) [4]	**(2.7)**	(0.1)

1. Annualised net interest income over average interest earning assets
2. Underlying profit minus current tax over CET1 resources
3. Total statutory expenditure over total statutory income
4. Annualised impairment (credit)/charge over average customer assets

Profit before tax of £61.9m and underlying profit of £63.6m

Total income, which includes net interest income and other operating income, has increased by 37% in comparison to the six months ended 30 June 2021 to £229.6m (1H 21: £168.0m).

Net interest income has increased by 39% to £208.2m (1H 21: £149.4m) and net interest margin (NIM) has increased by 29 basis points (bps) from 122bps to 151bps, reflecting higher mortgage balances at improved margins. This is supported by improving deposit margins following increases in the base rate to 125bps. As a result, we have increased our expectations for the full year to c.155bps.

During the period, operating expenditure has increased by 8% to £175.1m (1H 21: £162.3m). Staff costs have increased largely due to the phasing of performance-related pay being made earlier than the prior period and actions taken by the Bank to support colleagues with the rising cost of living. Non-staff costs have increased following the impact of one-off gains in 1H 21 relating to property costs, lower PPI releases and an increase in customer fraud costs in 1H 22, partially offset by a reduction in depreciation.

Project costs have increased to £16.5m (1H 21: £13.3m) which reflects the current stage of our transformation as we lay the foundations for the rest of the programme. Our statutory cost:income ratio has improved in the period to 74.8% compared to 88.4%, due to the actions taken to grow income outweighing the acceleration of the transformation spend. In light of our overall financial performance we are increasing our investment spend in people and IT infrastructure.

Net impairment credit of £2.8m (1H 21: £0.1m credit) reflects the low level of defaults across the Bank's assets and a reduction in Platform secured coverage to 7.3bps from 10bps. The reduction in coverage reflects the ongoing monitoring of customer arrears data in the post-pandemic period following the additional provisions that were introduced in 2020, and includes the net impact of COVID-19 provision release and uplift for cost of living pressures.

We have reported a £4.6m non-operating exceptional gain (1H 21: £15.6m) which includes the profit on sale of a small legacy loan book in the first quarter of the year, as well as the revaluation of Visa shares.

Income tax charge of £33.5m

The income statement tax charge of £33.5m reflects a reduction in the value of the Bank's deferred tax assets due to a decrease in the banking surcharge from 8% to 3% which was enacted in the first quarter of the year and is capital neutral. The impact has been dampened by the recognition of further losses to shelter future taxable profits.

SUMMARY BALANCE SHEET (£m)

	Core				
30 June 2022	**Retail**	**SME**	**Total**	**Legacy & central items**	**Group**
Assets	19,771.5	392.6	**20,164.1**	8,890.6	**29,054.7**
Liabilities	17,064.9	3,438.0	**20,502.9**	6,818.9	**27,321.8**

	Core				
31 December 2021	**Retail**	**SME**	**Total**	**Legacy & central items**	**Group**
Assets	19,756.0	441.7	20,197.7	9,125.6	29,323.3
Liabilities	17,604.4	3,461.0	21,065.4	6,506.0	27,571.4

Balance sheet remains stable with a low-risk portfolio

Total assets have reduced by 1% compared with 31 December 2021 with legacy assets reducing by 3% to £8.9bn. Retail secured balances have increased slightly in the period to £19.5bn as we have actively managed new business volumes to preserve Bank margins. The mortgage pipeline is at c.£1.1bn, reflecting more normalised, pre-pandemic levels.

Total liabilities have reduced by 1% to £27.3bn over the period (FY 21: £27.6bn). Customer deposit balances across both retail and SME segments have reduced to £20.5bn (FY 21: £21.1bn), following some marginal unwind of excess balances built up over the pandemic. The Bank maintains a strong LCR position of 252.9%.

The asset quality ratio (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 2022 reflects a release of 2.7bps (1H 21: nil; FY 21: charge of 1bp).The average mortgage completion loan-to-value (LTV) remains low at 55.2% (FY 21 56.8%). Accounts that are greater than three months in arrears represented 0.14% of total accounts as at 30 June 2022 (FY 21 0.13%).

Reinforced capital position

Total MREL resources have grown by £245m, predominantly due to the successful £250m MREL issuance under our inaugural Green, Social and Sustainability Framework, which completed in April 2022. Based on an implied end-state requirement (using the 1H 22 reported balance sheet) of 29.6% including CRDIV buffers, we have surplus MREL resources and therefore do not anticipate needing to issue further capital during the remainder of 2022 in order to meet end-state requirements when they come into effect on 1 January 2023. Until that point, we also have surplus resources to MREL plus total buffers whilst transitional requirements apply.

This highlights the significant progress made to reinforce our capital position and moves towards our commitment to restoring full buffers before the end of 2023.

The CET1 ratio has reduced from 20.7% to 18.9% (driven by the impact of regulatory adjustments for PS11/20 and software intangibles) and remains well above the regulatory minimum of 12.3%. Organic CET1 ratio generation in 1H 22 totals 190bps, including 80bps in 2Q, before the impact of the regulatory adjustments, reflecting that profit generation has outweighed balance sheet growth during the period.

Risk-weighted assets (RWAs) totalled £4.8bn (FY 21: £4.4bn). With a stable balance sheet the majority of the movement is a result of the impact of regulatory adjustments for PS11/20.

BUSINESS PERFORMANCE UPDATE

Launched our sixth customer-led ethical policy

Towards the end of 2021 we asked our customers to tell us about the ethical issues that were important to them, and how we could help drive positive social and environmental change. In our latest value and ethics poll, 83% told us that our ethical policy is why they choose to bank with us. In June, we were delighted to publish an update to our ethical policy which was shaped by c.50,000 customer responses. Our customer-led ethical policy has been in place for 30 years and the sixth iteration of this policy has been divided into three pillars:

- Planet; we have remained committed to tackling the climate crisis over the past 30 years, and actively continue to do so;
- People; we are committed to acting in a way that helps individuals to live freely, equitably, and safely; and
- Community; we are committed to being a good local, corporate, and world citizen, working to improve all communities.

The new policy has a consistent structure throughout which highlights, under each of the above core pillars, how we will embed these principles into what we do and how we conduct our business.

You can learn more about the refreshed ethical policy on our website by following the link below:

https://www.co-operativebank.co.uk/values-and-ethics/

Delivering our strategy

Last year we refreshed and extended our strategy to cover a period from 2022 through to 2026. The refresh set out the ways in which we will continue to build the future of the Bank to ensure it remains as a thriving, ethical bank at the heart of its community, right where it started 150 years ago. We are currently in the first phase of our refreshed strategy, 'growth and efficiency'.

During the first half of the year, we have made progress on the refreshed strategic plan (the Plan) and have already launched a new savings product on the Bank's mainframe for the first time in seven years. This product launch is enabled by the simplification programme, which is designed to simplify and transform our savings and mortgage systems. Our ESG credentials are highlighted by the launch of the Green, Social and Sustainability (GSS) Financing Framework and our new ethical policy as referred to earlier. Our adjusted return on tangible equity (RoTE) of 13.6% is tracking ahead of our 2022 commitment of 8%.

Following operational challenges at the start of the year, we have now addressed these through a number of key measures. These measures include recruitment of more colleagues into our contact centres as well as working to deliver digital journeys. Our service levels are now back on track with a substantial improvement in our 'average speed to answer' (ASA), the quickest answer times for 12 months.

The mortgage and savings platform simplification activity is complex for the Bank but it is important that we deliver a safe and successful migration of customers to the new platform. As a result, further work is needed to achieve those goals, with the mortgage platform integration now expected to complete in 2023, later than initially planned. The savings platform simplification is expected to be delivered this year, while the mortgage servicing in-sourcing is well progressed. The completion of this programme will mean a reduction to the Group's operational risk profile and significant improvements in customer experience and diversification of product proposition.

BOARD MATTERS

The Board and its committees have focussed on many key matters in the period. These included, amongst others:

- Reviewing, challenging and approving the Bank's customer-led ethical policy, refreshed following customer feedback to focus on the three pillars of planet, people and community;
- 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;
- Approving the decision to issue a claim seeking a judicial review of a Financial Ombudsman Service ('FOS') jurisdiction decision as being inconsistent with the time-barring rules of the Financial Conduct Authority Dispute Resolution handbook in relation to a complaint from a mortgage customer. The hearing of the judicial review claim took place on 15 June 2022. The judgement was published on 27 July 2022 and found in favour of the FOS. The Board remains satisfied that these historical variations were applied fairly and in accordance with the terms and conditions of the mortgage contract;
- The issuance in March 2022 of £250m of MREL-qualifying funds, the inaugural issuance under the Bank's Green, Social and Sustainability Financing Framework;
- The approach to setting employee remuneration and the payment of variable pay in March 2022 by reviewing delivery of the 2021 balanced scorecard;
- The regular reforecasting of annual financial performance against the goals set out in the 2022-26 strategic and financial plan, approved in the third quarter of 2021, and the impact on the longer-term financial and capital plans, including future capital issuance plans;
- The approval of the 2021 Annual Report and Accounts in February 2022 and the first quarter results in May 2022;
- The regulatory agenda including the review and approval of the Bank's internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and operational resilience self-assessment;
- Continually reviewing ways to improve the customer experience, including steps taken to reduce the average speed to answer customer calls and customer complaints, and to combat fraud and reduce the risk for customers, for example becoming a member of a not-for-profit company limited by guarantee seeking to stop scams at source via an industry-led initiative to prevent legitimate services and platforms being used to facilitate criminal activity;
- Overseeing the remediation of ageing IT infrastructure and software; and
- The Board's ambitious transformation plans to simplify its mortgage and savings platforms and bring mortgage servicing operations in-house.

OUTLOOK

We have made substantial progress in the first half of 2022 with ongoing profitability and through strengthening of the Bank's capital position with a further capital issuance. Whilst there remains intense competition in the mortgage market and tightening of margins, the base rate rises have supported an improvement in deposit margins.

As a result of the performance to-date and the improved confidence in the remainder of the year, the Bank has updated its financial outlook for 2022:

- Bank net interest margin has been upgraded to c.155bps, reflecting higher Bank margins following the base rate improvements but with the expectation of continued lower mortgage margins;
- We have taken the decision to increase our total statutory costs guidance of approximately £350m to c.£360m as we look to further invest in customer service and simplification;
- We continue to observe a low level of defaults on our low-risk portfolio and have upgraded our AQR guidance to be less than 2bps;
- CET1 ratio has improved following better than expected net income performance and lower RWAs. CET1 ratio guidance has been upgraded to c.19%;
- Customer assets expectations remain at c.£22bn in line with original guidance with growth in line with market growth more widely; and
- Higher income and strong cost management has enabled us to upgrade the adjusted return on tangible equity of approximately 8% to c.13% as higher profitability and improved performance drives further shareholder value.

Although we have performed well so far this year, there is still a lot to do as we now look towards the second half of 2022. Despite delays to the mortgage re-platforming, we remain confident that we will accomplish the multi-year strategic goals embedded within the first phase of our strategic plan to deliver a more efficient and resilient Bank whilst targeting growth and diversification of revenue streams.

SEGMENTAL PROFIT/(LOSS) (£m)

Further information is provided later in the report in note 3.

Six months ended 30 June 2022	**Core**			**Legacy & central items**	**Unallocated**	**Group**
	Retail	**SME**	**Total**			
Net interest income/(expense)	183.6	28.8	212.4	(4.2)	-	**208.2**
Other operating income	12.1	9.0	21.1	0.3	-	**21.4**
Operating income/(expense)	**195.7**	**37.8**	**233.5**	**(3.9)**	**-**	**229.6**
Operating expenses	(136.7)	(30.0)	(166.7)	(2.1)	(6.3)	**(175.1)**
Net credit impairment releases/(charges)	1.5	(0.8)	0.7	2.1	-	**2.8**
Non-operating income	-	-	-	-	4.6	**4.6**
Profit/(loss) before tax	**60.5**	**7.0**	**67.5**	**(3.9)**	**(1.7)**	**61.9**

Six months ended 30 June 2021 Re-presented	**Core**			**Legacy & central items**	**Unallocated**	**Group**
	Retail	**SME**	**Total**			
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)	(7.1)	(162.3)
Net credit impairment releases/(charges)	2.0	(0.9)	1.1	(1.0)	-	0.1
Non-operating income	-	-	-	-	15.6	15.6
Profit/(loss) before tax	17.3	3.0	20.3	(7.4)	8.5	21.4

SELECTED KEY PERFORMANCE INDICATORS

% (unless otherwise stated)	1H 22	2021	Change
CET1 ratio	**18.9**	20.7	(1.8)
Total capital ratio	**23.0**	25.4	(2.4)
Risk-weighted assets (£m)	**4,799**	4,373	426
Leverage ratio (PRA)[1]	**3.9**	3.8	0.1
Liquidity coverage ratio[2]	**252.9**	205.3	47.6
Loan to deposit ratio	**101.3**	99.1	2.2
Average core mortgage LTV	**55.2**	56.8	(1.6)
Core mortgage accounts > 3 months in arrears	**0.14**	0.13	0.01
NPL as a % of total exposures	**0.3**	0.3	-

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

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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 3.1m retail customers and c.95k small and medium sized enterprises ('SME'). The Bank is committed to values and ethics in line with the principles of the co-operative movement. The Co-operative Bank is the only high street bank with a customer-led ethical policy, which gives customers a say in how their money is used. Launched in 1992, the policy has been updated on six occasions, with new commitments added in June 2022 to cover what we do for our planet, people and the community.

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

Note: all figures contained in this announcement are unaudited. This announcement contains inside information.

RISK MANAGEMENT

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

Risk Management Framework

Financial risks arising from climate change are considered to be 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 Group is able to assess the combined impact of climate change across the whole 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.

Operational resilience was established as a thematic risk within the Group's Risk Management Framework (RMF) in April 2022. This was the result of the completion of a programme of work set up to deliver key regulatory requirements and establish an enduring model, including the timely identification of important business services and scenario testing. This thematic approach allows for assessment of the risks from operational disruptions across the Group's existing risk types, to better prevent and respond to these events in line with regulatory expectations.

The Group is in the process of implementing a number of actions identified through completion of a Group-wide risk culture survey to achieve improvements across the three lines of defence and shape the next stage of development for the RMF.

Governance

The Group's governance structure was set out in detail in the risk management section (1.7) of the 2021 Annual Report and Accounts. There have been no material changes since year end.

Principal risks and uncertainties

As disclosed within the 2021 Annual Report and Accounts risk management section (1.8), the Group has assessed its eight principal risk 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 Group 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 categories of principal risks faced by the Group and which may include significant or emerging risks are set out below:

- Capital;
- Credit (of which there are 4 sub-risks: Treasury, Unsecured, Secured and SME corporate);
- 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 2021 Annual Report and Accounts. Updates to these risks versus what was reported in the 2021 Annual Report and Accounts are presented in this section.

Financial risks arising from climate change

The Group has demonstrated a commitment to safeguarding the environment and promoting sustainable development as a central element of our customer-led ethical policy for 30 years. The Group relaunched its ethical policy in June 2022 focussing on three pillars: planet, people and community. The policy details the Group's commitment to work to limit and reduce global climate change, take steps to halt and reverse the decline in biodiversity, protect animal welfare, encourage our customers to make sustainable choices and work with our business customers to help them develop their sustainability policies and action plans. The ethical policy also sets out circumstances where we will not provide banking services to a business or organisation where their activities contribute to global climate change, such as through the extraction of fossil fuels and the unsustainable harvest of natural resources, or whose activities infringe animal welfare standards, for example, if they are involved in intensive farming or activities that contribute to the degradation of important habitats.

The Group continues to develop its modelling and assessment capabilities for quantifying climate change risk, including the use of scenario analysis, in order to better understand the implications of climate-related risks and opportunities both for the organisation and its customers. As part of the 2022 ICAAP, the Group undertook scenario analysis, using a developed model, to assess the impacts of different climate change scenarios on credit losses and RWA profile across the Group's secured portfolio. Focus was placed on the secured portfolio as the Group believes that properties within the mortgage book are its most material exposure to climate-related risks. The assessment was largely aligned to the requirements of the 2021 Climate Biennial Exploratory Scenario (CBES) exercise by the Bank of England and the results will be considered in future risk assessments and Group product strategy. The Group continues to develop its understanding of the scale of the Group's exposures to climate-related risks and the potential short and long-term impacts of climate change to the Group's business model and its customers.

Operational resilience

The Group has defined operational resilience risk thematically within the RMF as the risk of the Group suffering operational disruptions arising from the inability to prevent, adapt, respond to, recover and learn from previous events. The Group recognises that operational resilience risk can manifest as significant challenges for businesses, as evidenced by the disruption caused by the global financial crash in 2008 and the financial impacts of more recent events such as the UK's withdrawal from the European Union and the COVID-19 pandemic.

The Group has, in line with regulatory expectations, completed a programme identifying and mapping key business services, assigned impact tolerances to these areas and completed annual stress tests. Appropriate remediation plans were developed where impact tolerances were breached, or could be potentially breached as a result of scenario testing. The Group will continue to monitor the effectiveness of operational resilience risk management within the organisation through appropriate review across the lines of defence and the completion of annual scenario testing to ensure embedded controls continue to protect the Group's operations and customers from the impacts of disruptions to business.

Credit risk

Definition:

Credit risk is the risk to earnings 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 2021 Annual Report and Accounts, the Group noted that key risks in 2021 related to a reliance on interest income from the mortgage portfolio and advised of an intention to diversify income streams. The Group recognised that credit risks could arise from the macroeconomic impacts of both rising inflation and Bank of England interest rate increases and that uncertainty around further disruptions linked to the removal of COVID-19 government support initiatives and the impact of the UK's withdrawal from the European Union could crystallise as an increase in losses for the Group. The Group also observed significant uncertainties around physical and transition climate change risks, noting in particular the requirement for landlords to obtain and provide energy performance certificates (EPC).

In response to these risks, the Group had taken a prudent approach and increased score cut-offs across all the residential LTV segments to manage the quality of applications and mitigate the risk of house price deterioration and was developing the SME risk management framework for growth. To further mitigate against the risk from affordability, any mortgage pipeline cases using furloughed income, along with all applications from self-employed customers, were referred to the Group's underwriting team for manual review. Re-entry into 95% residential LTV lending was managed through a lower risk appetite limit (compared to pre-pandemic levels) as well as higher score cut-offs and restricting flats/maisonettes as acceptable collateral. A significant proportion of 95% LTV applications were also reviewed by the Group's underwriting team.

Update:

The largest risk to our customers is affordability and the Group is mindful that customer demand for advice and support will require appropriate levels of staffing, which may be elevated from their current levels.

The Group continues to adapt to a rapidly-evolving economic landscape. The Group's low-risk asset book, which proved to be stress resilient throughout the COVID-19 pandemic, remains high quality so far in 2022 in the face of new external economic pressures, with low levels of payment delinquency and arrears.

The non-performing loan ratio of 0.3% has remained consistent since the end of December 2021, with similar ratios maintained across the product segments of secured, unsecured, SME and legacy. The core mortgage accounts more than 3 months in arrears have remained stable at 0.14% (December 2021: 0.13%).

Overall, the SME asset book performance has been stable despite government support schemes ending. Business Bounce-Back loan scheme performance has been in line with expectations, with 20% of eligible customers currently using a 'Pay As You Grow' or other forbearance arrangement to support cash flow. Forbearance and arrears levels in the rest of the book remain at low levels and, alongside this, LTVs are low with the majority of the portfolio being sub-60%.

There have been minimal movements (including credit rating downgrades) in the low-risk profile of the treasury portfolio during the year so far and the Group has not experienced any historical defaults. The exposures remain predominantly concentrated to counterparties rated AA- or higher,

suggesting a very low probability of default. Additionally, the Group's credit monitoring has not identified any material changes in the creditworthiness of its treasury counterparties as a result of the evolving economic landscape, although this will continue to be monitored closely as the impacts may materialise later in the year in the face of further inflationary pressure and central bank interest rate increases.

There are a number of emerging risks across the UK economy including rising inflation, Bank of England base rate changes and macroeconomic pressures as a result of the conflict in Ukraine, other geopolitical issues and the growing scale of the cost of living crisis, which are all likely to contribute to increased pressures on our customers. In addition, SME customers are continuing to adapt to the impacts of Brexit and changes in a post-COVID-19 marketplace. These risks continue to be closely monitored through credit risk reporting and regularly refreshed arrears forecasting.

The Group has also noted that although within the UK overall unemployment is low, the volume of low-skilled and unstable occupations within the employment figures represents a general risk to customer affordability and to business stability, as employers are facing challenges recruiting specialist and skilled staff from this limited recruitment pool. Additionally, the Group anticipates that the unbalanced relationship between increasing house prices, as shown by increases to the HPI across 2022, and stagnating wages against the backdrop of Bank of England base rate increases and the pressured economic environment is likely to affect property values and impact customer affordability.

The Group cautiously monitors the levels of personal debt within the UK, noting in particular the possible risks from the aggressive growth of 'Buy Now Pay Later' (BNPL) lending alongside stressed economic conditions. The Group has access to BNPL data as part of retail customers' credit report data and although at present this data is ring fenced, and so does not affect credit scoring, over the course of 2022 the Group will review how customers' exposure to BNPL is factored into lending decisions.

To account for cost of living changes, the Group's retail affordability calculator is undergoing a current refresh. Stress rates have been adjusted where required in the application process to take into account any potential shocks that may put financial pressure on our customers in the future. Additionally, the Group has introduced new retail application scorecards for assessment of new credit cards and current accounts and scheduled an affordability review across unsecured products for the second half of 2022. Debt service and sensitivity analysis tests for SME customers have been updated along with sector-based key credit criteria and all remain under review given current market conditions.

The Group continues to closely monitor the evolving economic landscape and the impact this may have on the performance of its portfolios. Four decade-high levels of inflation (with the Bank of England's June forecast expecting inflation to reach 11% this year), rising interest rates and energy supply risks are amongst a range of key factors all contributing to a rapidly rising cost of living which is expected to persist for the remainder of the year and place significant pressure on consumer finances. The Group is mindful of the pressures on its customers and is prepared to respond swiftly to the realised and possible credit risks that arise from this.

Operational risk

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

Operational risk has 13 sub-risks as part of the Group'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 Group's RMF, including having individual risk framework owners, risk policies and control frameworks.

Key themes previously reported:
Previously, the Group reported increased volumes of fraud against our customers linked to the COVID-19 pandemic. Whilst the Group reported that some of the economic risks from the COVID-19 pandemic had reduced following the success of the 2021 UK vaccination programme, there remained an industry-wide challenge to attract and retain staff given the increase in remote working opportunities across multiple sectors.

The Group also reported that a strategy was in place to remove the highest-risk legacy systems and add additional contingency arrangements to protect IT services until replacements were in place to address a continued reliance on manual processes and legacy or end-of-life IT systems.

The Group identified a number of emerging risks on the horizon, including regulatory expectations with respect to operational resilience and other regulatory change initiatives, such as HMT's review of access to cash, the FCA's Consumer Duty, action to assist mortgage prisoners, the introduction of a financial crime levy and CRR II/IV impacts.

Update:
The pandemic caused new challenges in relation to maintaining staffing levels due to absence and lockdown. Whilst these are largely normalised, staffing levels continue to be challenging caused by a disrupted labour market and increasing levels of inflation. In response, the Group has initiated a number of actions around recruitment and retention with a key focus on employee wellbeing. Additionally, the Group has put in place process amendments and simplifications to either reduce or remove activity and continued to ensure that the IVR (interactive voice response) call triage system prioritises essential customer contact, such as reporting of fraud. Consequently, staff attrition levels have remained within tolerance

over the first half of 2022 and 'average speed to answer' (ASA) metrics have improved. The SME contact centre achieved ASA times of under three minutes in May 2022 and remained within tolerance throughout June 2022. The retail contact ASA times have also improved, with ASA metrics between May and June 2022 reducing to below 15 minutes, representing the fastest answering times recorded within the last 12 months.

The Group has made significant improvements in its understanding and articulation of technical debt. As a result, technical debt remediation is a strategic objective, with a series of funded programmes and projects to remove the highest risk legacy IT systems. Reporting on the technical debt position and remediation progress is now part of Group governance and is provided regularly to the Group Board. Mitigation plans are being reviewed to ensure that there is minimal impact to business as usual from the legacy IT systems until they are removed. Many IT systems have been remediated but timelines stretch through into 2023 and there remains a significant dependency on the simplification activity outlined below.

The Group is re-planning the mortgage and saving platform simplification activity due to the complexity of the programme; executive focus will continue to be applied to this, with clear accountability on ownership and delivery. The regulators are receiving frequent updates and multiple controls have been put in place to drive visibility, transparency and accountability of this simplification project to best ensure a safe and successful migration of customers to the new platform. Completion of this programme will mean a significant reduction to the Group's operational risk profile and technology debt exposure during 2023.

The conflict in Ukraine has increased the risk of cyber attacks from state sponsored groups or individual threat actors utilising cyber attack mechanisms developed as part of the conflict. The Group also anticipates that significant impacts would be likely in the event of a future conflict in Taiwan. In recognition of the growing threat of cyber attack both to our customers and as an organisation, the Group has a number of funded initiatives to mature its existing cyber security controls. The Group continues to participate in industry groups and intelligence briefings to inform horizon scanning and respond proactively to upcoming threats. The Group has reflected these threats in its cyber strategy for 2022 and beyond to respond to the increasingly volatile threat environment by continuing to invest in cyber defences and addressing known vulnerabilities, specifically related to technical debt.

The Group's fraud losses of £7.2m in the year to date continue to be over budget and form a significant portion of operational losses. These fraud losses mainly originate from card fraud typologies often featuring phishing, spoofed calls, social engineering and the conversion of fraudulently obtained funds into cryptocurrency. The Group has restricted access to multiple cryptocurrency exchanges and has become a member of Stop Scams UK, signing up to their '159' service to help prevent our customers being defrauded and enabling them to report fraud more quickly. A £500k fraud investment has been allocated for tactical activities in 2022, targeting number spoofing and account takeover on dormant accounts, with other initiatives to reduce fraud under review. The Group plans to deliver behavioural biometrics security enhancements through the implementation of Trusteer into the control framework by July 2022. The Group's implementation of a PSD2-compliant 'card not present' solution has been delayed, with implementation now planned in August 2022. Plans to deliver upgrades to fraud systems have been delayed until September 2022. Once implemented, the Group anticipates that these enhancements to the control framework will deliver significant reductions in year-on-year fraud losses.

In October 2018, Mortgage Agency Services Number Five Limited ('MAS 5'), a subsidiary of the Group, received a complaint from a mortgage customer regarding changes made to MAS 5's standard variable rate between 2009 and 2012. The complaint was referred to the FOS and on 26 August 2021 the FOS found that it had jurisdiction to consider the complaint. MAS 5 issued a claim for a judicial review of FOS's decision on the grounds that the Group considers this part of the complaint to be outside of FOS's jurisdiction by reason of being time-barred under DISP 2.8.2. A final hearing took place on 15 June 2022. Judgement was published on 27 July 2022 and the Group's application for judicial review was dismissed.

As this was a case concerning a decision on whether or not the events are within the FOS's jurisdiction and not on the merits of the underlying complaint, it is still not currently possible to predict the scope and ultimate outcome on the Group. This is only the first in a series of contingent events that would need to happen to result in adverse outcomes, in order for the Group to be exposed to any significant liability. Given the early stages of this process, there is no current obligation under accounting standards to provide an estimate of any potential financial impact. The Group remains satisfied that these historical variations were applied fairly and in accordance with the terms and conditions of the mortgage contract.

The Group is now materially compliant with the EBA-published revised Guidelines on Outsourcing Arrangements that became effective from 31 March 2022. There are areas for continued focus to embed the associated framework for managing suppliers under the new framework with all three lines of defence contributing. Key areas for the Group are exit plans, operational resilience of suppliers and revised risk assessments for the in-scope suppliers. In addition, the Group is assessing its software licensing position to identify potential opportunities and/or risks from related shortfalls or over-subscriptions. The Group's implementation of the Resolvability Assessment Framework is still on track for delivery by the end of 2022. As part of simplification activity the Group continues to work closely with Capita to ensure a seamless re-integration of mortgage servicing operations back in-house, ensuring that resourcing levels are appropriate to support our customers during an increasingly uncertain economic period.

Capital risk

Definition:

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

Key themes previously reported:

The Group reported total RWAs as at 31 December 2021 of £4,373.4m. This figure has since been utilised to derive the Group's capital requirement. Increases in RWAs are driven either by increases in the underlying assets or increases in the risk weighting (or density) assigned to these assets. We previously reported that significant changes in RWAs have been driven by Policy Statement 11/20 (PS11/20: Credit Risk: Probability of Default and Loss Given Default estimation), which became effective from 1 January 2022. The Group implemented a post-model adjustment (PMA) of £502m from 1 January 2022 in order to address the Group's non-compliance with the PRA's expectations for hybrid models. Whilst hybrid model development is still ongoing for many firms, with permission to estimate RWAs on the Internal Ratings Based (IRB) approach, the Group continues to engage with the PRA to ensure compliance. In the Group's 2021 Annual Report and Accounts, we noted that these changes are expected to drive a reduction in the Group's CET1 ratio of approximately 3% by the end of 2022. Further information is given below in the update section.

We have previously indicated that the ability to maintain sufficient capital resources now and in the future was dependent on the Group's return to profitability and successful issuances of MREL-qualifying debt within external capital markets. In the last update, we highlighted the contingency of the successful implementation of the Group's strategy and its return to profitability 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.

At 31 December 2021 year end, we reported on the impact of the introduction of the MREL framework in the UK, requiring the Group to issue additional MREL-qualifying capital to meet future requirements. It was noted that the quantum, form and timing of these capital issuances would be influenced by investor appetite in an evolving economic environment as well as the Group's capital requirements, which are subject to uncertainty largely as a result of the expected RWA impact of PS11/20 and secured model development. The 2020 MREL issuance, along with favourable financial results, continuing robustness in credit profile and external credit rating agency upgrades in 2021 led to the Group's structured debt trading at favourable levels on the secondary market. We stated that this would give us further confidence in the delivery of our issuance plans in 2022 to meet MREL end-state requirements and demonstrate capital resilience. A further update on our capital position is given below.

Update:

In April 2022, the Group issued £250m of MREL-qualifying fixed rate (6% per annum) reset callable notes. This transaction, labelled a 'green' bond under the Group's Green, Social and Sustainability Financing Framework, attracted total orders of approximately £350m with 60% of orders placed with long-term investors: a huge achievement for the Bank during a period of significant market uncertainty following Russia's invasion of Ukraine. The issuance represents a big milestone towards achieving end-state MREL compliance and greatly reducing the risk of non-compliance with capital requirements by 1 January 2023.

As the final impact of PS11/20 model remediation remains subject to change, an increase in the expected impact may adversely affect the Group's financial position and require additional capital issuances in 2022. This contributes to the overall uncertainty surrounding the Group's capital position in the second half of 2022 and, whilst we expect to become more confident in overall RWA impact as future model development milestones are reached with the PRA, this will remain subject to change until final model approval and implementation.

In June 2022, the Group's Model Risk Oversight Committee reconsidered the PMA approved in January. The Group holds a suitably-sized PMA for this development, weighted towards the anticipated RWA outcome. This comes with substantial risks as the regulator is yet to approve the Group's models, which will be submitted in September. The Group continues to progress the retail secured PS11/20 model remediation programme with regular engagement sessions held with the PRA.

Other risks to the Group's capital include potential changes in the Group's capital requirements arising from the PRA's Capital Supervisory Review and Evaluation Process (C-SREP), where there remains uncertainty in respect of capital buffers due in the second half of the year, the credit risk arising from the current pressures being placed on households as the cost of living continues to rise, and the expected increase of the Counter Cyclical Buffer (CCyB) to 1% in December 2022 and then 2% in June 2023, which will increase the Group's capital requirements.

At 30 June 2022, the Group has maintained sufficient capital resources to meet MREL and capital buffers but is not yet total buffer compliant. The Group is confident that it can further improve its financial resilience through maintaining the profitability displayed in the first half of 2022 across the second half of the year. Market conditions have favoured the Group in the first half of the year, with rises in base rate driving net interest income growth, whilst increases in HPI have allowed for reductions in secured risk-weight density across the first half of the year following the increase driven by a PS11/20 PMA applied at 1 January 2022.

Market risk:

Key themes previously reported:

Within the market risk section of the 2021 Annual Report and Accounts the mortgage market response to underlying economic conditions and expectations of future base rate rises was noted as an emerging risk.

Update on mortgage markets:

Over the first half of 2022, the mortgage market has remained challenging and competitive, forcing downward pressure on completion volumes and margins across both new business and retention. This has been compounded by rising swap rates, as financial markets have reacted to both actual and expected changes in base rate. In 2020 and 2021, the Group was able to write high volumes of mortgages on five-year fixed rate terms with strong completion margins, which has ensured that blended margins across the book remain strong. As reported in the 2021 Annual Report and Accounts, recent trading activity has been more weighted at two-year fixed rate terms, as the Group has sought to protect margin across five-year products.

The Group has reacted quickly to market volatility through the removal and repricing of products, ensuring that the impact to margins is minimised and the Group is able to write mortgages that drive a sufficient return. The Group expects to see more volatility in the mortgage market over the second half of 2022 and further action may be required to manage both mortgage margins and volume.

LIBOR transition

The Group has exposure to legacy LIBOR-linked products, primarily across its legacy retail secured and corporate portfolios. The LIBOR benchmark was phased out at the end of 2021, and the majority of the work to transition the Group's affected exposures to an alternative basis of rates has been completed as at 30 June 2022. The project has been jointly sponsored by the Group's Chief Financial Officer and Chief Administrative Officer, and progress has been regularly reported into relevant committees, including the Group's Asset and Liability Committee (ALCo) and Executive Risk Oversight Committee (EROC), with a Group-wide working group managing and co-ordinating transition delivery.

During the first half of the year the Group successfully transitioned the majority of its retail secured and corporate LIBOR exposures to replacement rates; there remains a relatively small population of 'tough legacy' contracts (i.e. those that do not allow for variation of benchmark rates), for which solutions continue to be developed. The primary risks to which the Group is exposed through the transition work are operational risk associated with the execution of the transitions and conduct risk arising from potential detrimental customer outcomes, particularly with regard to the tough legacy exposures. The FCA has recently commenced a consultation regarding the proposed winding down of 'synthetic' LIBOR. This exposes the Bank to additional risk in relation to LIBOR on tough legacy exposures where the interest rates are currently based on the synthetic LIBOR benchmark rates. The Group has worked actively 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 2022 to significant IBORs subject to reform that are yet to be transitioned to an alternative benchmark rate. The carrying amounts of financial assets are presented gross of any expected credit losses (ECLs).

	30 June 2022			**31 December 2021**		
	Non-derivatives		**Derivatives**	**Non-derivatives**		**Derivatives**
	Financial assets Carrying value	**Financial liabilities Carrying value**	**Nominal amount**	**Financial assets Carrying value**	**Financial liabilities Carrying value**	**Nominal amount**
GBP LIBOR	**170.9**	**-**	**173.7**	704.6	-	326.0

Of the above balances, £28.7m are classed as tough legacy, where the balances will remain on a synthetic LIBOR rate until a solution for transfer is identified. The remaining balances are also temporarily on synthetic LIBOR, but consent to transfer to a replacement rate has either been contractually agreed or is expected to be contractually agreed in the near future.

The Group also has responsibility for the migration of certain legacy LIBOR retail secured assets sold to unconsolidated structured entities or other third parties but where it continues to hold legal title. The gross outstanding balances of these LIBOR assets not recognised on the Group's balance sheet are £149.0m at 30 June 2022 (31 December 2021: £964.8m), of which £149.0m are classed as tough legacy (31 December 2021: £244.6m).

2. CREDIT RISK

All amounts are stated in £m unless otherwise indicated

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

The Group manages credit risk on the following balance sheet items:

- Loans and advances to banks;
- Loans and advances to customers;
- Investment securities;
- Derivative financial instruments; and
- Other assets.

Expected credit loss (ECL) assessment approach

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

During 2022 the Group has observed the following impacts:

1. Level of arrears in the mortgage portfolio remains stable compared to the year end: 0.14% as at 30 June 2022 (0.13% at 31 December 2021).
2. There has not been a significant amount of material defaults in the SME or legacy corporate portfolios in the period. The main case to default was already covered through the collective ECL. The profiles of customers are closely monitored including via strategies to identify and contact 'at risk' customers as described in the year end risk management report and which are managed on a case-by-case basis.

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

Allowance for losses and credit impairment charge analysis by segment

Although the Group manages credit risk arising from a number of balance sheet items, the most significant is the loans and advances. The following tables analyse the allowance for losses as at 30 June 2022 and the credit impairment charge for the period by segment. Comparative information is shown within the analysis of credit risk section alongside segmental information disclosed within note 3 and information included in note 8 in relation to loans and advances to customers.

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

Retail – the ECL provision has moved from £25.5m to £22.4m. This £3.1m reduction is driven by a lower retail secured ECL provision of £4.1m, partially offset by higher credit cards (£0.5m) and overdrafts (£0.5m) ECL provisions. A key driver of movement in ECL is changes in the PMAs applied by the Group, which are disclosed in further detail in note 2 to the condensed consolidated financial statements. This has resulted in a lower coverage of c.7bps on the retail secured Platform book, whilst reflecting movement in exposures from stage 1 to stage 2.

SME – the increase of ECL provision from £6.7m to £7.2m reflects a small increase in specific provision and PMA movements (described in note 2).

Legacy & central items – the ECL provision has decreased from £5.2m at 31 December 2021 to £3.1m (including assets held at FVTPL). The PMA movement is described in note 2. The majority of the decrease is due to a release on one specific corporate case.

Analysis of credit risk

30 June 2022	Core		Legacy & central items[2]	Total
	Retail	SME		
Analysis of credit risk exposure				
Gross accounting balances	19,838.9	399.7	677.2	**20,915.8**
Less: accounting adjustments[1]	(67.4)	(7.1)	(8.3)	**(82.8)**
Gross customer balances	**19,771.5**	**392.6**	**668.9**	**20,833.0**
Credit commitments	1,503.8	133.4	68.6	**1,705.8**
Gross customer exposure	**21,275.3**	**526.0**	**737.5**	**22,538.8**
Less: customer balances measured at FVTPL[1]	(1.6)	(3.1)	(95.1)	**(99.8)**
Net customer exposure subject to ECL calculation	**21,273.7**	**522.9**	**642.4**	**22,439.0**
Allowance for losses				
Collectively modelled ECL	8.8	0.8	1.3	**10.9**
Individually assessed ECL[2]	-	1.9	1.4	**3.3**
Post-model adjustments (PMAs)	13.6	4.5	0.4	**18.5**
Total ECL	**22.4**	**7.2**	**3.1**	**32.7**

1. Accounting adjustments include the FV element above the customer balance amount for those loans measured at FVTPL.
2. Includes £0.6m credit adjustment to a FVTPL loan that has been presented as a loss allowance to provide a fuller picture of the Group's expected credit losses.

31 December 2021	Core		Legacy & central items[2]	Total
	Retail	SME		
Analysis of credit risk exposure				
Gross accounting balances	19,833.3	445.1	761.1	21,039.5
Less: accounting adjustments[1]	(77.3)	(3.4)	(18.3)	(99.0)
Gross customer balances	19,756.0	441.7	742.8	20,940.5
Credit commitments	1,846.7	93.0	119.8	2,059.5
Gross customer exposure	21,602.7	534.7	862.6	23,000.0
Less: customer balances measured at FVTPL[1]	(1.6)	(3.7)	(97.6)	(102.9)
Net customer exposure subject to ECL calculation	21,601.1	531.0	765.0	22,897.1
Allowance for losses				
Collectively modelled ECL	7.5	0.7	1.5	9.7
Individually assessed ECL	-	1.6	0.9	2.5
Post-model adjustments (PMAs) [2]	18.0	4.4	2.8	25.2
Total ECL	25.5	6.7	5.2	37.4

1. Accounting adjustments include the FV element above the customer balance amount for those loans measured at FVTPL.
2. Includes £1.9m credit adjustment to a FVTPL loan that has been presented as a loss allowance to provide a fuller picture of the Group's expected credit losses.

	Core		Legacy & central items	Total	Of which: FVTPL[1]
	Retail	SME			
Credit impairment (ECL charge)					
Six months to 30 June 2022	1.5	(0.8)	2.1	**2.8**	1.3

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

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 2021	20,979.7	501.3	49.5	70.6	**21,601.1**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2) [1]	(952.3)	952.3	-	-	**-**
To credit impaired (stage 1 or 2 to 3)	(8.3)	(8.9)	17.2	-	**-**
To 12 month ECL (stage 2 to 1)	135.3	(135.3)	-	-	**-**
From credit impaired (stage 3 to 2 or 1)	2.6	2.6	(5.2)	-	**-**
Net changes arising from stage transfers	**(822.7)**	**810.7**	**12.0**	**-**	**-**
Other charges/(releases):					
New assets originated or purchased	996.3	-	-	-	**996.3**
Other changes to risk parameters	72.4	-	-	-	**72.4**
Redemptions and repayments	(1,333.8)	(44.2)	(10.3)	(5.5)	**(1,393.8)**
Net other charges/(releases)	**(1,087.8)**	**766.5**	**1.7**	**(5.5)**	**(325.1)**
Assets written off	(0.2)	(0.5)	(1.5)	(0.1)	**(2.3)**
At 30 June 2022	**19,891.7**	**1,267.3**	**49.7**	**65.0**	**21,273.7**

1. See allowances for losses and credit impairment charge analysis by segment for more detail.

Gross customer exposure for ECL – SME	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At 31 December 2021	114.5	411.4	3.9	1.2	**531.0**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(48.9)	48.9	-	-	**-**
To credit impaired (stage 1 or 2 to 3)	(0.4)	(4.2)	4.6	-	**-**
To 12 month ECL (stage 2 to 1)	45.7	(45.7)	-	-	**-**
From credit impaired (stage 3 to 2 or 1)	-	0.1	(0.1)	-	**-**
Net changes arising from stage transfers	**(3.6)**	**(0.9)**	**4.5**	**-**	**-**
Other charges/(releases):					
New assets originated or purchased	82.3	-	-	-	**82.3**
Other changes to risk parameters	-	-	-	-	**-**
Redemptions and repayments	(30.4)	(59.1)	(0.6)	-	**(90.1)**
Net other charges/(releases)	**48.3**	**(60.0)**	**3.9**	**-**	**(7.8)**
Assets written off	(0.1)	(0.1)	(0.1)	-	**(0.3)**
At 30 June 2022	**162.7**	**351.3**	**7.7**	**1.2**	**522.9**

Gross customer exposure for ECL – Legacy	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At 31 December 2021	732.7	10.2	14.2	7.9	**765.0**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(1.6)	1.6	-	-	**-**
To credit impaired (stage 1 or 2 to 3)	(0.1)	(0.4)	0.5	-	**-**
To 12 month ECL (stage 2 to 1)	1.0	(1.0)	-	-	**-**
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	**-**
Net changes arising from stage transfers	**(0.7)**	**0.2**	**0.5**	**-**	**-**
Other charges/(releases):					
New assets originated or purchased	-	-	-	-	**-**
Other changes to risk parameters	(9.1)	(0.7)	(0.5)	-	**(10.3)**
Redemptions and repayments	(109.6)	(1.0)	(0.9)	(0.6)	**(112.1)**
Net other charges/(releases)	**(119.4)**	**(1.5)**	**(0.9)**	**(0.6)**	**(122.4)**
Assets written off	-	-	(0.1)	(0.1)	**(0.2)**
At 30 June 2022	**613.3**	**8.7**	**13.2**	**7.2**	**642.4**

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 2021	19.2	2.2	4.0	0.1	**25.5**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(1.5)	7.9	-	-	**6.4**
To credit impaired (stage 1 or 2 to 3)	-	(0.1)	1.6	-	**1.5**
To 12 month ECL (stage 2 to 1)	0.2	(0.6)	-	-	**(0.4)**
From credit impaired (stage 3 to 2 or 1)	-	-	(0.1)	-	**(0.1)**
Net changes arising from stage transfers	**(1.3)**	**7.2**	**1.5**	**-**	**7.4**
Other charges/(releases):					
New assets originated or purchased	1.2	-	-	-	**1.2**
Other changes to risk parameters	(8.9)	1.1	(0.2)	-	**(8.0)**
Redemptions and repayments	(1.0)	(0.2)	(0.5)	-	**(1.7)**
Net other charges/(releases)	**(10.0)**	**8.1**	**0.8**	**-**	**(1.1)**
Assets written off	(0.3)	(0.5)	(1.2)	-	**(2.0)**
At 30 June 2022	**8.9**	**9.8**	**3.6**	**0.1**	**22.4**

Allowance for losses – SME	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At 31 December 2021	0.4	4.2	1.6	0.5	**6.7**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	(0.1)	1.1	-	-	**1.0**
To credit impaired (stage 1 or 2 to 3)	-	(0.1)	0.4	-	**0.3**
To 12 month ECL (stage 2 to 1)	0.1	(0.5)	-	-	**(0.4)**
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	**-**
Net changes arising from stage transfers	**-**	**0.5**	**0.4**	**-**	**0.9**
Other charges/(releases):					
New assets originated or purchased	0.1	-	-	-	**0.1**
Other changes to risk parameters	0.2	0.4	-	(0.4)	**0.2**
Redemptions and repayments	(0.1)	(0.4)	0.1	-	**(0.4)**
Net other charges/(releases)	**0.2**	**0.5**	**0.5**	**(0.4)**	**0.8**
Assets written off	(0.1)	-	(0.2)	-	**(0.3)**
At 30 June 2022	**0.5**	**4.7**	**1.9**	**0.1**	**7.2**

Allowance for losses – Legacy	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
At 31 December 2021[1]	1.6	0.4	1.3	-	**3.3**
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2)	-	-	-	-	**-**
To credit impaired (stage 1 or 2 to 3)	-	-	(0.1)	-	**(0.1)**
To 12 month ECL (stage 2 to 1)	-	-	-	-	**-**
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)	(0.2)	-	-	**(0.4)**
Redemptions and repayments	(0.2)	(0.1)	0.1	-	**(0.2)**
Net other charges/(releases)	**(0.4)**	**(0.3)**	**-**	**-**	**(0.7)**
Assets written off	-	-	(0.1)	-	**(0.1)**
At 30 June 2022[1]	**1.2**	**0.1**	**1.2**	**-**	**2.5**

1. Excludes credit risk adjustment to fair value (30 June 2022: £0.6m, 31 December 2021: £1.9m).

Secured residential portfolio analysis

The following tables show the secured residential drawn balances (excluding Legacy) analysed by a number of key risk measurements. The portfolio has remained stable in size. Within this book 3.3% of balances have a probability of default (PD) of greater than 1% (31 December 2021: 3.9%). The book is also subject to a range of forbearance measures which are detailed in the 2021 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).

	30 June 2022			31 December 2021		
LTV %	**Capital repayment**	**Interest only**	**Total**	**Capital repayment**	**Interest only**	**Total**
Less than 50%	**5,984.2**	**1,129.8**	**7,114.0**	5,441.7	1,046.8	6,488.5
50% to 60%	**3,251.6**	**510.9**	**3,762.5**	2,957.7	539.1	3,496.8
60% to 70%	**3,805.0**	**202.6**	**4,007.6**	3,651.4	284.8	3,936.2
70% to 80%	**3,287.1**	**53.4**	**3,340.5**	3,481.3	62.4	3,543.7
80% to 90%	**1,168.3**	**1.8**	**1,170.1**	1,900.7	2.6	1,903.3
90% to 100%	**130.5**	**0.7**	**131.2**	137.4	0.8	138.2
Greater than or equal to 100%	**0.4**	**0.3**	**0.7**	0.4	0.8	1.2
	17,627.1	**1,899.5**	**19,526.6**	17,570.6	1,937.3	19,507.9

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 2022			31 December 2021		
	Gross customer balance	**Average LTV %**	**Interest only %**	**Gross customer balance**	**Average LTV %**	**Interest only %**
Prime residential	**18,000.5**	**55.7**	**3.6**	18,054.7	57.3	4.1
Buy-to-let	**1,490.3**	**49.3**	**81.8**	1,416.0	51.4	82.8
Self-certified	**24.4**	**32.2**	**92.9**	25.7	34.0	92.6
Almost prime	**9.4**	**29.9**	**35.7**	10.2	31.5	35.4
Non-conforming	**2.0**	**49.7**	**75.1**	1.3	58.3	18.8
	19,526.6	**55.2**	**9.7**	19,507.9	56.8	9.9

c) UK regional distribution

The table below shows the analysis of LTVs and gross customer balances by UK regions.

	30 June 2022		31 December 2021	
	Gross customer balance	**LTV - %**	**Gross customer balance**	**LTV - %**
London & South East	**7,552.6**	**54.5**	7,470.1	56.4
Northern England	**4,466.5**	**56.4**	4,459.9	58.0
Midlands & East Anglia	**4,057.0**	**55.7**	4,103.2	56.4
Wales & South West	**2,384.8**	**53.4**	2,390.9	56.0
Other	**1,065.7**	**56.6**	1,083.8	57.6
	19,526.6	**55.2**	19,507.9	56.8

Unsecured retail portfolio analysis

The table below shows the analysis of unsecured retail gross customer exposure by product. The decline reflects the continued lower usage of cards and overdrafts. The drawn balance has declined from a combined £248.1m to £244.9m.

	30 June 2022		31 December 2021	
	Gross customer exposure	ECL	Gross customer exposure	ECL
Credit cards	**1,101.3**	**6.1**	1,126.8	5.6
Overdrafts	**189.0**	**3.6**	192.1	3.1
	1,290.3	**9.7**	1,318.9	8.7

SME portfolio analysis

The table below shows the analysis of SME gross customer exposure by product. The movement is driven through CBILS and Bounce-Back loan lending declining as the scheme has been completed and repayments have started, mainly offset by new lending.

	30 June 2022		31 December 2021	
	Gross customer exposure	ECL	Gross customer exposure	ECL
Secured loans	**163.9**	**1.9**	172.9	2.3
CBILS & Bounce-Back loans	**259.6**	**3.1**	299.9	2.3
Unsecured loans	**99.4**	**2.2**	58.2	2.1
	522.9	**7.2**	531.0	6.7

Sector analysis

The table below analyses the gross customer exposure for the SME by sector excluding FVTPL of £3.1m (31 December 2021: £3.7m). The exposure to higher-risk sectors is limited.

	30 June 2022	31 December 2021
Business banking	**226.5**	260.3
Commercial real estate (CRE)	**97.1**	88.4
Food/hotel	**29.7**	31.8
Retail/wholesale	**24.0**	18.3
Care	**19.2**	18.4
Charities	**15.1**	17.7
Finance/legal	**15.0**	7.0
Renewable energy	**8.7**	9.5
Education	**6.8**	7.8
Housing association	**1.8**	2.0
Other	**79.0**	69.8
	522.9	531.0

Legacy portfolio analysis

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

	30 June 2022		31 December 2021	
	Gross customer exposure	ECL	Gross customer exposure	ECL
PFI	**421.9**	**1.7**	499.6	2.0
HA	**263.0**	**0.1**	280.9	0.1
Other	**31.5**	**0.8**	43.6	2.4
	716.4	**2.6**	824.1	4.5
Less: FVTPL	**(95.1)**	**(0.6)**	(97.6)	(1.9)
Total corporate	**621.3**	**2.0**	726.5	2.6
Unsecured personal loans	**2.0**	**0.2**	3.8	0.5
Unsecured professional and career development loans (PCDL)	**-**	**-**	14.3	-
Secured - Optimum	**19.1**	**0.3**	20.4	0.2
Total legacy	**642.4**	**2.5**	765.0	3.3

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 2022 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cashflows, Condensed 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 2022 is not prepared, in all material respects, in accordance with the accounting policies outlined in note 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) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. 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 1.1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

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.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are 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) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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
27 July 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

£m

	Note	Six months ended 30 June 2022	2021
Interest income calculated using the effective interest rate method		**241.4**	201.7
Other interest and similar income		**27.3**	7.2
Interest income and similar income	4	**268.7**	208.9
Interest expense and similar charges	4	**(60.5)**	(59.5)
Net interest income		**208.2**	149.4
Fee and commission income		**31.5**	27.4
Fee and commission expense		**(16.1)**	(16.7)
Net fee and commission income		**15.4**	10.7
Other operating income (net)	5	**10.6**	23.5
Operating income		**234.2**	183.6
Operating expenses	6	**(176.1)**	(164.9)
Net customer redress release	11	**1.0**	2.6
Total operating expenses		**(175.1)**	(162.3)
Operating profit before net credit impairment releases		**59.1**	21.3
Net credit impairment releases	8	**2.8**	0.1
Profit before tax		**61.9**	21.4
Income tax	7	**(33.5)**	23.5
Profit for the period		**28.4**	44.9

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	
	2022	**2021**
Profit for the period	**28.4**	44.9
Items that may be recycled to profit or loss:		
Changes in cash flow hedges:		
Transfers from equity to income or expense	**(3.4)**	(5.4)
Income tax	**1.9**	-
Changes in fair value through other comprehensive income:		
Net changes in fair value recognised directly in equity	**66.5**	16.3
Transfers from equity to income or expense	**(70.3)**	(20.1)
Income tax	**1.3**	0.8
Items that may not subsequently be recycled to profit or loss:		
Changes in net retirement benefit asset:		
Defined benefit plans (losses)/gains for the period	**(110.8)**	13.2
Income tax	**67.4**	(36.9)
Other comprehensive expense for the period, net of income tax	**(47.4)**	(32.1)
Total comprehensive(expense)/income for the period	**(19.0)**	12.8

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

CONDENSED CONSOLIDATED BALANCE SHEET

£m

	Note	**30 June 2022**	**31 December 2021**
Assets			
Cash and balances at central banks		**5,639.6**	5,696.9
Loans and advances to banks		**236.6**	191.5
Loans and advances to customers	8	**20,883.1**	21,002.1
Fair value adjustments for hedged risk		**(303.0)**	(90.5)
Investment securities	9	**1,181.8**	1,201.4
Derivative financial instruments		**398.0**	248.5
Property, plant and equipment classified as held-for-sale		**0.1**	0.2
Equity shares		**23.1**	22.8
Investment properties		**2.0**	1.9
Other assets		**23.4**	12.7
Prepayments		**26.1**	20.3
Property, plant and equipment		**20.9**	22.2
Intangible assets		**74.4**	68.5
Right-of-use assets		**37.0**	46.9
Deferred tax assets		**76.0**	36.8
Net retirement benefit asset	12	**735.6**	841.1
Total assets		**29,054.7**	29,323.3

	Note	**30 June 2022**	**31 December 2021**
Liabilities			
Deposits by banks		**5,671.5**	5,527.6
Customer accounts		**20,581.2**	21,135.9
Debt securities in issue		**193.9**	203.3
Fair value adjustments for hedged risk		**(23.6)**	(7.5)
Derivative financial instruments		**112.7**	148.2
Other liabilities		**39.9**	38.7
Accruals and deferred income		**24.7**	37.0
Provisions	11	**25.3**	33.9
Other borrowed funds	10	**649.0**	402.1
Lease liabilities		**40.6**	44.1
Current tax liabilities		**0.2**	-
Net retirement benefit liability	12	**6.4**	8.1
Total liabilities		**27,321.8**	27,571.4

	Note	**30 June 2022**	**31 December 2021**
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		**1,974.4**	1,946.0
Other reserves		**(556.2)**	(508.8)
Total equity		**1,732.9**	1,751.9
Total liabilities and equity		**29,054.7**	29,323.3

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 27 July 2022:

Bob Dench
Chair of the Board

Nick Slape
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

£m

	Six months ended 30 June	
	2022	**2021**
Cash flows (used in)/from operating activities:		
Profit before tax	**61.9**	21.4
Adjustments for non-cash movements:		
Pension scheme adjustments	**(6.1)**	(2.4)
Net credit impairment releases	**(2.8)**	(0.1)
Depreciation, amortisation and impairment of property, equipment, right-of-use assets and intangibles	**17.0**	19.6
Other non-cash movements including exchange rate movements	**97.6**	62.8
Changes in operating assets and liabilities:		
Increase in deposits by banks	**143.9**	390.3
Increase in prepayments and accrued income	**(5.8)**	(10.8)
Decrease in accruals and deferred income	**(12.3)**	(2.9)
(Decrease)/increase in customer accounts	**(554.8)**	959.9
Decrease in debt securities in issue	**(9.4)**	(2.6)
Increase in loans and advances to banks	**(13.4)**	(29.6)
Decrease/(increase) in loans and advances to customers	**102.1**	(1,746.4)
Net movement of other assets and other liabilities	**(12.8)**	118.7
Income tax paid	**(1.8)**	-
Net cash flows used in operating activities	**(196.7)**	(222.1)

Cash flows (used in)/from investing activities:		
Purchase of tangible and intangible assets	**(18.3)**	(13.3)
Purchase of investment securities	**(317.2)**	(445.7)
Proceeds from sale of property and equipment	**-**	1.8
Proceeds from sale and maturity of investment securities	**281.1**	389.9
Dividends received	**0.1**	0.1
Net cash flows used in investing activities	**(54.3)**	(67.2)

Cash flows from/(used in) financing activities:		
Proceeds from MREL issuance	**248.4**	-
Interest paid on Tier 2 notes and senior unsecured debt	**(18.5)**	(18.5)
Lease liability principal payments	**(4.5)**	(4.2)
Net cash flows from/(used in) financing activities	**225.4**	(22.7)
Net decrease in cash and cash equivalents	**(25.6)**	(312.0)
Cash and cash equivalents at the beginning of the period	**5,717.5**	4,229.5
Cash and cash equivalents at the end of the period	**5,691.9**	3,917.5
Comprising of:		
Cash and balances with central banks	**5,550.7**	3,633.9
Loans and advances to banks	**141.2**	283.6

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASHFLOWS ARISING FROM FINANCING ACTIVITIES

£m

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Lease liabilities	Other borrowed funds	Total	Lease liabilities	Other borrowed funds	Total
Balance at the beginning of the period	44.1	402.1	**446.2**	53.6	408.2	461.8
Changes from financing cash flows:						
Proceeds from MREL issuance	-	248.4	**248.4**	-	-	-
Interest paid on Tier 2 notes and senior unsecured debt	-	(18.5)	**(18.5)**	-	(18.5)	(18.5)
Lease liability principal payments	(4.5)	-	**(4.5)**	(4.2)	-	(4.2)
Total changes from financing cash flows	**39.6**	**632.0**	**671.6**	49.4	389.7	439.1
Other changes:						
Interest payable on lease liabilities and Tier 2 notes	0.7	22.0	**22.7**	0.7	18.4	19.1
Other non-cash movements	-	(5.0)	**(5.0)**	-	(2.4)	(2.4)
Recognition of lease liabilities	0.3	-	**0.3**	-	-	-
Balance at the end of the period	**40.6**	**649.0**	**689.6**	50.1	405.7	455.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£m

Six months ended 30 June 2022	**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 2022	0.9	313.8	2.9	14.7	-	(1,011.4)	485.0	1,946.0	**1,751.9**
Total comprehensive (expense)/income for the period	-	-	(2.5)	(1.5)	-	-	(43.4)	28.4	**(19.0)**
At 30 June 2022	**0.9**	**313.8**	**0.4**	**13.2**	**-**	**(1,011.4)**	**441.6**	**1,974.4**	**1,732.9**

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
Reserve reorganisation									
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

Year ended 31 December 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 year	-	-	(1.9)	(7.8)	-	-	89.9	197.3	277.5
Reserve reorganisation	-	-	-	-	(410.0)	(2,748.9)	-	3,158.9	-
At 31 December 2021	0.9	313.8	2.9	14.7	-	(1,011.4)	485.0	1,946.0	1,751.9

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 2022 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 2023 (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 considered against the backdrop of the principal risks faced by the Group as outlined in the risk management section, and included a detailed review of the forecast profitability, liquidity, capital resources, capital adequacy ratios and the associated binding minimum regulatory requirements as set out in the most recent long-term forecast reviewed by the Directors. Whilst the Directors consider threats to viability from most of the principal risks to be remote, in recent periods the Group has considered future compliance with minimum binding regulatory capital requirements to be a key source of uncertainty. These 'end-state requirements' (which exclude CRDIV and PRA buffers) remain at TCR+£400m during the remainder of 2022 before rising to two times TCR from 1 January 2023.

Following the successful issuance of £250m of MREL-qualifying instruments in the first half of 2022 and six consecutive quarters of profits, the Group's resilience against unexpected shocks has improved further since the end of 2021 to the extent that it expects that it could comfortably meet its end-state requirements throughout the assessment period without any further capital issuances.

Whilst the Group's capital levels are still sensitive to shocks to macroeconomic factors (e.g. decreases in HPI inflating RWAs and associated capital requirements) or the Group's own profitability (thereby eroding capital resources), the degree of headroom is considered sufficiently high that the risk of breaching requirements is remote. Reverse stress testing was performed to determine the level of HPI deterioration and/or one-off losses that would need to occur in order for the Group to breach MREL minimums, as outlined in the following table:

End-state breach	HPI deterioration	P&L charge	Combined
No further capital issuance	30%	£314m	15% and £157m

The Group could mitigate the risk of non-compliance by undertaking further capital issuances.

As such, the Directors do not consider there to be a material uncertainty with regard to the Group's ability to remain compliant with its minimum binding regulatory capital requirements. Liquidity was considered as part of the assessment but due to the current and projected levels of liquidity (both within the assessment period and beyond) this has not been deemed a significant risk to the Group's going concern status.

After considering the matters above, the Directors have a reasonable expectation that the Group will continue as a going concern with no material uncertainties. Accordingly, the accounts for the period ended 30 June 2022 have been prepared on a going concern basis.

1.3 Significant accounting policies

The accounting policies, presentation and methods of computation are consistent with those applied by the Group in its audited 2021 Annual Report and Accounts, which were prepared in accordance with UK-adopted international accounting standards and the provisions of the Companies Act 2006.

1.4 Standards and interpretations issued

Information on pronouncements that will be relevant in future periods is provided in the 2021 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 2021 Annual Report and Accounts.

2.1 Loan impairment provisions

Further information on the Group's credit risk management practices are outlined in the risk management section 2. The Group has not significantly amended the nature of the judgements applied in estimating credit losses from those disclosed by the Group in its 2021 Annual Report and Accounts; however, certain key estimation assumptions have changed in the Group's most recent assessment of expected credit losses (ECL).

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

The Group's approach to scenario selection and weighting is outlined in the explanatory information section 1.3.j.v of the Group's 2021 Annual Report and Accounts. The scenarios and weights used within the Group's ECL modelling process are shown below:

	30 June 2022	**31 December 2021**
Upside	**30%**	30%
Base	**30%**	30%
Downside	**30%**	30%
Severe downside (low rate)	**5%**	10%
Severe downside (high rate)	**5%**	-

The Group has introduced an additional downside economic scenario reflecting a high interest rate stressed macroeconomic environment, influenced by the rapid rate rises in the Bank of England base rate that have been observed the first half of the year and which the Group expects to continue.

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

		Core			
	% applied in model	**Retail**	**SME**	**Legacy & central items**	**Total**
Base	30%	8.5	0.8	1.2	**10.5**
Mild upside	30%	8.2	0.7	1.2	**10.1**
Mild downside	30%	9.1	0.9	1.3	**11.3**
Downside (low rate)	5%	10.2	1.1	1.4	**12.7**
Downside (high rate)	5%	10.7	1.1	1.4	**13.2**
Weighted average	**100%**	**8.8**	**0.8**	**1.3**	**10.9**

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

b) Collective impairment provisions – macroeconomic variables and sensitivities

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

	2022	2023	2024	2025	2026	5 year average[4]
GDP[1]						
Upside	3.9%	0.9%	0.9%	1.4%	1.1%	2.3%
Base	3.7%	(0.2%)	0.3%	0.7%	0.8%	1.7%
Mild downside	3.4%	(0.9%)	0.1%	0.4%	0.7%	1.4%
Downside (low rate)	3.2%	(3.8%)	(1.4%)	0.4%	0.7%	0.5%
Downside (high rate)	3.2%	(3.8%)	(1.4%)	0.4%	0.7%	0.5%
HPI[2]						
Upside	8.2%	3.2%	1.5%	3.4%	3.4%	4.5%
Base	6.4%	1.6%	0.8%	1.7%	3.4%	3.4%
Mild downside	1.9%	(6.6%)	1.5%	3.4%	3.4%	1.3%
Downside (low rate)	(0.9%)	(12.9%)	2.3%	5.2%	3.4%	0.1%
Downside (high rate)	(0.9%)	(12.9%)	2.3%	5.2%	3.4%	0.1%
Unemployment[3]						
Upside	3.5%	3.8%	3.8%	3.8%	3.8%	3.7%
Base	3.6%	4.1%	4.1%	4.1%	4.1%	4.0%
Mild downside	4.5%	6.5%	6.0%	5.3%	4.5%	5.2%
Downside (low rate)	5.4%	9.0%	8.5%	7.3%	6.0%	7.0%
Downside (high rate)	5.4%	9.0%	8.5%	7.3%	6.0%	7.0%

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

The key changes to the base forecasts over those in use at 31 December 2021 are:

- **GDP** – lower YoY growth throughout forecast period reflecting the impact of the sustained inflationary pressures on cost of living;
- **HPI** – higher HPI growth in 2022 and 2023, but slowdown in HPI growth in 2024 leading to lower YoY increases in the outer years of the forecast; and
- **Unemployment** – lower in 2022 but remains broadly stable and consistent with previous forecasts in the outer years.

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 2021 Annual Report and Accounts.

c) Collective impairment provisions – post-model adjustments

The Group applies PMAs to reflect risk characteristics for assets subject to collective provisioning but for which a specific risk characteristic is not captured within the collective models. The Group reviews PMAs on a quarterly basis to determine whether PMAs should be stood up, remeasured or retired. An overview of material PMAs or PMA groups is disclosed below:

	Core			
30 June 2022	**Retail**	**SME**	**Legacy & unallocated**	**Total**
Historical data confidence PMAs	6.8	-	0.1	**6.9**
Platform PMA	-	-	-	**-**
COVID-19 & affordability PMAs	4.7	3.8	0.1	**8.6**
Other PMAs	2.1	0.8	0.3	**3.2**
Total PMAs	**13.6**	**4.6**	**0.5**	**18.7**

	Core			
31 December 2021	**Retail**	**SME**	**Legacy & unallocated**	**Total**
Historical data confidence PMAs	-	-	-	-
Platform PMA	16.2	-	-	16.2
COVID-19 PMAs[1]	1.6	3.8	0.8	6.2
Other PMAs	0.2	0.6	2.0	2.8
Total PMAs	18.0	4.4	2.8	25.2

1. Excludes further uplifts within the Platform PMA due to the impacts of COVID-19.

- **Historical data confidence PMA** – the Group considers its secured model to understate the risk associated particularly with its Platform (broker-led) portfolio because of the book's relative immaturity and limited default experience and, as such, it historically applied a post-model adjustment to increase the overall ECL to a set coverage ratio. At 31 December 2021, this was set at 10bps. The Group has now replaced this overlay with a suite of more targeted adjustments to compensate for known limitations with regard to model assumptions. Key components of this PMA are uplifts to base and stressed model PDs and haircuts to collateral valuations. The Group will monitor these to ensure they remain appropriate.
- **COVID-19 & affordability PMAs** – this category of PMAs covers specific residual COVID-19-related risk and new emerging risks driven by the impacts of inflationary pressures on the cost of living. Staging and/or ECL coverage uplifts are applied via the application of internally-derived methodologies to specific customer cohorts based on shared risk characteristics. The main PMAs that remain in place at 30 June 2022 are overlays for:
  - **Retail affordability –** reflecting that certain customers with higher indebtedness levels may have greater susceptibility to financial difficulty stemming from inflationary pressures;
  - **Corporate 'at risk' sectors** – reflecting that certain business sectors are more exposed to the longer-term economic impacts of COVID-19 and the cost of living crisis;
  - **Failed guarantee claims** – reflecting that in certain isolated instances the Group may not successfully be able to claim on guarantees under the government support schemes; and
  - **Corporate real estate LGDs** – stale security valuations with the CRE portfolio may result in understated loss estimates.

  The Group expects to reduce the levels of these PMAs as and when inflationary pressures subside, there is evidence of real wage growth and any arrears levels appear stable.
- **Other PMAs** – the Group holds a small number of PMAs in respect of data and/or model limitations. None of these are individually significant, but notable PMAs include uplifts for cladding and EPC remediation risk on the Group's customers. Such PMAs will be removed as and when the risks are captured organically within the models or any model limitations have been resolved.

d) Individual impairment provisions

As disclosed in the 2021 Annual Report and Accounts, the Group's individual impairment provisions are not sensitive to economic variables.

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 operating costs of all business functions are allocated to the income-generating businesses. Treasury balances have not been allocated to segments to maintain clarity on underlying customer product balances.

The Group has re-presented its external segmental reporting to align to its revised internal approach, which differentiates between legacy and central items and unallocated (being items not related to a function).

Six months ended 30 June 2022 Re-presented	Core			Legacy & Central	Unallocated	Group
	Retail	SME	Total			
Net interest income	183.6	28.8	**212.4**	(4.2)	-	**208.2**
Other operating income	12.1	9.0	**21.1**	0.3	-	**21.4**
Operating income/(expense)	195.7	37.8	**233.5**	(3.9)	-	**229.6**
Operating expenses	(136.7)	(30.0)	**(166.7)**	(2.1)	(6.3)	**(175.1)**
Net credit impairment releases/(charges)	1.5	(0.8)	**0.7**	2.1	-	**2.8**
Non-operating income	-	-	**-**	-	4.6	**4.6**
Profit before tax	**60.5**	**7.0**	**67.5**	**(3.9)**	**(1.7)**	**61.9**

Six months ended 30 June 2021 Re-presented	Core Retail	SME	Total	Legacy & Central	Unallocated	Group
Net interest income	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)	(7.1)	(162.3)
Net credit impairment releases/(charges)	2.0	(0.9)	1.1	(1.0)	-	0.1
Non-operating income	-	-	-	-	15.6	15.6
Profit before tax	17.3	3.0	20.3	(7.4)	8.5	21.4

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 2022	**IFRS statutory**	**Volatile items[1]**	**Strategic projects**	**Non recurring[2]**	**Underlying basis**
Net interest income	**208.2**	-	-	-	**208.2**
Other operating income	**26.0**	(0.4)	-	(4.2)	**21.4**
Operating income	**234.2**	**(0.4)**	**-**	**(4.2)**	**229.6**
Operating expenses	**(176.1)**	-	5.5	1.8	**(168.8)**
Net customer redress release	**1.0**	-	-	(1.0)	**-**
Net credit impairment releases	**2.8**	-	-	-	**2.8**
Profit before tax	**61.9**	**(0.4)**	**5.5**	**(3.4)**	**63.6**
Cost:income ratio[3]	**75%**				**74%**

1. In the period ended 30 June 2022, this comprises gain on shares revaluation.
2. In the period ended 30 June 2022, this comprises gains on the sale of a small legacy loan book, release of PPI provision and other exceptional costs.
3. Cost:income ratio is calculated as (operating expenses + net customer redress release)/(operating income).

		Removal of:			
Six months ended 30 June 2021 Re-presented	**IFRS statutory**	**Volatile items[1]**	**Strategic projects**	**Non recurring[2]**	**Underlying basis**
Net interest income	149.4	-	-	-	149.4
Other operating income	34.2	(2.3)	-	(13.3)	18.6
Operating income	183.6	(2.3)	-	(13.3)	168.0
Operating expenses	(164.9)	-	8.7	1.0	(155.2)
Net customer redress release	2.6	-	-	(2.6)	-
Net credit impairment releases	0.1	-	-	-	0.1
Profit before tax	21.4	(2.3)	8.7	(14.9)	12.9
Cost:income ratio[3]	88%				92%

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, release of PPI provision and other exceptional costs.
3. Cost:income ratio is calculated as (operating expenses + net customer redress release)/(operating income).

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

30 June 2022	**Core Retail**	**SME**	**Total**	**Legacy & central items**	**Underlying basis**
Segment assets	19,771.5	392.6	**20,164.1**	8,890.6	**29,054.7**
Segment liabilities	17,064.9	3,438.0	**20,502.9**	6,818.9	**27,321.8**

31 December 2021	Core			Legacy & central items	Underlying basis
	Retail	SME	Total		
Segment assets	19,756.0	441.7	20,197.7	9,125.6	29,323.3
Segment liabilities	17,604.4	3,461.0	21,065.4	6,506.0	27,571.4

4. NET INTEREST INCOME

Interest income and similar income

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	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	**216.1**	-	-	**216.1**	196.3	-	-	196.3
Loans and advances to banks	**19.2**	-	-	**19.2**	1.8	-	-	1.8
Investment securities	**0.6**	**5.5**	-	**6.1**	0.5	3.1	-	3.6
Net interest income on net defined benefit pension asset	-	-	**8.4**	**8.4**	-	-	4.5	4.5
	235.9	**5.5**	**8.4**	**249.8**	198.6	3.1	4.5	206.2
On financial assets at fair value through profit or loss:								
Loans and advances to customers	**-**	**-**	**5.1**	**5.1**	-	-	5.5	5.5
Net interest income/(expense) on financial instruments hedging assets	**-**	**-**	**5.3**	**5.3**	-	-	(20.0)	(20.0)
Net interest income on financial instruments not in a hedging relationship	**-**	**-**	**8.5**	**8.5**	-	-	17.2	17.2
Total net interest income	**235.9**	**5.5**	**27.3**	**268.7**	198.6	3.1	7.2	208.9

Interest expense and similar charges

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Amortised cost	Other	Total	Amortised cost	Other	Total
On financial liabilities not at fair value through profit or loss:						
Customer accounts	**(11.1)**	-	**(11.1)**	(17.4)	-	(17.4)
Subordinated liabilities, debt securities in issue and other deposits	**(43.2)**	**-**	**(43.2)**	(32.7)	-	(32.7)
Interest on lease liabilities	**-**	**(0.7)**	**(0.7)**	-	(0.9)	(0.9)
Net interest expense on unfunded pension obligations	**-**	**(0.1)**	**(0.1)**	-	(0.1)	(0.1)
	(54.3)	**(0.8)**	**(55.1)**	(50.1)	(1.0)	(51.1)
On financial liabilities at fair value through profit or loss:						
Net interest income on financial instruments hedging liabilities	**-**	**0.3**	**0.3**	-	5.7	5.7
Net interest expense on financial instruments not in a hedging relationship	**-**	**(5.7)**	**(5.7)**	-	(14.1)	(14.1)
Total interest expense and similar charges	**(54.3)**	**(6.2)**	**(60.5)**	(50.1)	(9.4)	(59.5)

5. OTHER OPERATING INCOME/EXPENSE (NET)

	Six months ended 30 June	
	2022	**2021**
Profit on sale of investment securities	**0.1**	0.9
Gain on sale of shares	**-**	0.7
Profit on sale of loans and advances to customers	**4.1**	-
Fair value movement on loans and advances to customers designated at fair value	**(10.1)**	(6.0)
Income from derivatives and hedge accounting	**10.9**	9.5
Income from assets and liabilities held at fair value through profit or loss[1]	**0.9**	1.0
Foreign currency transactions	**4.3**	4.1
Exceptional refund of ATM rates[2]	**0.1**	13.3
Other operating income	**0.3**	-
	10.6	23.5

1. Income from assets and liabilities held at fair value through profit or loss of £0.9m (30 June 2021: £1.0m) include £0.3m gain on equity shares (30 June 2021: £1.6m).
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	
	2022	**2021**
Staff costs	**69.9**	61.7
Depreciation, amortisation and impairment[1]	**17.0**	19.6
Technology costs	**23.6**	24.4
Outsourced operations	**32.6**	29.1
Professional services and IT consultancy costs	**14.4**	9.8
Property costs	**4.4**	3.4
Credit checking and screening	**4.0**	2.5
Regulatory levies	**1.9**	1.9
Other expenses	**8.3**	12.5
	176.1	164.9

1. Mainly comprises amortisation of intangible assets of £11.1m (2021: £13.0m).

7. INCOME TAX

	Six months ended 30 June	
	2022	**2021**
Current tax charge	**2.1**	-
Deferred tax charge/(credit)	**31.4**	(23.5)
Total tax charge/(credit)	**33.5**	(23.5)

In addition to the above, included within other comprehensive income is a deferred tax credit of £70.6m (2021: charge of £36.1m).

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

	Six months ended 30 June	
	2022	**2021**
Profit before tax	**61.9**	21.4
Tax charge calculated at a rate of 19% (2021: 19%)	**11.8**	4.0
Effects of:		
Impact of surcharge rate change on opening deferred tax	**41.9**	-
Movement in unrecognised deferred tax	**(16.1)**	(2.3)
Impact of surcharge on deferred tax	**(4.0)**	0.7
Impact of corporation tax rate change on deferred tax	**(0.9)**	(25.9)
Adjustment in respect of prior period	**0.5**	-
Expenses not deductible for tax purposes	**0.3**	0.2
Non-taxable income	**-**	(0.2)
Total tax charge/(credit)	**33.5**	(23.5)

The movement in unrecognised deferred tax represents the recognition of historical tax losses, previously derecognised, that are now brought onto the balance sheet reflecting their expected utilisation against future probable taxable profits. The Group has unrecognised deferred tax assets totalling £444.2m (31 December 2021: £468.7m).

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.

A bank corporation tax surcharge of 8% also applies to Bank Company. On 27 October 2021, the government announced that the banking surcharge will be reduced from a rate of 8% to 3%, and that it will be chargeable on banking profits above £100m (previously £25m). The changes will be effective from 1 April 2023 for current tax, aligning with the already enacted rise in the main rate of corporation tax, so that the combined rate of tax on banking profits in excess of £100m will be 28%. The changes to the banking surcharge were substantively enacted on 2 February 2022. This reduction in the surcharge rate has been reflected in the balance sheet value of the deferred tax assets and liabilities as at 30 June 2022.

Deferred tax has been calculated by reference to the appropriate rate based on the forecast reversals of the related temporary differences. The Group's effective tax rate remains difficult to predict due to the movement in recognised deferred tax assets and the effect of the changes in tax rates.

8. LOANS AND ADVANCES TO CUSTOMERS

Analysis of the balance sheet

	30 June 2022	31 December 2021
Gross loans and advances	**20,915.8**	21,039.5
Less: allowance for losses	**(32.7)**	(37.4)
Total loans and advances to customers net of allowance for losses	**20,883.1**	21,002.1

Loans and advances to customers include £105.5m (31 December 2021: £118.1m) of financial assets designated at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency; of these, £54.7m (31 December 2021: £56.0m) are secured by real estate collateral.

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

Certain loans and advances to customers have been pledged by the Group; see note 13 for further details on encumbered and pledged assets.

Analysis of allowance for impairment losses

	Retail	SME	Legacy & unallocated	Total
At 1 January 2022	25.5	6.7	5.2	**37.4**
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2 or 3)	6.4	1.0	-	**7.4**
To credit impaired (stage 1 or 2 to 3)	1.5	0.3	(1.4)	**0.4**
To 12 month ECL (stage 2 or 3 to 1)	(0.4)	(0.4)	-	**(0.8)**
From credit impaired (stage 3 to 2)	(0.1)	-	-	**(0.1)**
Net changes arising from stage transfers	**7.4**	**0.9**	**(1.4)**	**6.9**
Other charges/(releases):				
New assets originated or purchased	1.2	0.1	-	**1.3**
Other changes to risk parameters[1]	(8.0)	0.2	1.2	**(6.6)**
Redemptions and repayments	(1.7)	(0.4)	(0.2)	**(2.3)**
Net other releases/(charges)	**(1.1)**	**0.8**	**(0.4)**	**(0.7)**
Assets written off	(2.0)	(0.3)	(0.1)	**(2.4)**
Portfolio sale	-	-	(1.6)	**(1.6)**
At 30 June 2022	**22.4**	**7.2**	**3.1**	**32.7**

1. Includes the impact of any asset sales

Analysis of income statement

	Six months ended 30 June	
	2022	**2021**
Net other releases/(charges)	**0.7**	(0.4)
Amounts recovered against amounts previously written off	**0.1**	0.1
Adjustment to recognise interest on stage 3 assets based on their net carrying value	**0.4**	0.4
Financial guarantees impairment release	**1.6**	-
Net impairment releases for the period as shown in the income statement	**2.8**	0.1

9. INVESTMENT SECURITIES

Analysis of investment securities

	30 June 2022				31 December 2021			
	Amortised cost	**FVOCI**	**FVTPL**	**Total**	**Amortised cost**	**FVOCI**	**FVTPL**	**Total**
Investment securities[1] (listed)	**62.1**	**1,116.7**	**3.0**	**1,181.8**	67.3	1,131.6	2.5	1,201.4

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

Movement in investment securities

	30 June 2022				31 December 2021			
	Amortised cost	**FVOCI**	**FVTPL**	**Total**	**Amortised cost**	**FVOCI**	**FVTPL**	**Total**
At the beginning of the period	**67.3**	**1,131.6**	**2.5**	**1,201.4**	77.4	1,067.6	3.5	1,148.5
Acquisitions	**-**	**317.2**	**-**	**317.2**	-	873.2	-	873.2
Disposals and maturities	**(5.2)**	**(275.8)**	**-**	**(281.0)**	(10.1)	(763.8)	-	(773.9)
FVOCI	**-**	**(3.9)**	**-**	**(3.9)**	-	(2.3)	-	(2.3)
Fair value through profit or loss	**-**	**(53.4)**	**0.5**	**(52.9)**	-	(42.7)	(1.0)	(43.7)
Amortisation	**-**	**(0.6)**	**-**	**(0.6)**	-	(0.3)	-	(0.3)
Movement in interest accrual	**-**	**1.6**	**-**	**1.6**	-	(0.1)	-	(0.1)
At the end of the period	**62.1**	**1,116.7**	**3.0**	**1,181.8**	67.3	1,131.6	2.5	1,201.4

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 2022	**31 December 2021**
Investment securities issued by public bodies:		
Government securities	**334.3**	442.2
Other public sector securities	**131.9**	140.8
Total investment securities issued by public bodies	**466.2**	583.0
Other debt securities:		
Other floating rate notes	**614.1**	511.8
Mortgage backed securities	**101.5**	106.6
Total other debt securities	**715.6**	618.4
Total investment securities	**1,181.8**	1,201.4

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

	Issue date	Call date	Maturity date	30 June 2022	31 December 2021
Tier 2-qualifying liabilities					
9.5% fixed rate reset callable subordinated notes (£200m)	25 April 2019	25 April 2024	25 April 2029	**200.0**	200.0
MREL-qualifying liabilities					
9.0% fixed rate reset callable senior unsecured notes (£200m)	27 November 2020	27 November 2024	27 November 2025	**200.0**	200.0
6.0% fixed rate reset callable notes (£250m)	6 April 2022	6 April 2026	6 April 2027	**250.0**	-
Fixed rate subordinated notes				**650.0**	400.0
Issue costs, discounts and accrued interest				**4.7**	2.3
Hedged risk adjustment				**(5.7)**	(0.2)
				649.0	402.1

Other borrowed funds comprise various subordinated liabilities issued to meet the Group's Minimum Requirements for own funds and Eligible Liabilities and Tier 2 capital requirements. The Tier 2 qualifying liabilities rank junior to the MREL-qualifying liabilities, which rank pari passu amongst themselves. All instruments are listed on the London Stock Exchange. New MREL-qualifying instruments of £250.0m were issued during the period.

11. PROVISIONS

	Property	PPI	Conduct / legal	Other	Total
At 1 January 2022	15.2	1.0	0.1	17.6	**33.9**
Provided in the period:					
Operating expenses	(3.4)	-	-	9.1	**5.7**
Net customer redress release	-	(1.0)	-	-	**(1.0)**
Utilised during the period	(1.7)	-	-	(11.6)	**(13.3)**
At 30 June 2022	**10.1**	**-**	**0.1**	**15.1**	**25.3**
Amounts falling due within one year	3.8	-	0.1	12.0	**15.9**
Amounts falling due after one year	6.3	-	-	3.1	**9.4**
Total provisions	**10.1**	**-**	**0.1**	**15.1**	**25.3**

Property

The Group has a number of leasehold properties. Where a property is partially or fully vacated prior to the end of the lease term, the associated right-of-use assets are impaired and provisions are recognised for expected outflows during the remaining periods of the leases. In addition, dilapidation provisions are recorded to the extent that the Group has incurred an obligation to restore a property to a defined state of repair and/or any dilapidation clauses within the contract have been invoked.

Payment Protection Insurance (PPI)

The Group has concluded its remediation activity under its legacy PPI redress programme and has released the remaining provision.

Other

Other provisions include a net charge of £9.1m (30 June 2021: £3.5m) 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 2021 Annual Report and Accounts. The amounts recognised in the balance sheet in relation to defined benefit schemes are as follows:

	31 December 2021	Movement	30 June 2022
Retirement benefit net surplus	841.1	(105.5)	**735.6**
Retirement benefit liabilities	(8.1)	1.7	**(6.4)**
Total amounts recognised in the balance sheet	**833.0**	**(103.8)**	**729.2**
Represented by:			
Funded DB schemes (Pace DB and BPS)	841.1	(105.5)	**735.6**
Unfunded DB schemes	(8.1)	1.7	**(6.4)**
Total amounts recognised in the balance sheet	**833.0**	**(103.8)**	**729.2**

The present value of the defined benefit obligation as at 30 June 2022 has been derived using assumptions that are consistent with those used for the 31 December 2021 value, updated for market conditions at the reporting date. The decrease in the net asset was primarily driven by increases in gilt yields and long-term inflation. 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. These increases have been partially offset by net interest income earned and expense reimbursement contributions to BPS.

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 2022		31 December 2021	
	Contractual amount	Risk-weighted amount	Contractual amount	Risk-weighted amount
Contingent liabilities arising from customer transactions:				
Guarantees and irrecoverable letters of credit	**4.2**	**2.1**	4.1	2.0
Other commitments arising from customer transactions:				
Undrawn formal standby facilities, credit lines and other commitments to lend (includes revocable and irrevocable commitments)[1]	**1,657.5**	**260.4**	1,960.5	383.7
	1,661.7	**262.5**	1,964.6	385.7

1. Revocable commitments which represent unused credit card limits of £868.9m (31 December 2021: £891.0m).

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 2021 Annual Report and Accounts.

On 15 June 2022, a judicial review hearing took place in relation to a claim issued by a Group subsidiary against a jurisdiction decision of the Financial Ombudsman Service regarding a complaint about historical variations to that subsidiary's standard variable rate. The judgement was published on 27 July and the Group's application for judicial review was dismissed.

As this was a case concerning a decision on whether or not the events are within the FOS's jurisdiction and not on the merits of the underlying complaint, it is still not currently possible to predict the scope and ultimate outcome on the Group. This is only the first in a series of contingent events that would need to happen to result in adverse outcomes, in order for the Group to be exposed to any significant liability. Given the early stages of this process, there is no current obligation under accounting standards to provide an estimate of any potential financial impact. The Group remains satisfied that these historical variations were applied fairly and in accordance with the terms and conditions of the mortgage contract.

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 2022	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	7,012.3	-	**7,012.3**
Pension scheme contingent security	-	64.6	481.1	-	**545.7**
Payment scheme collateral	280.0	51.0	48.9	41.7	**421.6**
Securitisations	-	10.5	222.9	-	**233.4**
Interest rate swap collateral	-	28.0	-	146.7	**174.7**
Other	-	28.1	-	144.6	**172.7**
Total assets pledged	**280.0**	**182.2**	**7,765.2**	**333.0**	**8,560.4**

31 December 2021	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	7,103.9	-	7,103.9
Pension scheme contingent security	-	51.6	492.4	-	544.0
Payment scheme collateral	280.0	49.5	48.8	41.8	420.1
Securitisations	-	12.1	246.6	-	258.7
Interest rate swap collateral	-	2.8	-	156.1	158.9
Other		30.2		146.3	176.5
Total assets pledged	280.0	146.2	7,891.7	344.2	8,662.1

- **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.
- **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.
- **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.
- **Interest rate swap collateral** – collateral posted by the Group against derivative contract exposures as part of its interest rate risk hedging activities.
- **Other** – primarily relates to investment securities pledged to cover essential operational continuity costs that would be incurred if the Group were to be put into resolution.

Transferred assets not derecognised

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

	30 June 2022		31 December 2021	
	Assets not derecognised	Associated liabilities	Assets not derecognised	Associated liabilities
Repurchase agreements				
Loans and advances to customers	**-**	**-**	6.3	-
Investment securities	**186.9**	**-**	301.0	-
Deposits by banks	**-**	**185.4**	-	304.5
Total	**186.9**	**185.4**	307.3	304.5

Unconsolidated structured entities

Details of the interests in unconsolidated structured entities are disclosed in note 36 of the 2021 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 period to 30 June 2022 there have been no changes to the nature of the related party transactions disclosed in note 32 of the 2021 Annual Report and Accounts that would materially affect the position or performance of the Group.

15. SHARE CAPITAL

	30 June 2022		31 December 2021	
	No. of shares (millions)	Value	No. of shares (millions)	Value
Share capital allotted, called up and fully paid				
At the beginning and end of the period	**9,029.1**	**0.9**	9,029.1	0.9
Share premium account				
At the beginning and end of the period		**313.8**		313.8

There are 9,029,130,200 A shares (2021: 9,029,130,200) and 83 B shares (2021: 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 2021 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 2022	**Amortised cost**	**FVOCI**	**FVTPL – designated**	**FVTPL – mandatorily measured**	**Derivatives in a hedging relationship**	**Total**
Financial assets						
Cash and balances at central banks	5,639.6	-	-	-	-	**5,639.6**
Loans and advances to banks	236.6	-	-	-	-	**236.6**
Loans and advances to customers	20,776.9	-	105.5	0.7	-	**20,883.1**
Investment securities	62.1	1,116.7	-	3.0	-	**1,181.8**
Derivative financial instruments	-	-	-	72.6	325.4	**398.0**
Equity shares	-	-	-	23.1	-	**23.1**
Other assets	21.7	-	-	-	-	**21.7**
Total financial assets	**26,736.9**	**1,116.7**	**105.5**	**99.4**	**325.4**	**28,383.9**
Financial liabilities						
Deposits by banks	5,671.5	-	-	-	-	**5,671.5**
Customer accounts	20,581.2	-	-	-	-	**20,581.2**
Debt securities in issue	193.9	-	-	-	-	**193.9**
Derivative financial instruments	-	-	-	73.0	39.7	**112.7**
Other borrowed funds	649.0	-	-	-	-	**649.0**
Other liabilities	37.1	-	-	-	-	**37.1**
Total financial liabilities	**27,132.7**	**-**	**-**	**73.0**	**39.7**	**27,245.4**

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

31 December 2021	Amortised cost	Measured at fair value FVOCI	FVTPL – designated	FVTPL – mandatorily measured	Derivatives in a hedging relationship	Total
Financial assets						
Cash and balances at central banks	5,696.9	-	-	-	-	5,696.9
Loans and advances to banks	191.5	-	-	-	-	191.5
Loans and advances to customers	20,884.0	-	117.4	0.7	-	21,002.1
Investment securities	67.3	1,131.6	-	2.5	-	1,201.4
Derivative financial instruments	-	-	-	102.8	145.7	248.5
Equity shares	-	-	-	22.8	-	22.8
Other assets	11.4	-	-	-	-	11.4
Total financial assets	26,851.1	1,131.6	117.4	128.8	145.7	28,374.6
Financial liabilities						
Deposits by banks	5,527.6	-	-	-	-	5,527.6
Customer accounts	21,135.9	-	-	-	-	21,135.9
Debt securities in issue	203.3	-	-	-	-	203.3
Derivative financial instruments	-	-	-	111.1	37.1	148.2
Other borrowed funds	402.1	-	-	-	-	402.1
Other liabilities	36.1	-	-	-	-	36.1
Total financial liabilities	27,305.0	-	-	111.1	37.1	27,453.2

Valuation of financial assets and liabilities measured at fair value

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

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

30 June 2022	Category	Fair value at end of the reporting period using: Level 1	Level 2	Level 3	Total
Non-derivative financial assets					
Loans and advances to customers	FVTPL – designated	-	104.2	1.3	**105.5**
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.7	**0.7**
Investment securities	FVOCI	1,090.5	-	26.2	**1,116.7**
Investment securities	FVTPL – mandatorily measured	-	-	3.0	**3.0**
Equity shares	FVTPL – mandatorily measured	0.3	-	22.8	**23.1**
Derivative financial assets		-	398.0	-	**398.0**
Non-financial assets:					
Investment properties		-	-	2.0	**2.0**
Total assets carried at fair value		**1,090.8**	**502.2**	**56.0**	**1,649.0**
Derivative financial liabilities		-	-	-	-
Total liabilities carried at fair value		**-**	**112.7**	**-**	**112.7**

31 December 2021	Category	Fair value at end of the reporting period using: Level 1	Level 2	Level 3	Total
Non-derivative financial assets					
Loans and advances to customers	FVTPL – designated	-	116.0	1.4	117.4
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.7	0.7
Investment securities	FVOCI	1,104.0	-	27.6	1,131.6
Investment securities	FVTPL – mandatorily measured	-	-	2.5	2.5
Equity shares	FVTPL – mandatorily measured	0.3	-	22.5	22.8
Derivative financial assets		-	248.5	-	248.5
Non-financial assets:					
Investment properties		-	-	1.9	1.9
Total assets carried at fair value		1,104.3	364.5	56.6	1,525.4
Derivative financial liabilities		-	148.2	-	148.2
Total liabilities carried at fair value		-	148.2	-	148.2

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 £101.1m as at 30 June 2022 (31 December 2021: £110.8m) 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 of RMBS of £26.2m (FVOCI) and £3.0m (FVTPL – mandatorily measured) as at 30 June 2022 (31 December 2021: FVOCI: £27.6m and FVTPL £2.5m). 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 £292k respectively.

- **Equity shares**

Equity shares classified as FVTPL – mandatorily measured include £22.3m of US Dollar-denominated convertible preference shares in Visa Inc., with any movements in fair value being recognised through profit or loss. The fair value of the Visa Inc. shares has been calculated by taking the period end NYSE share price and discounting for illiquidity and clawback. If the illiquidity premium to the discount rate was increased by an absolute 10%, it would result in a reduction in the overall fair value of the equity shares of £3.2m as at 30 June 2022.

- **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 2021	Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	Fair value at 30 June 2022
Loans and advances to customers	2.1	-	(0.1)	-	-	**2.0**
Investment securities	30.1	-	(1.1)	(0.3)	0.5	**29.2**
Equity shares	22.5	-	-	-	0.3	**22.8**
Investment properties	1.9	-	-	-	0.1	**2.0**
	56.6	**-**	**(1.2)**	**(0.3)**	**0.9**	**56.0**

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 2022	**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	**5,639.6**	-	-	-	5,639.6	**5,639.6**
Loans and advances to banks	**236.6**	-	-	-	236.6	**236.6**
Loans and advances to customers	**20,776.9**	-	-	19,435.9	850.1	**20,286.0**
Investment securities	**62.1**	-	-	62.8	-	**62.8**
Other assets	**21.7**	-	-	-	21.7	**21.7**
Financial liabilities						
Deposits by banks	**5,671.5**	-	5,396.5	-	273.8	**5,670.3**
Customer accounts	**20,581.2**	-	-	1,601.8	18,959.7	**20,561.5**
Debt securities in issue	**193.9**	-	-	194.1	-	**194.1**
Other borrowed funds	**649.0**	-	645.3	-	-	**645.3**
Other liabilities	**37.1**	-	-	-	37.1	**37.1**

		Fair value				
31 December 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	5,696.9	-	-	-	5,696.9	5,696.9
Loans and advances to banks	191.5	-	-	-	191.5	191.5
Loans and advances to customers	20,884.0	-	-	20,042.5	810.3	20,852.8
Investment securities	67.3	-	-	69.1	-	69.1
Other assets	11.4	-	-	-	11.4	11.4
Financial liabilities						
Deposits by banks	5,527.6	-	5,504.5	-	21.6	5,526.1
Customer accounts	21,135.9	-	-	2,099.6	19,035.6	21,135.2
Debt securities in issue	203.3	-	-	205.1	-	205.1
Other borrowed funds	402.1	-	448.7	-	-	448.7
Other liabilities	36.1	-	-	-	36.1	36.1

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

17. EVENTS AFTER THE BALANCE SHEET DATE

On 27 July 2022 the High Court published a judgement dismissing the Group's application for judicial review of the FOS's jurisdiction decision in relation to a complaint from a mortgage customer, for which the hearing took place on 15 June 2022. There is no current obligation under accounting standards to provide an estimate of any potential financial impact and therefore the financial statements have not been adjusted. Further disclosure regarding this matter is made in note 13 to the condensed consolidated financial statements.

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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