

Annual Reports and Accounts 2024

The **co-operative** bank

Ethical then, now and **always**



Company information

Registered office

1 Balloon Street
Manchester
M4 4BE

Company numbers

The Co-operative Bank p.l.c.

Registered in England and Wales
Number: 00990937

The Co-operative Bank Holdings p.l.c.

Registered in England and Wales
Number: 10865342

The Co-operative Bank Finance p.l.c.

Registered in England and Wales
Number: 11598074

Independent auditors

PricewaterhouseCoopers LLP
1 Hardman Square
Manchester
M3 3EB
United Kingdom

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Our Group structure

In the following pages the term 'Group' refers to The Co-operative Bank Holdings 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 Group. Unless otherwise stated, information presented for the Group equally applies to the Bank.

On 1 January 2025, Coventry Building Society ("the Society") acquired the entire issued share capital of The Co-operative Bank Holdings p.l.c. The combination of the Society and the Bank brings together a purpose-led mutual and the original ethical bank with common values and a heritage of almost 300 years.

Further detail on the group structure is provided on page 59.



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 The Co-operative Bank plc

View information about The Co-operative Bank at:

www.co-operativebank.co.uk/investorrelations

A glossary of key terms used in this Annual Report and Accounts is available on the Bank's website by following the link above.

About The Co-operative Bank

Our story

The Co-operative Bank's story began over 150 years ago in 1872, as the Loans and Deposits department of the Co-operative Wholesale Society.

We have worked hard ever since to provide our customers with a real alternative to the larger retail banks.

We always put our customers at the heart of what we do and we are committed to the values and ethics of the co-operative movement.

The Co-operative Bank was the first UK high street bank to introduce a customer-led Ethical Policy which sets out the way we do business. This policy has been shaped by 370,000 customer responses since 1992.

On 1 January 2025, Coventry Building Society completed its purchase of The Co-operative Bank Holdings p.l.c. We have returned to our roots, being owned by a mutual — an organisation which is owned by and run for the benefit of its members. Combined, we have total assets of approximately £90 billion, making the new group the seventh largest lender in the UK.

Our customers and strategy

We are a UK bank, with all of our operations based in the UK. We lend money to fund home ownership and provide business banking services to a range of organisations. We support charitable causes close to our customers' hearts.

We aim to establish sustainable advantage by trusting in our customer-led Ethical Policy, our co-operative values and our committed colleagues, whilst removing cost and income inhibitors.

In 2023, we refreshed our strategic plan to focus on growth pillars — mortgage lending, retail deposits and small and medium sized enterprises ("SME") lending.

Our purpose

Driven by co-operative values and our customer-led Ethical Policy, we're the bank that's changing our communities, for good.

Our vision

To be the UK's leading ethical bank; together with our customers, we make banking a positive force for good.

Core customer segments

We offer products to both retail and SME banking customers, which together are referred to as our core customer segments.

Our core values



Take Responsibility



Do the Right Thing



Step Up



Stronger Together

Business highlights

2024 was the first year of our refreshed strategy with significant progress made towards the delivery of our strategic objectives. We achieved key milestones in our journey to further simplify the Bank and demonstrate financial resilience.

Simplifying the Bank

Completed the re-platforming element of our multi-year IT transformation programme, improving operational resilience — for the first time, all our customers are served via the same mortgages and savings platform.

We are able to develop new products and serve customers in an agile way and at lower cost.

We can now provide better customer experience to build growth.

Maintaining financial resilience

We successfully delivered planned change on time, while maintaining a strong capital position, healthy liquidity, and a low risk balance sheet.

We received external recognition of the delivery of our financial turnaround plan through upgrades to our credit rating from both Fitch and Moody’s to investment grade.

As a result, we accessed new capital markets via a £500m covered bond issuance in June 2024.

Together, we have set strong foundations for delivering for our customers in the future.

Financial highlights

£72.9m

Statutory profit before tax

2023: £71.4m

£116.2m

Underlying profit before tax¹

2023: £120.9m

Profit stable on an underlying and statutory basis, despite cost pressures. In 2024, the difference in statutory and underlying profit before tax largely due to transaction related costs of £34.1m. In 2023, this difference was driven by remediation and redress costs of £29.3m.

1.83%

Net interest margin (“NIM”)

2023: 1.80 %

86.7%

Statutory cost:income ratio

2023: 86.1 %

NIM improved due to the impact of the structural hedge as balances are reinvested in higher rate environment; statutory cost income ratio increased reflecting impact of transaction related costs.

(2.4)bps

Asset quality ratio (“AQR”)

2023: 0.3bps

AQR in 2024 moved to a release of 2.4bps (2023: charge of 0.3bps), reflecting improved credit worthiness of customers derived from additional data received throughout the cost of living crisis.

1. Underlying profit before tax is a non-statutory measure that management uses to assess business performance. It is adjusted for certain expenses and is reconciled to the relevant statutory measures on page 42.

Business highlights continued

Capital, liquidity and balance sheet

Strong capital position with a healthy liquidity surplus — profitability drove 41 bps of Common Equity Tier 1 (“CET1”) in the period, enabling capital distributions.²

18.7%

CET1 Ratio³

2023: 20.4 %⁴

22.8%

Total capital ratio (“TCR”)

2023: 25.3 %

192.4%

Liquidity coverage ratio (“LCR”)⁵

2023: 211.4 %

£4.9bn

Risk-weighted assets (“RWAs”)

2023: £4.8bn

Stable, low risk mortgage book

£19.2bn

Core mortgage portfolio balance

(2023: £19.1bn)

£4.8bn

Total gross mortgage lending including retention

2023: £4.8bn

56.0%

Average core mortgage book LTV

2023: 55.7 %

Growing retail and SME franchise

£19.7bn

Core customer deposits

2023: £19.0bn

Net current account switch in is 756 accounts, reversing reductions in current account numbers in recent years.

£197m

Gross SME lending

2023: £76m

2. Profitability has driven 41 bps of CET1 growth excluding the impact of dividends.

3. Regulatory minimum: 14.3% including CRD IV buffers.

4. 2023 CET1 ratio is reported before removing final dividend paid in May 2024.

5. Calculated in line with Pillar 3 requirements based on a rolling 12-month average. Regulatory minimum of 100 %.

Business highlights continued

Supporting our colleagues and customers

72%

Positive colleague engagement
in colleague survey
2023: 76 %

43.2%

Percentage of senior roles held by women
2023: 43.3 %

4.1 (Great)

Trustpilot score
2023: 4.2

3.0¹

Complaints per 1,000 customers (H2 2024)
H2 2023: 3.6

Environmental, social and governance (“ESG”) highlights

1,865.6

Scope 1 and 2 emissions (location based)
(tCO₂e)²
2023: 2,188.4

2,546.6

Scope 1 and 2 emissions (market based)
(tCO₂e)²
2023: 1,486.3

Scope 1 and 2 emissions

Location based emissions reduced by 14.8 % in 2024 compared to 2023. Market based emissions increased as we could not certify renewable energy for sites until Q4 2024.

Our Net Zero journey

Developed a Net Zero Transition Plan with key milestones to achieving Net Zero by 2050 (see pages 35 to 36 for more information).

Leading ESG risk ratings maintained:

11.2

Sustainalytics rating³
2023: 8.5

AAA

MSCI rating
2023: AAA

1st decile (Prime)

ISS rating
2023: 1st decile

Recognised as ‘Eco Provider’ by Which? for second year running ⁴

1. The volume of regulated banking and credit complaints per 1,000 customers over a rolling 6 month period.

2. Tonnes of carbon dioxide equivalent. Emissions data includes Q4 estimates for 2024. 2023 full year scope 1, 2 and 3 emissions restated to include actual data for Q4 2023, which was previously estimated. See our Climate-related financial disclosures report on pages 28 to 40 for more information on our Greenhouse gas (“GHG”) emissions data.

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

4. Which? Eco Provider for Current Accounts. October 2023 and 2024.

Group strategic report

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The contents of the group strategic report are unaudited, unless otherwise stated.

This group strategic report was approved by the Boards of The Co-operative Bank Holdings p.l.c., The Co-operative Bank p.l.c. and The Co-operative Bank Finance p.l.c. on 6 March 2025 and signed on their behalf

Joanne Kenrick
Chair of the Board
6 March 2025

The co-operative bank
Ethical then, now and **always**

Chair of the Board's welcome



I am pleased to present The Co-operative Bank's Annual Report and Accounts for 2024. I am delighted to be taking over as Chair at this exciting time for the Bank, as it becomes part of the Coventry Building Society ("the Society") group.

I would like to thank Bob Dench for his dedication and stewardship during his seven year tenure as Chair, and his role in leading the Board to deliver the transaction that saw the Bank return to mutual ownership on 1 January 2025.

The change in ownership resulted in a number of changes to membership of the Bank's Board. I would like, therefore, to also thank the previous Directors for their service: Glyn Smith, Sue Harris, Raj Singh, Richard Slimmon and Sebastian Grigg, and also to thank Fiona Clutterbuck who has remained with the Board to help with the transition, alongside Mark Parker who will continue to serve as a Director to bring us continuity from the previous Board.

I would also like to welcome the new Directors of the Board: Martin Stewart, Brendan O'Connor, Iraj Amiri, Caroline Marsh and Steve Hughes.

In the short time that I have been Chair, I have seen the hard work carried out by colleagues on a daily basis and the commitment that they have to the Bank and its values and ethics. The new Board, and in particular myself as the Chair of the Board, are keen to ensure that those values and ethics that are so integral to the Bank's existence continue to be a large part of the Bank's DNA. The Society brings a strong social purpose and a deep rooted focus on member, and I believe the combination and shared heritage with the Bank will be powerful.

2024 saw a number of key milestones for the Bank, including significant progress towards its multi-year IT transformation programme, with the migration of all our mortgage and savings customers from legacy platforms onto one platform, enabling the Bank to continue to develop digital services and deliver good outcomes for customers.

The progress and our sustainable profitability has led to a number of upgrades in the Bank's credit investment ratings, with external recognition of the progress against turnaround and transformation plans. Management ensured continued delivery of services to the Bank's customers while being heavily involved in the delivery of the transaction with the Society.

Values and ethics link strongly to the Bank's ESG agenda. The Bank's ESG aims and metrics, disclosed annually in its Sustainability Report, demonstrate its continued commitment to people, planet and the community. We remain, as rated by Sustainalytics, the UK's best ESG rated high street bank.

A core component of the Bank's values and ethics is to continue to support co-operatives through the 'Business Support for Co-ops Programme'. This programme enables co-operatives to action real progress in their communities and positions us as the natural ethical banking choice for SMEs in the UK. The Bank offers free everyday business banking to eligible co-operative customers and Co-operatives UK members, and is privileged to work with Co-operatives UK, with 524 groups receiving support in 2024.

Delivering our values and ethics commitments means working with the right organisations, and in 2024, the Bank supported a number of charity partners. Together with the Society, the Bank announced its continued support of Centrepont and the important work they are doing to end youth homelessness into 2025.

Recognising the significant developments during 2024, the Board is excited to take the Bank forward as part of the wider Society family; all together, even better.

Joanne Kenrick

Chair of the Board

Chief Executive Officer's review



I am delighted to welcome The Co-operative Bank to Coventry Building Society, bringing the original ethical bank once again into the ownership of a mutual organisation.

Our shared values and ambition to become a genuinely different type of financial services provider to UK consumers makes this an exciting proposition. It has only been achieved however, because of the hard work undertaken by my new colleagues over a number of years, to return the Bank to a position of strength and stability alongside sustainable profitability.

2024 continued this progress. The Group delivered a statutory profit before tax of £72.9m (2023: £71.4m) and had a CET1 ratio of 18.7% (2023: 20.4%). The result for the year included £34.1m of costs in relation to the sale of the Group to Coventry Building Society (2023: £6.4m). Excluding those, alongside other exceptional items not representative of the day-to-day running of the Bank, profit before tax on an underlying basis was stable at £116.2m (2023: £120.9m). It is very encouraging to see that the Bank's improved financial strength has been recognised externally resulting in a number of credit rating upgrades, and driving a return to investment grade once again. Further information on 2024 financial performance is available on pages 41 to 44.

Alongside this solid financial performance, the Bank made significant progress in simplifying its IT infrastructure, delivering the commitment to exit legacy platforms and datacentres and bring £19bn of mortgage balances and £5bn of savings balances onto a single system. The progress made to modernise and streamline the technology used to serve customers sets a strong foundation for future development of product and service improvements and will support future integration work with the Society.

I was delighted that the Bank continues to be recognised as the UK's best ESG rated high street bank for the fourth year running and it is encouraging to see the progress more widely in the industry as ESG increasingly forms part of customers' decisions around who they choose to bank with. The joining of the Society with the Bank will further progress our shared values and long heritage in these areas. You can read more about the Bank's ESG priorities over the coming year on pages 17 to 27.

In these first weeks as interim Chief Executive Officer, I have been hugely impressed by the dedication of my new colleagues in serving our customers at a time of significant change. The collaboration with Society colleagues has started positively and the ambition to deliver on behalf of all of our customers is clearly evident, and the more I meet, talk and listen, the more I am struck by our shared desire and commitment to serving customers.

There is no question we have more to do to invest in the service capabilities of the Bank, and central to this is giving my colleagues the tools and capabilities to do the job they want to do, and this is why we will also invest in our vibrant working environment while promoting diversity and inclusion across the Bank and wider group, as we come together as one team with shared ambitions.

This is of the utmost importance as we begin the journey of integrating the two organisations and deliver the long-term benefits of the transaction for our customers and members.

I am hugely excited to be leading the Bank in the interim and the combined group on this transformation. We have a loyal customer base and engaged colleagues who have continued to deliver for customers and want to do even better. The Bank is operationally and financially resilient, with a strong capital and liquidity profile and partnerships in place that align to its co-operative values and ethics. It has shown continued progress in a period of considerable business change, and I would like to thank Nick Slape and his team for their leadership of the business during this period of turnaround.

As I have said, there is a lot to do. Earlier this year, we announced the appointment of Andrea Melville as Chief Executive Officer of the Bank. Andrea will join us in June 2025, and is someone who shares our passion to build something brilliant that will stand out in UK financial services. She will be an excellent addition to the Bank's and broader group's leadership team. I am looking forward, along with the Board, to building on the foundations created in recent years and delivering the great potential presented by this genuinely transformational opportunity.

Steve Hughes

Interim Chief Executive Officer

UK retail banking market overview

The UK retail banking market in 2024 was characterised by intense market competition, low growth and slower than expected interest rate reductions. The flexibility and agility afforded by the simplification of the Bank's IT infrastructure and exit of legacy platforms has allowed us to identify opportunities for growth in a challenging environment.

Economic and political overview

We only operate in the UK and therefore our economic outlook is aligned to that of the UK economy, which is itself impacted by global economic trends and developments.

After holding base rate at 5.25 % for a year, the Bank of England ("BoE") started to cut rates in August 2024 as inflation reduced towards the BoE's 2 % target, with the most recent decrease in February to 4.5 %.

The 2 % target was initially achieved in Q2 2024, supported by increases to base rate in 2023 and the 12 % fall in the energy price cap in April 2024. However, in Q4 2024, inflation increased to 2.4 %. Latest estimates show that gross domestic product ("GDP") increased by 0.8 % in 2024.

Unemployment remains at historic low levels, rising slightly to 4.4 % in Q3 with falling job vacancies and a decrease in the inactivity rate. House prices increased in 2024 as relieving pressures on disposable income and reduction in mortgage rates improve consumer confidence.

We expect that the BoE will continue to reduce base rate in 2025 to focus on medium term inflation targets despite the expectation that inflation will rise above target again in 2025.

GDP is projected to increase in 2025, supported by government consumption and investment announced in the Autumn Budget. We expect unemployment to remain low in 2025. Improvement in mortgage rates and consumer confidence in 2025 support further increases in house prices.

There are both upside and downside risks to these expectations, and the Bank continues to monitor the evolving economic outlook and the impacts on its customers.

Our business model, described further on page 12, is low-risk, with the majority of assets being low loan-to-value mortgages. As a result, we are well placed to withstand a downturn in the economy. However, we remain alert to economic risks generally and more information is provided in our principal risk categories disclosed on pages 100 to 109.

Key market trends

Mortgages

Although customer mortgage rates have fallen across the year, they remain elevated compared to historic lows, and cost of living pressures continue to reduce affordability compared to pre-COVID-19 levels. This has led to lower purchase demand in the mortgage market and, as a result, our new business application mix remains shifted towards re-mortgages. The heightened rate environment has also driven an increasing number of customers to choose shorter tenor products, in the expectation that rates will reduce in the short to medium term. The expectation for a more stable footing for buyers through the easing of economic pressures, increasing house price indices ("HPI") and the stabilisation of interest rates is expected to lead to improved consumer confidence, driving a recovery of the purchase market over the next few years.

Retail deposits

UK personal deposits have continued to grow since the start of 2024, despite interest rate reductions during the year. We have seen a shift towards term deposits, and in particular fixed rate Individual Savings Accounts ("ISAs"), while current account balances have stabilised following two years of outflow.

As savings interest rates are anticipated to fall in 2025, the incentive for consumers to save may reduce while the trend towards term savings is expected to continue as consumers seek to maximise their return. As cost of living pressures ease, current account balances are forecast to remain stable throughout 2025.

Non-retail lending

The Bank lends to sole traders, national charities, UK corporates and housing associations across its SME segment and legacy portfolios. After a period of declining lending volumes in the market in 2023 there has been more positivity through 2024, as cost pressures and economic uncertainty have begun to stabilise. Increased gross lending in the market has also been supported by reductions in interest rates in 2024. Despite reduced demand from businesses to borrow, we have successfully refreshed our lending proposition and more than doubled gross lending in 2024 compared to 2023 by attracting new customers in the market as well as supporting existing business banking customers. Continued cautious growth in lending is expected into 2025. More detail on the definition of our SME segment is included on page 48 and on our legacy business portfolio on page 126.

UK retail banking market overview continued

Developments in technology

Two key trends have dominated technology in the UK's financial services industry over 2024: increased cyber security threat and the prominence of generative artificial intelligence ("AI").

Over 2024, the cyber security threat to the UK has evolved significantly. This is threatening not just our traditional security but our economic security, as more than 80 % of all reported UK fraud is now considered to be cyber-enabled.

A number of large-scale cyber-attacks in 2024 involved ransomware, showing its longevity as a popular attack vector for cyber criminals, and resulted in significant operational, financial and data impacts for targeted organisations.

Our Cyber Security Strategy delivers an intelligence-led approach to managing cyber risk and providing transparency through aligning to industry standards and independent assessment.

In addition, our strategy ensures we respond to the evolving threat landscape and supports the adoption of emerging technologies, as well as managing the cyber risks associated with our transformation programme.

Our cybersecurity function is ISO27001 accredited, one of the industry's most recognised information security standards.

Generative AI has increased in usage and controversy in 2024. AI can bring many benefits to the banking industry, including improved customer service, enhanced fraud detection and increased efficiency, but raises a new suite of challenges and risks around security and privacy concerns, accuracy and ethics and bias. We are also mindful of the increase in model risk that accompanies the use of AI.

As the banking industry involves and adapts to AI, we continue to amend our policies and controls to do the same. We have set up a working group to develop policies, requirements and implement AI across the Bank. We have already implemented AI tools across our complaints and contact centre teams.

Regulatory environment

Prudential

In September 2024, the PRA published Policy Statement 9/24 ("PS9/24"), its second set of "near final" rules that will implement Basel 3.1 changes within the UK, which confirmed a delay of UK implementation to 1 January 2026. In January 2025, the PRA announced a further one year delay to 1 January 2027, to allow more clarity on implementation plans in the United States.

Basel 3.1 makes significant changes to the calculations of RWAs across both standardised and internal ratings based ("IRB") approaches including introducing a standardised RWA floor, which is phased in between 2027 to 2030 and will cap the benefit of the IRB approach at 72.5 % of standardised RWAs by 2030.

As at 31 December 2024, we anticipate end-state (1 January 2030) Basel 3.1 requirements to reduce our CET1 ratio by 2.6 % on a proforma basis. We continue to explore strategic actions to optimise our balance sheet with respect to the proposed changes under Basel 3.1.

Payments

On 14 November 2024, the Chancellor announced the launch of a National Payments Vision ("NPV"). The NPV provides direction on priority initiatives relating to retail payments, including the development of seamless account to account payments, Open Banking and higher standards of consumer protection.

As part of this vision, the UK payments industry is moving to ISO 20022, the emerging global standard for payments messaging. This standard creates a common language for payments data across the globe.

The Bank of England's Real-Time Gross Settlement ("RTGS") renewal programme migrated CHAPS payments onto the new messaging standard in 2023.

We established a change programme in 2023 to ensure our impacted payment systems are upgraded to meet the Bank of England's RTGS renewal timeline. It is expected that this programme will be in place until late 2025 when our end-to-end payment journeys will be ISO 20022 compliant.

Consumer Duty

In 2024, we completed our first annual self assessment required to ensure compliance with the Financial Conduct Authority's ("FCA") Consumer Duty regulation. We achieved compliance against the FCA's 31 July 2024 milestone for closed book products by completing an assessment of our products to ensure they are in line with new consumer principles. We continue to work to identify, monitor and reduce customer harms and will report these in our 2025 self assessment.

Climate change

Minimising environmental harm is a key tenet of our customer-led Ethical Policy, and we continue to perform robust horizon scanning to ensure compliance with new climate change-related regulation. In 2024, we developed a new ESG strategy, incorporating known regulation and legislation into our change pipeline, and will continue to enhance our Net Zero transition plans to ensure we are compliant with regulation as it evolves.

Greenwashing

The Bank complies with the Financial Conduct Authority's ("FCA") general anti-greenwashing rule. We ensure that any reference to the sustainability characteristics of a product or service is consistent with that product or service, and is fair, clear and not misleading.

All marketing communications and customer communications that refer to the Bank's values and ethics, sustainability or partnerships are approved through appropriate governance that considers risks surrounding greenwashing.

Our business model

Driven by co-operative values and our customer-led Ethical Policy, we are the Bank that is changing our communities for good. The Co-operative Bank came together over 150 years ago to stand up for the ideal of co-operative values and principles and to build a better society for all.

We are a UK bank, with all of our operations based in the UK. We lend money to fund home ownership in the UK and to support small and medium-sized businesses from sole traders to national charities. We support charitable causes close to our customers' hearts.

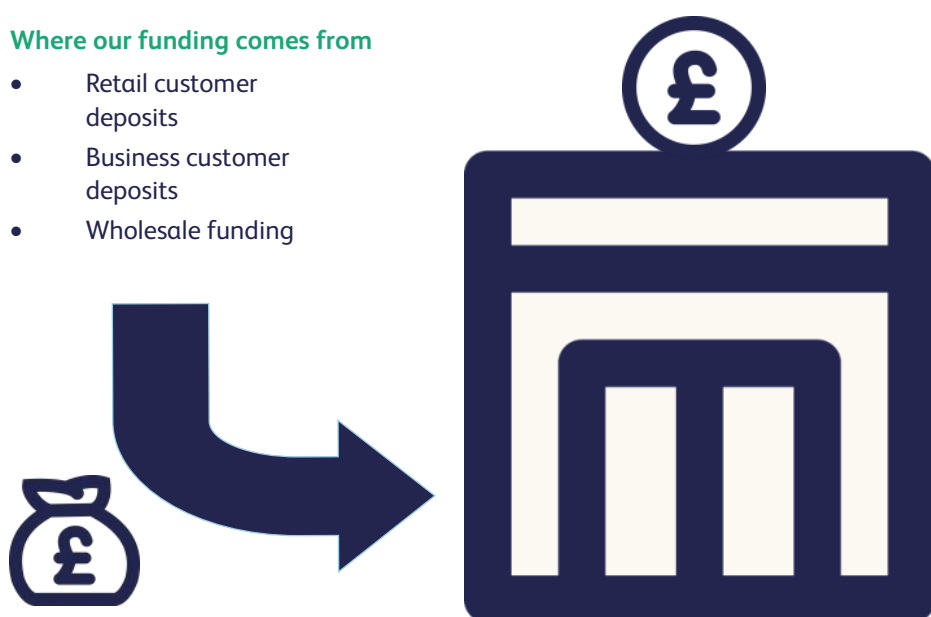
In 1992 we became the first UK bank to have a customer-led Ethical Policy that guides the business decisions we take on a day-to-day basis. As the original ethical bank, we represent a real alternative for those aligned to our values.

You can read more about how our customer-led Ethical Policy drives our business model and how we consider **Planet**, **People** and **Communities** in our day-to-day decision-making in the Values and ethics in action report, on pages 23 to 27.

Our business model

Where our funding comes from

- Retail customer deposits
- Business customer deposits
- Wholesale funding



What we do with our funding

- Provide mortgages to homeowners and landlords.
- Provide unsecured lending via credit cards or loans and secured lending to a range of corporate businesses.



How we generate sustainable profits

- Recognise income on the difference in interest rates received from borrowers relative to that paid to our savers (our net interest margin) and also from fees and commissions receivable on our products and services.
- Pay interest on our wholesale funding and interest and commissions to intermediaries.
- Credit losses, operating costs and tax are deducted from the income we earn.



Delivering for our stakeholders

To get the most value from our business, we maximise the key inputs and relationships. The areas that contribute to our success include our trusted brand and the choices we make to deploy our capital resources.

Our stakeholders are also vital, including our highly engaged colleagues; our strong relationships with regulators; mutually rewarding partnerships with key suppliers and our collaboration with charity partners where we work together for positive action.

Delivering our strategic priorities

In 2024 we entered the 'embed and expand' phase of our strategy and have achieved several key milestones to enable growth and efficiency, including completion of the re-platforming element of our multi-year IT transformation programme, in which £19bn mortgage balances and £5bn savings balances were migrated to a single Co-operative Bank platform, and supporting the sale of the business to Coventry Building Society.

Our progress against each of our key growth pillars is outlined below.

In 2024, we developed a new ESG strategy to emphasise our ethical difference. See pages 17 to 22 for more information.

Progress in 2024

Our refreshed strategy is built upon investment in select growth pillars, rooted in solid foundations and our history where clear ethical and social differentiation in customer proposition is fundamental. The aim of the strategy is to deliver a more commercially-focused mid-tier banking model, growing beyond our current market share.

New deposit products, strategically-managed mortgage lending and improving customer experience were the three anchors of our retail strategy in 2023.

Mortgage lending

Across 2024, we made significant progress towards our strategic priorities for mortgage lending. In total, across Q1 and Q2, we migrated all of our mortgage customers off legacy platforms and onto our Co-operative Bank platform.

We have improved customer communications and provided an in-depth training programme to our operational colleagues, which has led to improved customer journey times and increased retention rates.

In Q4, we launched a new 'Green Purchase' range, which will support our commitment to lowering our greenhouse gas emissions and enable customers to make sustainable choices when taking out a mortgage.

We have identified opportunities to further diversify our product range and extend the product options we have available through targeting more specific market segments, supported by an improved service proposition and consider how we further develop our 'Green' products to align to our wider ESG strategy.

Retail deposits

We achieved good performance towards our strategic objectives to attract and retain current account customers whose values and purpose are aligned with our ethical brand and co-operative heritage.

Current account acquisition increased in 2024, due to new current account switch incentives aimed at attracting and retaining active account users, and our strong brand presence. We welcomed over 70,000 new current account customers in 2024 (2023: 55,000). This enabled the Bank to achieve positive net switching of 756 in 2024.

We launched a number of savings propositions in recent years exclusive to our current account holders aimed at deepening the relationship with these customers, rewarding their loyalty and improving retention.

New current account exclusive savings propositions proved popular with our customers, who opened over 47,000 Regular Saver accounts since the proposition was launched in 2024, attracting new balances of £63m, and the Base Rate Tracker proposition attracted over £500m new balances since launch in 2023.

SME business

Strong progress has been made towards the Bank's acquisition targets and lending to UK-based SMEs remains one of our key sources of growth. Volume of new current accounts increased by 28 % since 2023, and the balance in savings accounts increased to £815m (2023: £775m). Gross lending more than doubled compared with 2023 to £197m (2023: £76m).

Investment in our origination platform brings all current account application journeys together to deliver a consistently high quality experience for all customers, reducing our average time to open by 21 % across 2024.

We have achieved growth in gross lending through re-engaging market segments such as Registered Social Landlords which aligns to our customer-led Ethical Policy and ESG strategy.

Our strategic priority in 2025 is to launch additional new products to serve the needs of our customers alongside improving the application process. The types of business included in our SME segment are defined on page 48.

Measuring performance

We use a range of key performance indicators (“KPIs”) to support the execution of our refreshed strategy and monitor our performance against strategic objectives throughout the year. Below are our core financial metrics and non-financial metrics; and we also use qualitative measures to report on a monthly basis (including on our transformation), allowing us to keep track of progress of our strategy.

Finance

Profit before tax (£m)*

2024: £72.9m

2023: £71.4m

2022: £132.6m

Definition: Earnings before tax as per IFRS.

Why we measure: Statutory profit before tax is a well-defined statutory measure of in-year overall financial performance.

Current account balance growth (%)

2024: (3.6)%

2023: (10.7)%

2022: (2.9)%

Definition: Net year-on-year growth in retail and SME current account balances.

Why we measure: Current account funding is a key component of our strategy. We aim to increase current account growth through both the acquisition of new customers and growth in our existing customers' balances.

CET1 Ratio (%)

2024: 18.7%

2023: 20.4%

2022: 19.8%

Definition: CET1 capital / risk-weighted assets.

Why we measure: CET1 is a core component in maintaining a suitable buffer to capital requirements; which is key to demonstrating the sustainability of our business model and meeting regulatory defined requirements. For performance evaluation, the target measure is adjusted to take account of any final dividend distributions (£nil in 2024, £12m in 2023, £nil in 2022). CET1 ratio in 2023 after dividends is 20.1%.

People

Engagement survey (%)

2024: 72% positivity

- Engagement continues to be highest around motivation, during year of business change
- Likelihood to recommend the Bank as a great place to work is unchanged
- 80% response rate

2023: 76% positivity

- Positivity highest around motivation, seven points ahead of industry benchmark
- 76% employee response rate

Definition: We use an anonymous survey tool to assess overall colleague experience.

Why we measure: Colleague engagement is a reflection of job satisfaction; we aim to provide an excellent environment in which colleagues can fulfil their full potential and serve our customers.

Customer

Customer perception: Trustpilot score*

2024: 4.1

2023: 4.2

2022: 1.7

Definition: Trustpilot is a review platform that is open to everyone. Our score is an aggregation of review scores but is influenced by multiple factors including the number of reviews.

Why we measure: We aim to improve the service we offer to customers and respond to customer feedback.

*To ensure organisational alignment to our strategic goals, variable remuneration for all colleagues is impacted by performance against KPIs. Those KPIs which impact colleague variable remuneration, and appear on our scorecard, are marked with an asterisk. For more information on how KPI performance directly impacts the remuneration awarded to Executive Directors and other colleagues, please refer to the Directors' Report on remuneration to the shareholder on page 86.

Measuring performance continued

Environmental, social and governance

Scope 1 and 2 emissions*
(location based, tCO2e)

2024: 1,866

2023: 2,188¹

2022: 2,167

Definition: Our direct GHG footprint encompasses energy consumption and refrigerant leakages (on a location based basis).

Why we measure: Targeting a year-on-year reduction of scope 1 and 2 emissions is an important step towards our goal of Net Zero carbon emissions which aligns with our customer-led Ethical Policy and ESG ambitions.

ESG Ratings*

	2024	2023	2022
Sustainalytics	11.2 ²	8.5	8.6
MSCI	AAA	AAA	AAA
ISS	1st decile	1st decile	1st decile

Definition: Ratings from ESG rating agencies

Why we measure: With our new strategy and exciting plans for 2025 and beyond, we are working to maintain our ESG ratings in the future, as we strive to continually deliver our unique, customer-led ethical commitments to customers and other stakeholders.

Transformation

Delivery of key project and strategic milestones*

Key deliverables tracked in 2024 include:

- compliance with all contractual obligations included in the Sale and Purchase agreement with Coventry Building Society;
- delivery of transformation priorities and key projects; and
- people leadership priorities.

Definition: We have identified a number of significant milestones to be delivered this year in order to achieve our strategic plan. This measure tracks successful delivery of these milestones.

Why we measure: Achieving these milestones will drive delivery of our strategic objectives on time.

1. 2023 full year scope 1 and 2 emissions re-stated from 2,226 as emissions reported in 2023 Annual Report and Accounts included estimates in Q4 2023 emissions..

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

Group non-financial and sustainability information statement

Our customer-led Ethical Policy governs who we bank with, how we provide services, and the ethical stance we take in all our day-to-day business decisions.

We comply with the non-financial and sustainability reporting requirements of sections 414CA and 414CB of the Companies Act 2006, and this section cross-references to non-financial and sustainability information produced in this report, and to supplementary information including policies and statements available elsewhere, and while applicable to the Banking Company and Holding Company, information incorporates all entities in the Group.

Key reporting requirements of sections 414CA and 414CB of the Companies Act 2006

	Extra information	Page reference	Other supplementary information, policies and statements
Environmental matters	Our 'Planet' pillar of the Values and ethics in action report	25	Sustainability Report ¹
	ESG report	17	Ethical Policy ¹
	Climate-related financial disclosures	28	
Climate matters	Climate-related financial disclosures	28	Sustainability Report ¹
Colleagues & employees ²	Our 'People' pillar of the Values and ethics in action report	26	Freedom of Association statement ³
	Directors' Report	82	Code of Conduct ³
Social matters	Our 'People' and 'Communities' pillars of the Values and Ethics in action report	26 - 27	Taxation strategy
	ESG report	17	
Respect for human rights	Our 'People' pillar of the Values and ethics in action report	26	Modern Slavery and Human Trafficking Statement Data Privacy Policy ³
Anti-corruption and anti-bribery matters	Directors' Report	82	Anti-bribery and Anti-corruption Policy

Description of business model, principal risks, and non-financial key performance measures ("KPIs")

	Extra information	Page reference
Business model	Our business model	12
Principal risks, impact of business activity and risk management	Risk Committee report	74
	Principal risks and uncertainties	96
	Risk management report	95 – 140
	Measuring performance	14
Non-financial KPIs	ESG report	17
	Climate-related financial disclosures	28

1. Our customer-led Ethical Policy and Sustainability Report, both of which can be found on the Bank's website, contain supplementary information related to all six reporting requirements required by sections 414CA and 414CB of the Companies Act 2006.

2. A full range of colleague and employee policies which govern how we engage with and support colleagues are available to Bank colleagues and are published on the Bank's intranet.

3. Policy only published internally. All other policies referenced are available for public view by visiting the Bank's website.

Environmental, social and governance report

This section outlines the environmental, social and governance (“ESG”) framework we apply to our business decision-making. It consists of an overview of our ESG strategy approved in 2024 as well as ESG governance and our key metrics, targets, external commitments and ESG risk ratings.

Environmental

Protecting the environment has been at the heart of our customer-led Ethical Policy since 1992. We report our direct and indirect emissions and have made decarbonisation commitments in our Net Zero Transition Plan. With our partner, Friends of the Earth, we are addressing the pressing issue of biodiversity loss by replenishing nature-deprived spaces across the country through a network of Postcode Gardeners.

Throughout this report, metrics and targets related to ‘environment’ are marked with our environmental icon.



Social

Co-operative principles remain at the heart of our business and we strive to demonstrate co-operative values in everything we do. As a national brand, we recognise our wider impact within UK society and work in partnership and co-operation with charities and community organisations to drive positive social change.

Metrics and targets related to ‘social’ are marked with our social icon.



Governance

Co-operative values and ethical policies are incorporated into the Bank’s Articles of Association, establishing them at the heart of our constitution. One way the Bank meets these objectives is via our customer-led Ethical Policy. Governance refers to our policies, procedures and decision-making framework.

Metrics and targets related to ‘governance’ are marked with our governance icon.

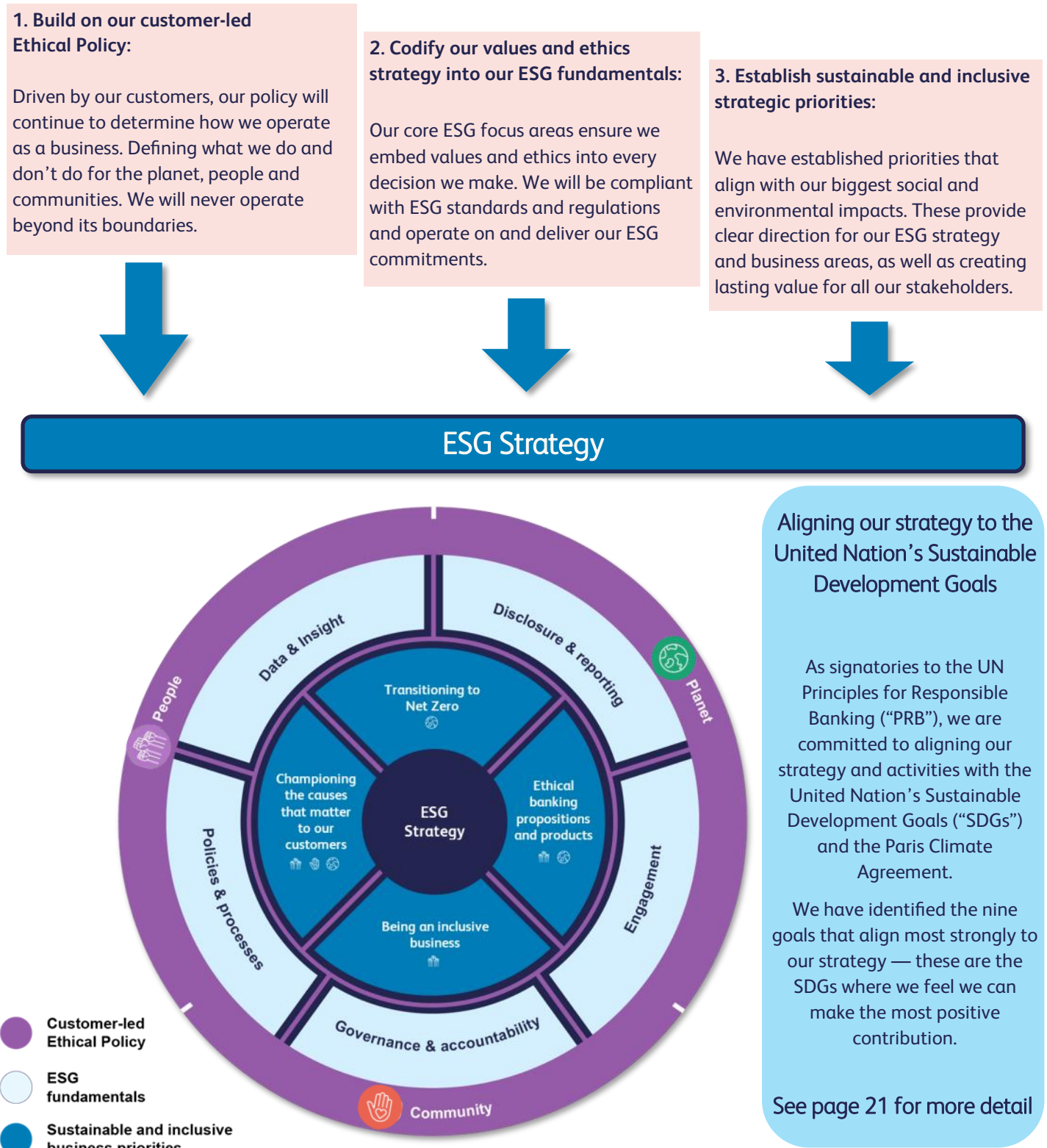


Environmental, social and governance report

continued

In 2024, we implemented a new ESG strategy derived from our customer-led Ethical Policy. Our ESG ambition is to establish sustainable and inclusive business priorities, built upon key ESG fundamentals, and driven by our ethical pillars – Planet, People and Community. To help guide decisions and create positive impact in every part of the Bank, our strategy has been organised into a clear and robust framework.

Our customer-led Ethical Policy has been fundamental to shaping this framework, particularly the sustainable and inclusive business priorities, which ensure we are able to tackle climate change, campaign for social change and demand a fairer society.



Environmental, social and governance report

continued

ESG fundamentals

Data & Insight

Gathering and analysing ESG data for performance assessment.

Disclosure & reporting

Transparently communicating ESG information to stakeholders, regulators and interested parties.

Policies & processes

Establishing internal frameworks for ESG practices.

Governance & accountability

Ensuring responsible decision-making and oversight of ESG issues.

Engagement

Collaborating, educating and inspiring colleagues and external stakeholders to advance ESG goals.



Strategic priorities

Transitioning to Net Zero

Becoming a Net Zero carbon business and working together with customers to reduce their environmental impact.



Ethical banking propositions and products

Ensure the way our customers bank with us does good, not harm — for their communities and the planet.



Being an inclusive business

Building a diverse workforce where colleagues can thrive and designing accessible products and services that meet the diverse needs of our customers.



Championing the causes that matter to our customers

Using the power of our brand to take a stand on issues, make a difference in our communities, and shape a fairer society. Promoting and advocating the co-operative movement.



Through delivery of our ESG strategy, we can deliver Bank-wide benefits and accelerate growth, differentiation and our transition to Net Zero.



Drive commercial growth, reaching new audiences



Future-proof our position as the original ethical bank



Accelerate our transition to Net Zero



Create value for members and customers



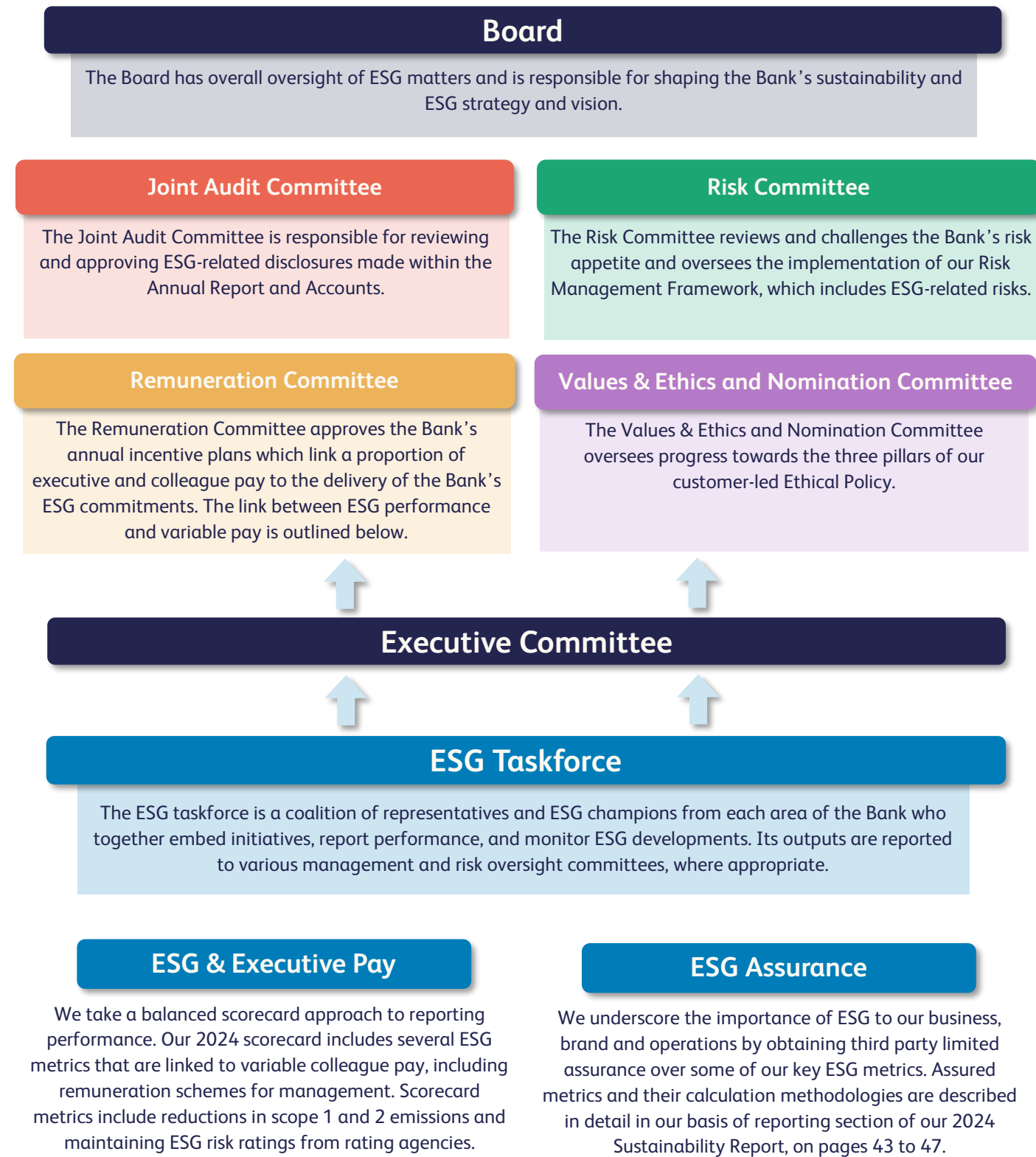
Strengthen culture and talent retention

Environmental, social and governance report

continued

ESG Governance

ESG governance is embedded throughout the Bank from the Board to our everyday operations. Everyone in the Bank is responsible for helping us achieve our ESG agenda and perform against our strategy. This section details how ESG governance is applied at the Bank and the responsibilities of the Board and management to support ESG-conscious decision-making.



Environmental, social and governance report

continued

ESG metrics and targets

The following pages set out the KPIs and metrics we use to measure our ESG performance, and what we achieved compared to our 2023 ESG commitments. The table below sets out the metrics we have identified as most important to understanding our ESG performance. The methodology used to calculate each metric can be found on page 43 of our 2024 Sustainability Report.

Environmental



Scope 1 and 2 emissions (location based, tCO ₂ e)	2024: 1,865.6 2023: 2,188.4 ¹	Energy directly procured from renewables (%)	2024: 21% 2023: 70 %
Scope 3 emissions (tCO ₂ e)	2024: 310,008.8 2023: 358,423.6 ¹	Operational waste to landfill (%) ²	2024: 0% 2023: 0 %

Social



Total charity donations (£)	2024: £1.0m 2023: £1.6m	Customer Donation Fund donations (£)	2024: £99,575 2023: £100,011
Colleague volunteering (% colleagues)	2024: 30% 2023: 51 %	Everyday Rewards donations to charities (£)	2024: £158,640 2023: £158,640
Colleague volunteering (# hours)	2024: 8,203 2023: 16,343	Vulnerable customer training completed (% of colleagues) ³	2024: 99% (customer facing); 67% (all colleagues)
Value of colleague volunteering (£)	2024: £214,675 2023: £332,808	Gender pay gap (mean, %)	2024: 22.1% 2023: 22.8 %
Charities, co-operatives and credit unions who bank with us (#)	2024: 4,527 2023: 4,771	Gender pay gap (median, %)	2024: 23.7% 2023: 18.1 %
Community Directplus Accounts (#)	2024: 44,284 2023: 42,526	Ethnicity pay gap (mean, %)	2024: 14.4% 2023: 18.1 %
Funds raised by colleagues and matched funding (£)	2024: £89,568 2023: £72,136	Ethnicity pay gap (median, %)	2024: 12.5% 2023: 12.9 %
Non-customer ethical perception score (%)	2024: 22% (1st) 2023: 20 % (1st)	Digitally active customers (%)	2024: 70.3% 2023: 68.8 %

Governance



Business customers referred for ethical screening (#)	2024: 262 2023: 258	Business customers declined banking services (#)	2024: 7 2023: 9
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1. 2023 Scope 1, 2 and 3 emissions have been re-presented to include actual data for 2023, following assurance by SGS Assurance Limited. Scope 1 and 2 emissions have been re-presented to 2,188.4 from 2,226.3 tCO₂e and scope 3 emissions have been re-presented to 358,423.6 from 358,422.0 tCO₂e.

2. 'Zero waste to landfill' only requires 99 % waste diversion away from landfill due to a legal requirement that certain types of waste must go to landfill.

3. Metric new for 2024, and hence no 2023 comparator.

Environmental, social and governance report

continued

ESG risk ratings

Our commitment to the co-operative values and ethics on which the Bank was built over 150 years ago makes us a natural ESG leader.

For the fourth year running, The Co-operative Bank has been rated as the UK’s best ESG rated high street bank by leading ESG risk rating agency, Sustainalytics.

In 2024, we also maintained our ratings from other ESG rating agencies, receiving an AAA rating from MSCI in November 2024, and a Prime rating of C with ISS in July 2024, reinforcing our position as a leader in ESG.

Sustainalytics	MSCI	ISS
11.2	AAA	1st decile (Prime)
(2023: 8.5)	(2023: AAA)	(2023: 1st decile)

Aligning to Sustainable Development Goals

Signatory to the UN Principles for Responsible Banking

The Co-operative Bank has been a signatory to the United Nations (“UN”) Environment Programme Finance Initiative (“UNEPFI”) Principles for Responsible Banking (PRB) since 2020. The programme brings together over 300 banks from across the globe to accelerate a positive global transition for people and the planet. With signatory banks representing over half of the global banking industry, the Principles are the world’s foremost sustainable banking framework.



The activities of our Bank can make an impact on all 17 of the Sustainable Development Goals. We have taken steps to consider the impact and influence we have on these goals within a framework of our impact on our planet, on people and on our communities. This exercise has identified the nine goals where we feel we can make the most positive contribution.

Alignment to the UN Sustainable Development Goals

As signatories to the UN Principles for Responsible Banking, we are committed to aligning our strategy and activities with the United Nation’s Sustainable Development Goals (“SDGs”) and the Paris Climate Agreement.



Values and ethics in action report

Our customer-led Ethical Policy

Our commitment to co-operative values and ethics has been fundamental to The Co-operative Bank since we were established in 1872 and it continues to underpin how we run our business.

To outline our ethical commitments, in 1992 we took a pioneering step and introduced a customer-led Ethical Policy. We were the first bank in the UK to do so, and we remain the only UK bank to have a policy of this kind.

As a business with deep and historic roots in the co-operative movement, we have enshrined co-operative values into how we operate. Those values are self-help, self-responsibility, democracy, equality, equity and solidarity.

In common with organisations across the co-operative movement, we also believe in the ethical values of honesty, openness, social responsibility and caring for others.

We believe that by acting together, and by acting co-operatively, we can have a significant impact in the areas people often feel powerless to influence.

We regularly ask our customers to tell us about the things that matter to them and which issues they want us to take action on, updating our customer-led Ethical Policy to reflect their views.

In 2021, we conducted our sixth Values and Ethics Poll, which asked our customers to share their views on a range of issues including the environment, poverty and inequality, human rights and animal welfare. 47,177 customers, colleagues and stakeholders participated in the 2021 poll.

Our customers have always been ahead of the curve on ethical issues and we believe this remains the case today. Their responses to our latest poll informed the 2022 update to our customer-led Ethical Policy, bringing together a cumulative total of over 370,000 customer responses since 1992 in the latest iteration of our Ethical Policy.

Our updated Ethical Policy is structured around our customers' concerns for the **Planet**, for **People** and for **Communities**. This reflects the priorities of our changing world, and confirms our shared commitment to protect the environment, campaign for change and build a more sustainable society.

Planet

We are committed to sustainable practices across our business – in our own operations, actions and decisions - and in how we enable our personal and business customers to make more sustainable choices. We seek to operate in ways that minimise further environmental harm and to take actions that measurably improve biodiversity and the environment.

What we do for the Planet can be found on page 25.



People

We are committed to acting in a way that supports individuals in being able to live freely, equitably and safely with consideration of both their physical and mental health. This includes how we treat our individual customers and colleagues and our support for human rights and equality around the world.

What we do for People can be found on page 26.



Community

We are committed to being a good local, corporate and world citizen, working to improve all communities: domestic, international and remote. We commit to building stronger, more resilient, communities with economic and social opportunities for their members and will campaign for wider change when needed. We will continue to invest in our communities, good causes and co-operative businesses.

What we do for Communities can be found on page 27.



Values and ethics in action report continued

Implementing our customer-led Ethical Policy

We screen every business application against our Ethical Policy and decline businesses whose activities conflict with the exclusion statements within it

When we launched our Ethical Policy in 1992, we introduced an Ethical Questionnaire which must be completed by every new business customer and also by existing business customers when they make a change to their account.

Where a potential conflict with our Ethical Policy is identified, enhanced screening is carried out. We'll carry out additional research and may reach out to independent experts to inform our decision.

In 2024, 262 businesses were referred for enhanced screening (2023: 258) and as a result, 7 were declined banking services (2023: 9) for the following reasons.

Human rights:

We declined banking services to two companies involved in the international supply of military equipment. One was selling arms into regions with oppressive regimes, and one was involved in the supply of indiscriminate weapons.

We also declined services to a company trading in an industry that is causing social, economic and environmental problems in developing countries.

Climate change:

We declined banking services to two businesses working in the oil and gas sector whose activities were considered to be in conflict with our Ethical Policy statement on the exploration, extraction and production of fossil fuels.

Animal welfare:

We declined services to a business that failed to meet our expected standards of animal welfare.

Irresponsible gambling:

One business was declined for failing to protect customers engaged in gambling activities.

Managing customer risk

Our risk policy requires the closure of accounts for risk related issues, such as when customers are involved in or receive profits from organised crime or illegal activities such as the sex trade, drugs or human trafficking, as well as where there are regulatory requirements. In 2024, we closed 545 customer accounts (2023: 674) due to risk related issues, including suspicion of fraud, money laundering, and drugs trafficking.

Number of business customers referred for enhanced screening by issue	Referrals	Declines
	2024 (2023)	2024 (2023)
Labour standards and human rights	157 (139)	3 (3)
Social inclusion	0 (6)	0 (0)
Irresponsible payment of tax	0 (0)	0 (0)
Irresponsible gambling	11 (10)	1 (1)
Irresponsible marketing	1 (3)	0 (0)
Protecting the environment:		
Climate change	11 (11)	2 (3)
Chemicals	0 (2)	0 (0)
Waste	0 (0)	0 (0)
Biodiversity	37 (39)	0 (2)
Protecting animal welfare	39 (45)	1 (0)
Other	6 (3)	0 (0)
Total	262 (258)	7 (9)

Values and ethics in action report continued

Our ‘Planet’ pillar

Beyond carbon neutral

We were the first UK bank with ‘beyond carbon neutral’ operations, a status we have maintained since 2007. We achieve this by offsetting our carbon emissions plus an additional 10 % to address the impact our business activities have had in the past.

We will offset 110 % of our 2024 direct emissions in line with this commitment during 2025. This is 2,908 tonnes CO₂e (2,644 tonnes CO₂e + 10 %), comprising our scope 1 and 2 emissions (market based) plus business travel.

Carbon offset by source (tCO ₂ e)	2024	2023
Fuel combustion	375	478
Refrigerant leakages	84	207
‘Non-renewable’ electricity consumption	2,087	837
Business travel	98	123
Offset to be carbon neutral	2,644	1,645
Plus 10 % for past activity	264	165
Offset to be beyond carbon neutral	2,908	1,810

Working with Climate Impact Partners

To meet our ‘beyond carbon neutral’ goal, our offsetting programme provides finance to projects that are reducing emissions and supporting the transition to a low carbon global economy. We work with Climate Impact Partners, specialists in carbon market solutions for climate action, to deliver this programme.

Not financing fossil fuels since 1998

Since 1998, we have publically pledged to play no part in the provision of loans, underwriting or investments to aid the expansion of fossil fuel extraction, production or infrastructure.

We were the first UK bank to be part of the Bank.Green Fossil Free Banking Alliance, and we are one of only five Bank.Green Fossil Free Certified UK banks. Bank.Green helps climate-conscious consumers to choose a bank that isn’t financing the climate crisis.

A Which? Eco Provider

In October, we were proud to remain one of only three banks in the UK labelled as an Eco Provider by consumer champion Which?. Having examined the environmental policies of 13 of the UK’s leading current account providers, Which? noted that we have no exposure to fossil fuels in our banking activities and set high ethical standards for the SME businesses we offer services and finance to.

Bringing back nature with Friends of the Earth ¹

Driven by our customers’ concerns for biodiversity and the environment, we have been working with Friends of the Earth since 2023 to restore greenery and wildlife in over 1,000 nature-deprived spaces across the UK.

In 2024, we established 14 new Postcode Gardeners in nature-deprived communities to bring nature back to these areas. Postcode Gardeners are professional gardeners who co-ordinate the greening plan for their postcode, do some gardening themselves and upskill volunteers so that local communities can help make their streets greener and more biodiverse.

In September, we launched two Postcode Gardener projects in our hometown of Manchester, setting up in Wythenshawe and West Gorton. Our colleagues and the community were involved in nature-based activities such as apple pressing, bug hotel building and bulb planting.

In November, we expanded the project even further into Wales, including communities in Monmouthshire that have been devastated by flooding in 2024, demonstrating the urgent need for the restoration of nature in these areas.

Campaigning for the Climate and Nature Bill with Zero Hour ²

Together with Zero Hour, we are campaigning for the Climate and Nature Bill, which is the only proposed legislation before UK parliament which would tackle the climate-nature crisis.

The Climate and Nature Bill would require the UK government to take responsibility for its contribution to greenhouse gas emissions, in an active attempt to restore biodiverse habitats, and stop further damage to our natural world through the production, financing, transportation, and disposal of goods we consume, globally.

In 2024, we sponsored a cross-party event in the Houses of Parliament, and we encouraged our customers to join us in campaigning for this important bill and called upon them to contact their MP.

Fighting fast fashion with Oxfam ³

In September, we took a stand against fast fashion in support of Oxfam’s Second Hand September campaign. We spread the word about the importance of shopping second hand, and we sold second hand clothing, which had been donated by our colleagues and customers in our branches and offices to raise money to support Oxfam.

1. Friends of the Earth is a charity registered in England and Wales under no. 281681 and in Scotland under no. SC003442.

2. CEE Bill Alliance Ltd, operating as Zero Hour, is a company registered in England and Wales under no. 12846343.

3. Oxfam is a charity registered in England and Wales under no. 202918 and in Scotland under no. SC039042.

Values and ethics in action report continued

Our 'People' pillar

Protecting customers from fraud and scams

Criminals continue to use fraud and scams to try to steal our customers' money. As part of the national 'Take Five To Stop Fraud' campaign led by UK Finance and the UK government, we've continued our focus on keeping our customers' money safe by updating our security features and educating our customers on fraud and scams.

We continue to support the 159 phone service, which connects our customers safely and securely to us when they receive an unexpected or suspicious call about a financial matter.

Financially inclusive banking

Our financially inclusive Cashminder product provides banking services to people with no credit history, a low credit score, or those who have previously experienced bankruptcy. The Bank held 280,838 Cashminder accounts as at 31 December 2024 (2023: 283,865).

Supporting customers through difficult times

In 2024, 99 % of our customer facing colleagues completed vulnerable customer training. It's essential that our front line colleagues recognise signs of vulnerability in our customers and are able to offer appropriate support.

In partnership with Citizens Advice Manchester, we offer support to customers who are experiencing financial difficulties. Our referral programme refers the customer to a dedicated adviser who can provide advice and support on a range of matters, from managing debt and entitlement to benefits, to dealing with housing issues.

Working with Centrepont to end youth homelessness ¹

The Co-operative Bank has been working with Centrepont to end youth homelessness since 2017. Tens of thousands of young people ask for help with homelessness every year. It's why we believe the work of Centrepont is so important and aim to do everything we can to support them in their mission.

Together with our colleagues and customers, we raised £129,169 for Centrepont in 2024 (2023: £206,612). Since 2017, we have donated a total of £2.5 million, and with our efforts, Centrepont have provided vital support to over 30,000 homeless young people in Manchester and across the UK.

Our donations are used to fund Centrepont's national Helpline, which provides specialist advice and guidance for young people who are homeless or worried about housing, and their Homelessness Prevention and Relief Service in Manchester, which provides a package of individual support for young rough sleepers.

1. Centrepont is a charity registered in England and Wales under no. 292411.

2. Shelter is a charity registered in England and Wales under no. 263710 and in Scotland under no. SC002327.

3. Hospice UK is a charity registered in England and Wales under no. 1014851 and in Scotland under no. SC041112.

4. Refuge is a charity registered in England and Wales under no. 277424.

Supporting families in crisis with Shelter ²

Since 2023, we've campaigned for a fairer housing system with Shelter, standing with individuals and families facing the worst of the housing emergency.

More than 5,000 families a month face homelessness and uncertainty. Throughout 2024, we stood with families facing homelessness in temporary accommodation by supporting Shelter's winter appeal, and with the help of our colleagues and customers, we contributed over £60,000 of crucial funds.

Supporting Hospice UK ³

In 2024, the Bank was the very first organisation to be awarded with a Gold Compassionate Customer Care Award by Hospice UK.

The Award recognises businesses that provide exceptional compassionate service to any customers coping with bereavement, grief and caring. Since 2003, we have worked closely with Hospice UK to better our services for customers experiencing loss, and we are delighted to have been recognised for this work.

We have donated over £750,000 to Hospice UK since our partnership began over 20 years ago. During that time, we have worked together to support their network of over 200 hospices, and advocate for end of life care.

Proud sponsors of Sport Gives Back

The Co-operative Bank was proud to sponsor the Sport Gives Back Awards in February 2024. The Awards took place in London, and were broadcast on ITV in March. Sport Gives Back celebrates the individuals and organisations that use sport to help change the lives of thousands of people across the UK.

The Awards were supported by a host of familiar faces from the world of sport, who all came together to recognise those who make a positive difference. This included Sir Mo Farah and Dame Kelly Holmes, along with a special message from the Duke of Sussex.

In recognition of our partnership with Sport Gives Back, in 2024, we donated £20,206 of funding from our Customer Donation Fund to 21 of our Community Directplus business customers who have delivered positive impacts in their communities through sport.

Working with Refuge to end domestic abuse ⁴

One in four women will experience domestic abuse in their lifetime. The Bank has been working alongside Refuge since 2015 to raise awareness of the variety of ways that domestic abuse can harm women and girls, and to show survivors who are experiencing domestic abuse that they are not alone.

Values and ethics in action report continued

Our 'Community' pillar

Supporting small businesses and community organisations

We are proud to look after the banking needs of 96,228 small and medium sized businesses (2023: 94,020). This includes 3,165 charities (2023: 3,470), 1,228 co-operatives (2023: 1,164), and 134 credit unions (2023: 137).

We offer a free business current account to sole traders and single director businesses, and our Community Directplus account provides free banking services to charities, co-operatives, credit unions, and community-interest companies. We held 44,284 Community Directplus accounts as at 31 December 2024 (2023: 42,526).

Funding local community projects

We support our charity and community customers by awarding grants to support their projects. All Community Directplus account holders can apply for up to £1,000 from our Customer Donation Fund, with grants distributed twice a year.

In 2024, we donated £99,575 (2023: £100,011) to 102 community projects across the UK (2023: 103), and since the scheme started in 2003, we've donated over £1.2 million to 1,354 community projects.

Supporting the co-operative movement

We were born out of the co-operative movement over 150 years ago, and we remain just as committed to these values today. In partnership with Co-operatives UK¹ and through our 'Business Support for Co-ops' programme, we actively support the growth and development of the co-operative sector.

Since our partnership with Co-operatives UK began in 2016, we have granted £3.2 million in funding towards the Business Support for Co-ops programme, which offers a range of resources and services tailored to co-operatives.

In 2024, 524 groups received support from the Business Support for Co-ops programme (2023: 319). This included 124 groups that completed the incorporation journey to become a co-operative (2023: 100). In total, more than 4,000 groups have been supported since the programme started in 2016.

Proud sponsors of Co-op Congress

In June, we were proud to sponsor Co-op Congress for the fourth year running. This annual event, run by Co-operatives UK, brings together co-operatives from across the country to share ideas and take action to drive the co-operative movement.

This year's Congress took place in Birmingham, and hosted a number of panel discussions led by guest speakers on topics including the culture of co-ops, the need for co-operative growth, and the important role that co-ops can play within communities.

1. Co-operatives UK is a society registered in England under no. 2783R.

Donating to local and national charities

In 2024, our community investment was £1,026,265 (2023: £1,567,598). Colleagues fundraised £83,468 for the local and national charities that are most important to them (2023: £52,036). The Bank donated an additional £6,100 to these charities through our matched funding scheme (2023: £20,100).

Giving back to local communities

Our colleagues are dedicated to supporting their local communities by volunteering with local charities and community organisations. Every Co-operative Bank colleague has the opportunity to take two paid volunteering days every year.

In 2024, 30 % of colleagues took part in the volunteering programme (2023: 51 %), giving a total of 8,203 hours to their local communities (2023: 16,343 hours), which is worth £214,675 of time (2023: £332,808).

Supporting the redistribution of surplus food

Throughout 2024, colleagues have volunteered at The Bread and Butter Thing. The Bread and Butter Thing procures unwanted food resulting from overproduction, food imperfection or damaged packaging, which would otherwise go to landfill, and distributes it at affordable prices, ensuring that no food is wasted. Colleagues helped to sort food donations and loaded the vans that distribute food across the region.

Planting trees with the Woodland Trust

In March, 18 colleagues spent a day volunteering with the Woodland Trust at Frodsham Woods in North Cheshire. Supporting the Trust's 'Plant More Trees' campaign, they joined a project that is transforming a former golf course into a haven for nature and wildlife. Over the course of the day, the team helped to plant over 2,500 trees.

Proud supporters of Pride

We've always believed in equality and inclusion for all, and that everyone has, and deserves, an equal place in society. We're incredibly proud to be part of Pride celebrations across the country, and especially in our hometown of Manchester, where we've sponsored the Manchester Pride Festival since 2016.

In August, we sponsored Manchester Pride for the ninth consecutive year, with over 70 colleagues marching in the parade in solidarity with the LGBTQ+ community. As always, our colleagues made sure we were heard, spreading our 'Pride is more than a weekend' message far and wide.

This was our second Pride event of 2024, having sponsored Stoke-on-Trent Pride in June for the second year running.

Climate-related financial disclosures

Climate-related issues continue to be at the heart of our Ethical Policy, which governs our day-to-day banking decisions. We do not finance fossil fuel extraction, production or infrastructure and haven't since 1998.

Overview

This section contains our climate-related financial disclosures ("CFDs"), required by sections 414CA and 414CB of the Companies Act 2006.

While the impact of climate change on the Group's financial statements, risk management, and operations has been assessed as not having a material financial impact on the Group in line with its risk framework, we continue to horizon scan for climate-related risks and opportunities to ensure we are positioned as the ethical banking alternative for our customers and stakeholders.

Our CFDs are laid out in four pillars, described on the right, which are considered in further detail over the next pages. Below is a description of relevant current and upcoming reporting requirements, as well the stakeholders we consider in the context of climate change, climate-related risks and climate-related opportunities.

This report is structured in a way that is transparent and in accordance with statutory and regulatory requirements as applicable to the Group, which are detailed below.

Relevant requirements

Current requirements applicable to the Group

- Companies Act 2006 & Streamlined Energy and Carbon Reporting ("SECR") Regulations 2018
- Supervisory Statement 3/19 ("SS3/19") (including November 2024 update — 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change')
- Climate-related financial disclosure legislation, incorporating recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), although the Group is not required to comply with the TCFD.

Future requirements not yet adopted by the Group

- IFRS S1 and IFRS S2—ISSB sustainability standards
- Taskforce on nature-related financial disclosures ("TNFD")
- Corporate governance and audit reforms

Considering our stakeholders

Customers	Regulators
Colleagues	Communities
Investors	Co-operatives
Suppliers	Planet

Four pillars of CFDs

1. Governance

a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities;

2. Risk management

- b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;
- c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process;

3. Strategy

- d) a description of: (i) the principal climate-related risks and opportunities arising in connection with the company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed;
- e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;
- f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios;

4. Metrics and targets

- g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and
- h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.

More information

The following page references, policies and statements give more information on how climate impacts our business, and how we approach the planet:

ESG report	17
Values and ethics in action report	23
Financial statements	141
Sustainability Report	Bank website
Ethical Policy	Bank website
ESG Approach	Bank website

Climate-related financial disclosures continued

Governance

Key disclosures

Describe the Group's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

The Group recognises that ensuring climate change risks are embedded across the Group's governance framework is critical to supporting climate-conscious decision-making. As the main operating company in the Group, climate governance risk is monitored at the Bank level on behalf of all Group entities.

Board

The Board has collective responsibility for the long-term success of the Bank. It is responsible for approving the Bank's strategic plan, including its ESG strategy and strategic approach to managing climate change risks, and long-term objectives. The Board sets the Bank's values and standards and ensures that its obligations to its stakeholders are met.

Co-operative values and ethical policies are incorporated into the Bank's Articles of Association. One way the Bank meets these objectives is via our customer-led Ethical Policy. The Board is responsible for providing oversight and approval of the customer-led Ethical Policy.

Values and Ethics Committee (now Values & Ethics and Nomination Committee)

The Bank has delegated responsibility to the Values & Ethics and Nomination Committee to oversee the development of the co-operative values and ethical policies of the Group and monitor conformity to such values and ethics in the Bank's operations and activities.

This includes oversight of the customer-led Ethical Policy that guides the decisions taken by the Bank on a day-to-day basis.

The Values & Ethics and Nomination Committee also oversaw the progress made to deliver the initiatives and activities that underpin the three core pillars of the customer-led Ethical Policy and the development of the ESG strategy, which builds upon the Ethical Policy to identify the Bank's sustainable and inclusive business priorities and define and activate its ESG ambition.

The Sustainability Report is published alongside the Annual Report and Accounts and the Values & Ethics and Nomination Committee oversees progress against the Bank's sustainability agenda in terms of its ESG commitments and responsible banking commitments. The Bank is a signatory of the United Nations ("UN") Principles for Responsible Banking ("PRB"), aligning strategy and activities with the UN's Sustainable Development Goals ("SDGs") and the Paris Climate Agreement.

The Values & Ethics and Nomination Committee continued its regular oversight of the governance in place to manage

the refusal of banking services to organisations whose core activities are deemed to conflict with the Ethical Policy, due to their involvement in the extraction and production of fossil fuels.

The Values & Ethics and Nomination Committee is also responsible for monitoring the Bank's compliance with the requirements of Co-operatives UK and discharges this duty through the receipt of a quarterly report. This provides the Values & Ethics and Nomination Committee with oversight that, operationally, the Bank manages its environmental impact, its commitments to renewable energy and energy efficiency, and maintains its 'beyond carbon neutral' status which it has held since 2007.

The Values & Ethics and Nomination Committee received regular updates throughout the year on the Bank's continuing work to maintain and improve its ESG risk ratings. The Bank's market-leading rating from Sustainalytics is based on a number of externally-rated measures of which the Values & Ethics and Nomination Committee provided oversight.

The duties and responsibilities of the Values & Ethics Committee have been merged with the Nomination Committee and the new committee has been named the Values & Ethics and Nomination Committee.

Risk Committee

The Board has delegated responsibility to the Risk Committee to review and challenge the Bank's risk appetite and report its conclusions to the Board for approval, and oversee the implementation of the risk management framework ("RMF"), taking a forward-looking perspective and anticipating changes in business conditions.

The Risk Committee reviewed and recommended the refreshed RMF policy to the Board for annual approval, which includes climate change as a thematic risk.

The Risk Committee reviewed and recommended the 2024 Internal Capital Adequacy Assessment Process ("ICAAP") to the Board for approval. Part of the Risk Committee's review of the ICAAP involved an assessment of the risks within the Bank's operations and activities including specific consideration of climate risk. The outputs of the Individual Capital Requirement ("ICR") assessment undertaken as part of the ICAAP were also reported to the Risk Committee, which included consideration of the Bank's immediate exposure to physical climate change risks (flood, subsidence, coastal erosion) and transitional risks (current/potential EPC ratings) relative to national averages.

The Risk Committee provided oversight of the development of the Bank's modelling and assessment capabilities for quantifying climate change risk. This included the use of climate-related scenario analysis and stress testing to better understand the scale and potential implications of climate-related risks and opportunities for both the Bank and its customers.

Climate-related financial disclosures **continued**

Joint Audit Committee

The Boards (being the Boards of the Bank, Finance Company and Holding Company) delegate responsibility to the Joint Audit Committee to monitor, review and report to the Boards on the formal arrangements established by the Boards in respect of the financial and narrative reporting of the Group, the internal controls and the RMF, the internal audit and the external audit processes.

The Joint Audit Committee is responsible for the disclosures made within the Annual Report and Accounts and Sustainability Report, including consideration and approval of ESG related disclosures.

Remuneration Committee

The purpose of the Remuneration Committee is to consider and recommend to the Board, remuneration policies which maintain the link between remuneration, including variable pay, and the achievement of the commercial objectives of the Bank and its subsidiary undertakings.

The Remuneration Committee is also responsible for the preparation of decisions regarding remuneration (including those which have implications for risk and risk management of the Bank) to be taken by the Board. The Remuneration Committee is required to operate within the defined regulatory framework and take into consideration the long-term interests of shareholders, investors and other stakeholders in the Bank as well as the public interest.

During the year, the Remuneration Committee approved the 2024 Annual Incentive Plan which links a proportion of executive pay to the delivery of the Bank's ESG commitments. Specific ESG performance measures form part of the Bank-wide scorecard to which all colleague remuneration, including Executive, is linked.

Nomination Committee (now Values & Ethics and Nomination Committee)

The Nomination Committee leads the process for Board and senior Executive appointments by comprehensively reviewing and making recommendations on the Board and Executive Committee composition, succession planning for Executive Directors, Non-Executive Directors and certain senior Executives, identifying and nominating candidates for Board vacancies and evaluating candidates for the Board.

The Nomination Committee reviewed and recommended to the Board for annual approval the Board Diversity Policy which forms a key part of the Bank's ESG positioning.

Addressing our climate strategy

The Board considered a refreshed ESG strategy, which was approved in February 2024 and which set ambitious targets while acknowledging that there are still many climate-related issues for the Bank to improve upon. The strategy includes a number of initiatives that the Bank has focused on in 2024 and will continue to focus on, including developing "Green" products and services, and building a pathway to achieve Net Zero status.

The 2024 Sustainability Report outlines the Bank's ESG targets and notes the commitment by the Bank, as a signatory of the UN PRB, to align its strategy and practices with the vision for the future set out in the SDGs and the Paris Climate Agreement.

The 2024 Sustainability Report also provides further detail around the Bank's role as an ambassador of Zero Hour, who campaign for the Climate and Nature Bill which aims to tackle the climate and nature emergency.

The Bank's 2024 Sustainability Report is published alongside the 2024 Annual Report and Accounts and contains further information on our ESG targets and commitments than is included in this report.

Addressing climate risk management

Climate change risk has been incorporated into the RMF and is managed as a thematic risk, recognising the linkage and impact of climate-related risks upon other principal risks. Decisions to mitigate, transfer, accept or control any significant climate-related risks identified are made in accordance with RMF principles.

All reports presented to the Board and its Committees must disclose the risks, including financial risks arising from climate change where relevant, that have been considered in relation to the report recommendation.

The corporate governance framework is regularly reviewed to ensure it includes sufficient focus on ESG topics, including climate risks and opportunities. The Executive Committee leads the implementation of the Bank's values, ethics, sustainability and ESG strategies and escalates any risk surrounding the delivery of these strategies to the Values & Ethics and Nomination Committee where appropriate.

The Bank runs a robust horizon scanning process to identify, action and monitor any regulatory developments relating to climate matters. Each new development is flagged, assigned to the relevant Executive, prioritised and tracked through to compliance. The Director of Risk Governance, Regulatory Affairs and Prudential Oversight also attends material supervisory updates and education sessions with the PRA, FCA and BoE to ensure the Bank is at the forefront of any changes concerning climate matters in the banking industry.

Board Training

The Board receives periodic ESG and climate training which provides insight and key information to educate the Board on the current market themes and expectations upon businesses in respect of both ESG and climate change and will continue to consider its training needs. Topics discussed during the training includes the embedding and controlling of climate risk within organisations, measuring social impact and value, and stakeholder expectations in respect of data and reporting around ESG and climate-related matters.

Climate-related financial disclosures continued

Management

The Chief Executive Officer has Senior Management Function responsibility under the Senior Managers and Certification Regime for identifying and managing risks arising from climate change and oversight of ongoing compliance with climate-related regulation.

Other Executive Responsibilities

The Values & Ethics and Nomination Committee is regularly attended by the Chief Executive Officer and key members of senior management who provide regular updates on the Bank's ESG activities including the Chief Operating Officer.

The Chief Executive Officer has ultimate responsibility for climate-related issues affecting the Group and its customers and overall accountability to the Board and shareholders to ensure that ESG practices are embedded into our business operations, including those associated with environmental or climate areas.

The Chief Operating Officer and other executives are responsible for delivery of the Group's ESG strategy which is appropriately devolved to members of executive management both through sponsorship of flagship initiatives and delivery of the Bank's ESG commitments, against which executive pay is linked.

Risk management

Key disclosures

Describe how the Group identifies, assesses, and manages climate-related risks and opportunities.

Describe how processes for identifying, assessing, and managing climate related risks are integrated into the Group's overall risk management process.

Definitions

The financial risks arising from climate change can be separated into two distinct risk categories:

Transition risks – risk of losses arising from the movement towards a low carbon economy. This is influenced by factors such as regulation, legislation and guidelines to reduce the impact or level of climate change, as well as developments in technology and changing consumer and market sentiment. These may drive changes in the value of assets and liabilities for banks and insurers, increase the cost of business for SMEs and result in changes to consumer spending habits which could have a material impact on the profitability of certain industries. There is also the risk of climate-related lawsuits, which could impact firms and/or customers.

Physical risks – risk of losses arising from acute and chronic shifts in climate patterns which can lead to damage to assets, business disruption and changes in individuals' health and incomes, driving financial losses and impaired asset values. For banks, these could manifest themselves primarily as credit, market, operational and reputational risks.

Governance framework

We have ensured that climate change risks are properly embedded across the Group's risk governance framework. The Risk Committee and Risk Oversight Committee paper submission process requires colleagues to detail any and all considerations for the financial impacts from climate change. As a result, climate concerns are addressed at all levels of risk governance.

Board:

Reviews, challenges, and approves the strategic plan, including its ESG strategy and strategic approach to managing climate change risks.

Risk Committee (RC):

Reviews and challenges the results of climate-related scenario analysis and stress testing. Challenges ongoing management of climate change risks.

Executive Risk Oversight Committee (EROC):

Provides oversight of prioritisation, treatment and management of any significant climate-related risks identified. Reviews the embedding of climate change risk within the RMF, policy development, developing materiality determinations and scenario analysis/stress testing.

Risk Oversight:

Delivers the day-to-day management of climate change risk through the RMF. Scenario analysis and developing materiality determinations are owned within the risk function, including modelling of climate change risks.

Assessing climate change risks

As a part of the 2024 ICAAP, we assessed our material exposures relating to financial risks arising from climate related risks. This assessment was based on both scenario analysis (for the retail secured portfolio) and qualitative assessments to understand the short, medium and long term financial risks to the business model (for retail unsecured, corporate and other risks).

The 2024 climate change assessment concluded that no additional capital requirement is required at this stage for the financial impacts of climate change.

Climate-related financial disclosures continued

Horizon scanning

We operate a robust horizon scanning process in order to identify, action and monitor any regulatory developments relating to climate matters. Each new development (such as new or amended policy statements) is flagged, assigned to the relevant member of the Executive Committee, prioritised and tracked through to compliance with oversight provided by RC and EROC. The Director of Risk Governance, Regulatory Affairs and Prudential Oversight also attends material supervisory updates and education sessions with the PRA, FCA and BoE to ensure the Group is at the forefront of any changes concerning climate matters in the banking industry.

Managing climate change risks

Climate change has been established as a 'thematic risk' holistically across the RMF and integrated through the current suite of principal risks. The rationale for this decision is that climate change risks are expected to impact other risks, such as increased credit risk, operational risk and capital risk. This also demonstrates that we have considered the relative significance and linkage of climate-related risks in relation to other risks.

Emerging risks are monitored (including climate change risks) as part of the Bank Risk Report, which is produced by the risk function and is reviewed and challenged by both RC and EROC. Climate change risks are also monitored through the statutory and sustainability reporting, and the ICAAP and Internal Liquidity Adequacy Assessment Process ("ILAAP").

Decisions to mitigate, transfer, accept or control any significant climate-related risks identified are made in accordance with RMF principles. This involves engaging the relevant principal risk framework owner in the first instance, assessing the potential impact and likelihood of risk crystallisation using approved risk measurement tools, making a materiality determination and escalating through the risk governance and committee structure outlined above.

Annual ICAAP assessments provide opportunities to conduct strategic risk assessments relating to climate change risks and assist materiality determinations.

The key risk that is impacted by climate change risks is credit risk, particularly in our retail secured portfolio.

Scenario analysis

We are in the process of assessing the physical and transition risks of climate change on our mortgage portfolio for 2025 and beyond. Although the Group's IFRS9 models do not explicitly consider the potential impacts of climate risk, the Group recognises a small climate related judgement adjustment in respect of relevant transitional risks.

Through the use of a bespoke climate risk model, we are able to assess exposure to climate risks against key credit risk parameters, the outputs of which feed into the ICAAP.

As part of the ICAAP process, a point in time assessment is refreshed annually considering our exposure to physical and transition risks in the retail secured portfolio, which is the portfolio we have identified as most impacted by climate change risks.

Physical risks: Through matching the address of the properties within our secured portfolio against the spatial coordinates (longitude and latitude) using AddressBase, and remapping these coordinates against geospatial files showing locations of flood plains and areas with subsidence, we can conclude that the number of properties within the residential mortgage book is broadly in line with the national average. We were able to match 99.4 % of our properties to the national database in 2024.

We monitor exposure to physical risks on the retail secured book on an ongoing basis, however we have determined that reasonably possible credit losses associated with physical climate risk (e.g. flooding damage to secured properties) remains unlikely to be material. As such, no further post model adjustments ("PMAs") have been recognised in respect of this risk.

We use an ongoing qualitative assessment to understand the impact of climate change risks on our SME portfolio. This assessment considers both individual sectors, and a review of individual entities, as part of the annual credit review. In completing the assessment, each sector we lend to is graded 'low', 'medium' or 'high' for physical and transitional risks, and assigned a risk weighting. As we do not lend to industries that extract or process fossil fuels, our direct exposures to climate change risk is minimal, especially for 'high risk' sectors.

Transition risks: We source energy performance certificate ("EPC") data through matching the address of each property in the residential mortgage portfolio to addresses contained in the EPC register. 88 % of properties were matched to the register in 2024. Based on a previous assessment, the results showed that the energy performance of the properties in the Group's portfolio is lower than the overall EPC register, with current EPC Grade C+ of 35 % for the Group, versus 43 % for the EPC register. However, properties in F and G EPC grades are slightly lower than the EPC register.

We have recognised a £0.1m climate-related judgemental adjustment in respect of the transition risk associated with the low-energy efficient housing stock, where low EPC rated properties are assumed to be exposed to value risk, in our ECL calculation (2023: £0.2m).

Climate-related financial disclosures continued

Strategy

Key disclosures

Provide a description of:

- (i) the principal climate-related risks and opportunities arising in connection with the Bank's operations, and,
- (ii) the time periods by reference to which those risks and opportunities are assessed.

Describe the actual and potential impacts of the principal climate-related risks and opportunities on the Group's business model and strategy.

Provide an analysis of the resilience of the Group's business model and strategy, taking into consideration different climate-related scenarios.

Our climate strategy

'Planet' is one of the three core pillars of our customer-led Ethical Policy, and is a vital component of our ESG strategy implemented in 2024. This strategy codifies our values into fundamental foundations which we will use to establish sustainable strategic priorities that target the areas where we can have the most environmental impact.

Climate is key to our 'Planet' pillar — we don't finance the extraction or processing of fossil fuels or the production of supporting infrastructure (and haven't since 1998) and we work with key partners, including Friends of the Earth, to bring back nature to the UK. We are establishing a 'green' product set (such as offering lower interest rates to customers who purchase energy efficient properties) and use our Green, Social and Sustainability ("GSS") Financing Framework to ensure our debt issuances finance the purchase of properties with a higher EPC or positive social impact (such as first time buyers).

To signal our commitment to protecting the environment and playing our role in leading the transition to Net Zero, in 2023, we reported our scope 3 emissions for the first time and committed to commence developing our Net Zero Transition Plan ("NZTP"). In our 2024 Annual Report and Accounts, we are pleased to publish an overview of our NZTP developed throughout 2024.

The following pages contain an overview of the climate-related risks and opportunities that we monitor as part of our overall climate strategy and the impact that these have on our business model and strategy, followed by our Net Zero commitments and roadmap.

Climate related risks and opportunities

The highest priority issue for our customers in our 2021 Values and Ethics Poll was climate and the environment, which we recognised in the creation of 'Planet' as one of the three pillars in our customer-led Ethical Policy. To ensure we act in the interests of the planet, we have identified a number of opportunities where we can expand our products and services to make 'greener' choices in line with our Net Zero Transition Plan timelines:

- diversifying our product offering with green lending products, such as lower interest rate offerings for customers who purchase energy efficient homes;
- enabling our customers to make more sustainable choices by enhancing our Green Digital Hub and Sustainability Hub content, giving our customers information on the actions they can take to reduce their carbon footprint;
- continue to act on our customers' concerns for biodiversity and the environment by restoring greenery and wildlife to nature-deprived spaces across the UK with Friends of the Earth; and
- financing the transition to a lower emission economy through 'green' debt issuances (including through our existing Green, Social and Sustainability Financing Framework).

Alongside climate related opportunities, we have identified a number of climate change risks that may impact the Bank, our stakeholders, and other principal risks in the short term (1-5 years), medium term (5-10 years) and long term (10-30 years) to align with our immediate priorities and the phases of our Financial Plan and Net Zero Transition Plan. While we continue to monitor the risks and events below, none are deemed to have a material financial impact on the Bank or on the resilience of its business model and strategy.

Each risk is considered in light of the following three climate scenarios which are used in our scenario analysis and to assign grading and to prioritise climate related risks.

- **Early Policy Action ("EPA"):** The transition to a carbon-neutral economy starts early and is gradual and moderate. Carbon prices and other policies are introduced slowly and the increase in global warming stays below 2°C, in line with the Paris Agreement.
- **Late Policy Action ("LPA"):** The global climate goal is met but the transition is delayed until 2030 and is more sudden and substantial. This results in a material short-term macroeconomic disruption with an economic recession, falls in property and equity prices, and changes in interest rates.
- **No Additional Action ("NAA"):** No policy action beyond that which has already been enacted is delivered. The transition is insufficient for the world to meet its climate goal, leading to severe physical risks, materially lower trend growth rates and impact on asset prices.

Climate-related financial disclosures continued

Risk type	Example event	Principal risks impacted	Time horizon	Potential impact on the Bank, its operations and customers
Physical	Increased severity of extreme weather events such as cyclones and floods; increased severity of damage to physical assets including property and disruption to business, services, supply chains and transport links leading to market volatility. Changing climate patterns, affecting ecosystems, food production and living conditions; rising temperatures affecting working and living conditions and local infrastructure and rising sea levels driving subsidence and flooding.	Operational Credit Capital Market Liquidity and funding	Short to long term	Business disruption including workforce requirement changes. Asset impairment as a result of damage caused to property against which the Group secures mortgages and other loans. Increased operating costs due to logistical challenges caused by weather events and climate pattern shifts and increased insurance premiums.
Transition	Increased cost of greenhouse gas emissions through taxation and other fiscal policy; enhanced emissions reporting or other climate-related reporting obligations and additional regulatory requirements for firms to meet mandated minimum climate standards or policy.	Operational Credit Capital	Short to medium term	Higher carbon prices increasing the cost of living and business operations, greater credit risk across the balance sheet. Increased cost of climate related compliance and reporting.
Transition	Additional scrutiny from media and the government on businesses, supply chains, and financiers; shifts in consumer preferences to greener products and services and competitors forced to move away from practices that adversely impact the environment.	Operational Capital Liquidity and funding	Short to medium term	Reduced demand for Group products and services. Risk that the Group's position as an ethical bank becomes diluted by competition shifting towards greater climate consciousness.
Transition	Substitution of existing products and services with lower emissions options; investment in new technologies to reduce emissions or improve energy efficiency of physical sites and households and additional costs associated with the transition to lower emissions.	Operational Capital	Short to medium term	Rising cost of embedding new climate-friendly technologies. Devaluation and diminished utility of existing technology.
Transition	Bottlenecking in the housing market due to limited supply and increased demand for energy efficient and low flood risk properties; changing customer behaviour to less carbon-dependent alternatives and greater volatility in cost and sourcing of carbon heavy raw materials.	Credit Capital Liquidity and funding Market	Short to medium term	Asset impairment or net interest margin volatility due to changes in the housing market. Additional funding costs as a result of price volatility. Abrupt shifts in operating costs such as energy costs.

Climate-related financial disclosures continued

Our Net Zero Commitments

We have committed to aligning our scope 1 & 2 direct emissions to Net Zero by 2030, and to transitioning our scope 3 emissions, including our mortgage lending portfolios, to align to Net Zero by 2050 at the latest.

For over 25 years the Bank has refused to provide banking services to businesses who extract or process fossil fuels or who cause negative social outcomes. Thanks to this disinvestment, it is mortgage lending that has the largest impact on our emissions. To support decarbonisation of this, our role will continue to focus on supporting the Net Zero transition of the UK housing sector and our customers' homes, and we will continue to finance renewable energy activities. We will play our role in facilitating a just transition in the real economy through engagement with our customers and through offering products and services that support decarbonisation.

In setting our interim and long term Net Zero targets, we have aligned to best practice as provided by the Net Zero Banking Alliance and Science-based Targets Initiative methodologies. We aim to ensure our targeted reductions across all emission scopes are consistent with a maximum temperature rise of 1.5°C above pre-industrial levels and will align with scenarios from credible, well-recognised sources.

In 2024, we developed our Net Zero Transition Plan to outline how we intend to deliver on these ambitions. A cross-Bank collaborative approach has identified the planned activity required to align our operational approaches to reducing associated greenhouse gas emissions.

In 2025, we will look to operationalise our plans. Key milestones include:

- continuing to review our product offering to support customers with reducing the carbon emissions associated with their homes;
- refining and improving data collection methodologies to ensure our emissions data accuracy continues to improve and reflects effort to reduce emissions;
- fully embedding Net Zero governance across the Bank to ensure milestones are delivered in accordance with transition plan milestones; and
- reviewing existing relationships with partner organisations and suppliers and exploring potential new partnerships to support our Net Zero ambitions and our customers in their journey to Net Zero.

Following the acquisition of the Group by Coventry Building Society, we will look align our approach regarding long-term climate commitments across the wider group.

Our Approach and disclaimers

We use the Greenhouse Gas Protocol as our standard for reporting emissions. As such we make every possible effort to report the emissions associated with our activities as completely and transparently as possible, in line with an internationally recognised standard and validated by third party assurance. We are aware that further work is required to continually improve the quality of our emissions reporting across our business activities.

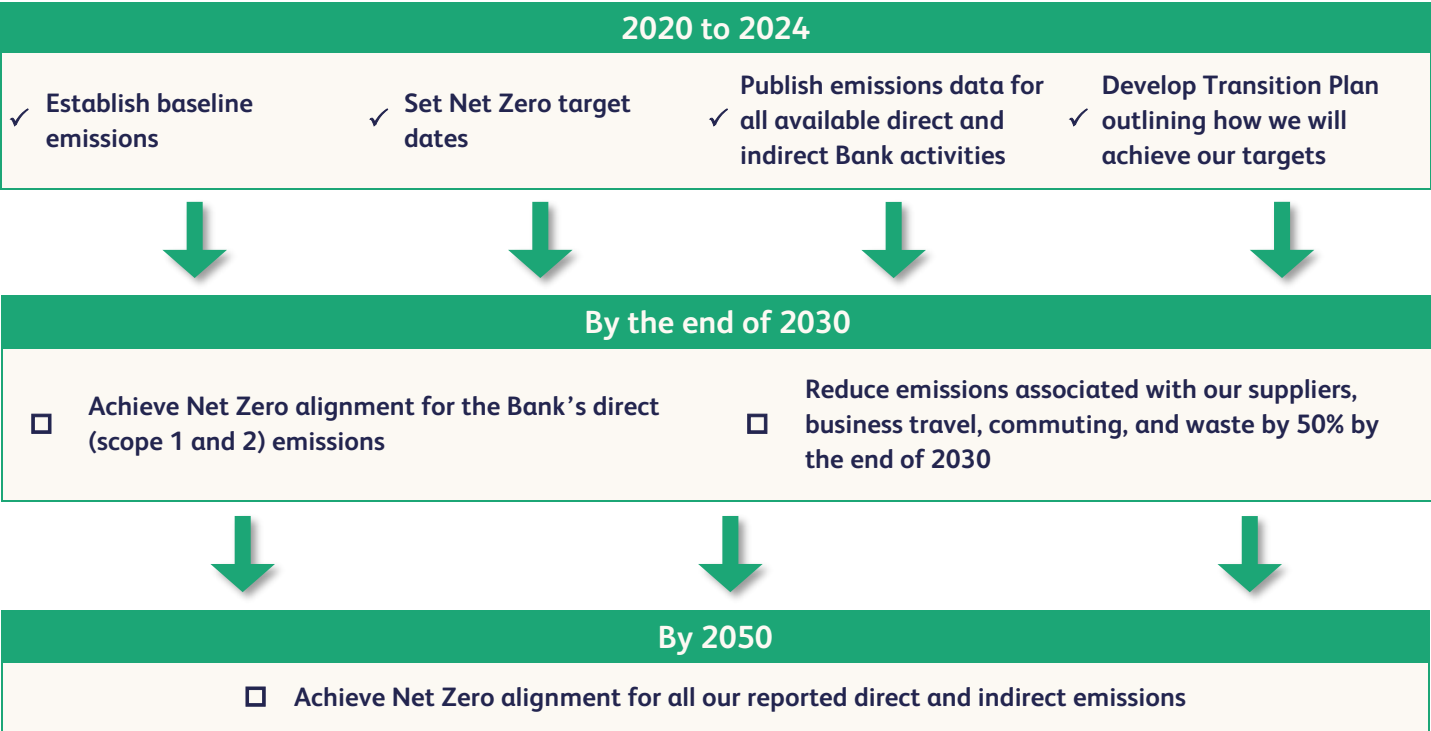
Currently, our reporting is conducted on a standalone basis with emissions representative of the Bank GHG profile, but may be subject to change based on our acquisition by Coventry Building Society.

While identifying credible plans for delivering interim and long term targets, we have made assumptions regarding wider systemic changes required to support delivery of the UK Government's ambition to transition to Net Zero. These structural changes are outside of the Bank's control. We recognise that these have a significant impact on our ability to deliver our Net Zero targets and will continue to monitor the validity of these assumptions and impact on our Net Zero journey.

Alignment to Just Transition

We recognise the importance of ensuring that decarbonisation follows Just Transition principles wherever possible to ensure that the impacts of transitioning the economy are not borne disproportionately by vulnerable sections of society. As we develop our detailed Transition Plan, these considerations will be embedded into the design of our decarbonisation pathway.

Climate-related financial disclosures continued



Metrics and targets

Key disclosures

Provide a description of the targets used by the Group to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.

Provide a description of the key performance indicators (“KPIs”) used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.

Metrics — emissions:

Our 2024 emissions data, which includes scope 1 and 2 emissions, as well as the categories of scope 3 emissions data that we are able to report. Performance is benchmarked against our 2021 baseline year, and the following pages include related footnotes and technical considerations that should be read in conjunction with our emissions data.

We recognise that financial institutions have an important part to play in the allocation of capital towards facilitating real-world decarbonisation activities. Therefore, we continue to disclose our scope 1, 2 and 3 emissions while recognising the challenges that arise in making that disclosure.

Metrics and targets — other climate related or environmental

Our commitment to climate goes beyond reducing the emissions of our operations. We monitor a range of other metrics and KPIs, and make ambitious commitments in line with our values and ethics, customer-led Ethical Policy and ESG strategy.

Our key non-emissions environmental KPIs include:

- the percentage of operational waste sent to landfill: 0 % (2023: 0 %); and
- The percentage of energy used in the Bank’s operations derived from renewables: 21 % (2023: 70 %).

However, we also monitor other KPIs around the impact of our partnerships, particularly Friends of the Earth (see page 25) which includes the number of green spaces across the UK rejuvenated.

We set out a range of environmental commitments for 2025 on page 16 of the 2024 Sustainability Report.

Climate-related financial disclosures continued

Our progress against Net Zero

Our total scope 1 and 2 emissions (location based) reduced by 14.8% in 2024 compared to 2023 and we progressed the development of our Net Zero Transition Plan (see page 35).

To enable us to report our scope 1, 2 and 3 emissions in a timely manner, we use estimation techniques to calculate Q4 data, in line with many other organisations. Each year, we restate the previous year's emissions using actual data where available, and comparisons to 2023 data use restated data that may differ from our 2023 Annual Report and Accounts.

Scope 1 emissions, the direct emissions from our operations, reduced in the year to 459.4 tCO₂e (2023: 672.1) due to a reduced estate following the strategic relocation of branches and exiting of datacentres and low refrigerant usage.

Location-based scope 2 emissions, which includes the electricity purchased by the Bank used in our operations, also reduced in the year due to increased meter data capture quality and renovated and relocated branches. Market-based scope 2 emissions increased significantly as we could not certify renewable energy sources until Q4 2024.

The key sources of scope 3 emissions, which are the indirect emissions derived from our operations, relate to category 15 financed emissions for our mortgage portfolio and category 1 purchased goods and services. Together, these two emissions categories account for 97.9% of our reported emissions data (2023: 97.7%).

Both categories decreased in 2024 compared to 2023, however this decrease was due to a change in calculation methodology rather than activity undertaken by the Bank.

Category 1: a change in emissions factors previously used, to 'EORA' factors, has led to reduced category 1 emissions. We use a spend-based methodology to calculate emissions for our purchased goods and services.

Category 15: We refined our data collection methods for our mortgage portfolio, which led to decreased scope 3 category 15 emissions. We are currently unable to accurately report financed emissions for other lending types, which includes retail and SME credit cards and loans.

We recognise the challenges in data quality and the significant use of assumptions and estimating in calculating our scope 3 emissions, and a key objective of our Net Zero Transition Plan is to improve our data quality.

All emissions data reported is externally verified to a limited assurance basis. This ensures that a consistent approach has been taken which is reviewed independently. Wherever possible, primary source data is used as the basis for the emission calculations (such as invoices and maintenance reports for scope 1 and 2 emissions).

The calculation methodology used to calculate scope 1, 2 and 3 emissions is set out overleaf.

We benchmark our emissions against our baseline year, 2021 — four years of our emissions data is presented.

Data sources and data quality considerations

All emissions data reported is externally verified to a limited assurance basis, with the assurance statement included in our 2024 Sustainability Report, published alongside this report. Wherever possible, primary source data is used as the basis for emissions calculations (such as invoices for scope 1 and 2 emissions).

However, we recognise that further work is required to improve the accuracy of our emissions data — in particular, the two areas with particularly low data quality are our scope 3 category 1 (purchased goods and services) and category 15 emissions (financed emissions). Both include estimates and assumptions which are detailed in the basis of reporting and calculation methodology overleaf.

Using estimation methodologies

We use estimates in producing our annual emissions data, particularly in Q4, to enable timely reporting of emissions. This is standard practice across much of the financial services industry. The following steps are taken when calculating estimated data:

- where partial data is received for any given quarter, data will be extrapolated on a pro-rated basis to cover the period for which data is missing;
- then, historic data is used as a proxy; and
- finally, if no data is available, either an industry benchmark or Bank-specific benchmark data is used.

All of our emissions categories reported use estimated data for Q4, except our category 15 financed emissions, which are calculated as at a point in time (31 October 2024). We will restate estimated emissions data in our future reports, and will continue to refine our methodology to improve the accuracy of our data and assumptions.

Climate-related financial disclosures continued

Table of emissions data by source—Scope 1, 2 & 3 ¹

Greenhouse gas emissions by source (tCO ₂ e)	2024	2023	2022	2021
Scope 1 - fuel combustion	375.0	465.2	522.0	805.4
Scope 1 - refrigerant leakages	84.4	206.9	70.3	163.5
Total scope 1 emissions (direct emissions)	459.4	672.1	592.3	968.9
Total scope 2 emissions (indirect emissions) (location based)	1,406.2	1,516.3	1,574.7	2,181.3
Total scope 2 emissions (indirect emissions) (market based)	2,087.2	814.2	441.0	198.7
Scope 3 category 1 - purchased goods and services	32,133.4	49,794.5	42,029.5	27,412.0
Scope 3 category 2 - capital goods	1,537.3	2,088.4	1,763.1	36.3
Scope 3 category 3 - fuel-and-energy-related activities	460.0	339.6	323.3	412.4
Scope 3 category 4 - upstream transportation and distribution	9.4	170.4	168.0	-
Scope 3 category 5 - waste generated in operations	5.2	18.3	28.6	22.3
Scope 3 category 6 - business travel	98.4	149.1	136.6	35.7
Scope 3 category 7 - employee commuting	2,592.3	3,298.4	2,435.8	2,449.7
Total value-chain emissions	36,836.0	55,854.7	46,884.9	30,368.4
Scope 3 category 15 - investments (financed emissions)	273,172.8	302,564.9	313,832.6	340,845.0
Mortgage portfolio building intensity (kgCO ₂ e/m ²)	45.0	46.2	44.9	46.9
Total scope 3 emissions	310,008.8	358,423.6	360,717.5	371,213.4
Absolute emissions - total scope 1, 2 (location-based) & 3	311,874.4	360,612.0	362,884.5	374,363.6
Absolute emissions - total scope 1, 2 (market-based) & 3	312,555.4	359,909.9	361,750.8	372,381.0
Carbon intensity (kgCO ₂ e/FTE) ²	99,927.7	109,322.5	131,567.3	152,676.8
Carbon intensity (kgCO ₂ e/£Revenue) ³	0.63	0.70	0.74	1.07
Total direct energy consumption (kWh)	6,791,783.4	9,870,402.8	11,002,688.2	14,670,098.0
Carbon intensity (kgCO ₂ e/kWh)	45.9	36.5	33.0	25.5

1. Data for all years assured by SGS Assurance Limited, an independent third party assurer who have provided limited assurance. The assurance statement can be found in our 2024 Sustainability Report, published alongside this report on the Bank's website. 2023 data has been restated to use actual emissions for Q4 2023, rather than estimated emissions. 2024 data includes estimates for Q4 2024, and will be restated in future reports to include actual emissions, except for scope 3 category 15 (Financed Emissions), which relates to the Bank's mortgage portfolio at a "point-in-time" (31 October). The methodology used to calculate each scope and category of emissions is overleaf.
2. Calculated using the average number of full time equivalent ("FTE") employees for each year.
3. Revenue is calculated as net interest income and net fee and commission income for the relevant reporting period as defined by IFRS 15.

Climate-related financial disclosures continued

Table of emission types, definitions, data sources and calculation methodologies

Emission Type	Definition/Emission Sources	Calculation Methodology
Scope 1 Emissions (Direct)	Direct emissions resulting from sites owned or controlled and activities performed by the Bank in 2024. This includes fuel combustion, refrigerant leakages, emergency backup generator use and fire suppression.	Direct fuel consumed at Bank-controlled sites is derived from invoice data received from gas suppliers.
		Amount and type of refrigerant added to air-conditioning systems is derived from service sheets from maintenance contractors. Only amounts refilled, not used in the year, are tracked.
		Diesel consumed by emergency generators is provided by suppliers through invoices.
		Discharge from fire extinguishers and fire suppression systems is based on invoice data from contractors. Invoices are received following full discharge at a site.
Scope 2 Emissions (Location based and market based)	Indirect emissions resulting from the generation of purchased or acquired electricity, steam, heat or cooling consumed by the Bank in 2024. The location based emissions figure reflects the average emissions intensity of the UK electricity grid. The market-based emissions figure takes into account the difference in emissions associated with using renewable electricity.	Electricity directly procured by the Bank in 2024 is derived from supplier invoices and meter data.
		Any electricity purchased with REGO-backed proof of renewable source of origin will be assigned an emissions factor of zero when calculating emissions using the market-based methodology.
Scope 3 Category 1 - Purchased goods and services	Indirect emissions resulting from the extraction, production and transportation of goods and services purchased or acquired by the Bank in 2024.	Where electricity is supplied by a third party (for example as part of a contracted serviced provision), it is assumed all electricity is derived from a non-renewable source, which will be reflected in the market-based emissions.
		Process-based and environmentally-extended input output ("EEIO") modelling methods are used to calculate emissions arising from purchased goods and services and capital goods.
		All goods and services purchased and receipted by the Bank in the reporting period are categorised by the nature of the cost, with an associated emissions factor applied to each line item.
Scope 3 Category 2 - Capital goods	Indirect emissions resulting from the extraction, production and transportation of capital goods purchased or acquired by the Bank in 2024. Any spend associated with depreciation has been excluded because it is not the cost of a good or service at a fixed point in time.	This metric includes sources of estimation and uses key assumptions, the most significant of which is the category of spend applied to a supplier.
		This category also includes emissions from water supply – for sites without invoice data, water supply is estimated based on the number of full-time equivalent colleagues ("FTEs") and opening hours of sites, and a Defra emissions factor is applied to consumption to calculate relevant emissions.
		All capital expenditure in the year is identified by supplier and an emission category is applied to each, which has a corresponding emissions factor. Non-cash items (such as depreciation) are removed from spend.
Scope 3 Category 3 - Fuel-and-energy-related activities	Indirect emissions resulting from the extraction, production and transportation of fuels and energy purchased or acquired by the Bank in 2024, not already accounted for in scope 1 or scope 2.	This category incorporates assumptions leading to estimates, the most significant of which is the application of emissions category to supplier.
		Fuel and energy related activities not included in scope 1 or scope 2 emissions are calculated using actual or estimated data for purchased fuel and electricity. For fuels and electricity, the relevant Defra Well-to-Tank ("WTT") and Transmission and Distribution ("T&D") emissions factors are applied to provide total emissions for the emissions from the supply of energy.
Scope 3 Category 4 - Upstream transportation and distribution	Indirect emissions resulting from (a) the transportation and distribution of products purchased by the Bank in 2024 between the Bank's tier 1 suppliers and the Bank's own operations, in vehicles and facilities not owned or controlled by the Bank, and (b) the transportation and distribution services purchased by the Bank in 2024, including inbound logistics, outbound logistics (e.g. of sold products) and transportation and distribution between the Bank's own facilities, in vehicles and facilities not owned or controlled by the Bank.	In the absence of data for logistics suppliers providing goods using actual distances, weights and routes, a Defra emissions factor was applied to spend from the cost ledger used in scope 3 category 1 and 2 emissions that relates to logistics suppliers.
		Costs incurred on couriers in 2024 is not included in scope 3 category 4 emissions (instead included in scope 3 category 1 emissions).
		This category incorporates estimation uncertainty through assumptions, including applying emissions factors to categories of suppliers.

Climate-related financial disclosures **continued**

Emission Type	Definition/Emission Sources	Calculation Methodology
Scope 3 Category 5 - Waste	Indirect emissions resulting from the disposal and treatment of waste generated in the Bank's operations in 2024, in facilities not owned or controlled by the Bank.	<p>Emissions factors are applied to waste generated by the Bank's operations based on waste type and treatment type. Data is received from contracted waste management facilities. Waste types include: glass; food; cardboard; mixed recycling; general waste; and confidential paper. Waste treatment types comprise: recycling; recovery, and landfill.</p> <p>Estimated amounts are used for sites where regular waste generation data is unavailable based on site floor area and opening hours. Ad hoc waste collections are not estimated.</p> <p>Emission factors used are the applicable DEFRA factors based on waste and treatment type.</p> <p>Water waste treatment is based on water consumption from invoices received from our water suppliers.</p>
Scope 3 Category 6 - Business Travel	Indirect emissions resulting from the transportation of employees for business-related activities during 2024, in vehicles not owned or operated by the Bank. Includes land, sea and air travel and hotel stays.	<p>Emissions factors are applied to mileage amounts for different classes of transport and hotel stays based on area, which are derived from employee expense claims evidenced by expense receipts.</p> <p>Mileage is estimated in cases where only spend data is available using an assumed GBP per mile based on transport type.</p> <p>Emission factors used are the applicable DEFRA TTW and WTT factors based on the transport type.</p>
Scope 3 Category 7 - Colleague Commuting	Indirect emissions resulting from the transportation of colleagues between their homes and the Bank's worksites during 2024, in vehicles not owned or operated by the Bank.	<p>The Bank calculates employee commuting emissions by estimating the number of colleagues who commute daily (based on contracted working location) and using government data, the kilometres travelled and mode of transport used per employee using UK averages.</p> <p>The applicable Defra Well-to-Tank ("WTT") and Tank-to-Wheel ("TTW") emissions factor is then applied to give an emissions value.</p> <p>This method includes sources of estimation uncertainty, particularly in the number of colleagues who commute daily or work from home; the distance travelled; the method of transport for each; and the emissions used by the average colleague who works from home.</p> <p>For colleagues who have a contracted location as working from home, a weighting is applied for days spent in Bank-operated sites and a relevant emissions factor used to determine emissions from homeworking based on average country data.</p>
Scope 3 Category 15 - Investments (Financed Emissions)	Indirect emissions resulting from the operation of investments (including equity and debt investments and project finance) in 2024, not already accounted for in Scope 1 or Scope 2. This makes up the largest portion of the Bank's emissions as it includes indirect emissions faced through mortgages.	<p>The Bank only reports financed emissions for its retail secured mortgage portfolios. No SME lending, or unsecured lending, is included in this balance due to being identified as not material and due to data quality considerations.</p> <p>The Bank's mortgage portfolio is divided into an assigned dwelling type. Defra emissions factors are applied to each dwelling type based on estimated floor space and energy consumption.</p> <p>In the absence of complete data points for a property, weighted averages will be applied based on dwelling type. The data is then aggregated to calculate the total emissions based on the outstanding loan value held by the Bank which provides a total tCO₂e figure.</p> <p>This category includes significant sources of estimation uncertainty due to data quality considerations, with EPC data, floor space data, dwelling type, and the primary source of heating and energy usage. The Bank reviews its calculation methodology annually and updates EPC data when new data becomes available.</p>

Financial performance

2024 has been a pivotal year in which the Bank made significant progress in simplifying its IT infrastructure, delivering the commitment to exit legacy platforms and datacentres, and achieved the sale of the business to the Coventry Building Society.

As expected, project and transaction related costs have impacted our statutory profit before tax in 2024. Overall, our results reflect good performance against our financial KPIs. Unless marked otherwise, information in this section is unaudited.

Alternative performance measures (“APMs”)

A number of alternative performance measures are used, including underlying profit or loss, to monitor financial performance relative to the strategic plan. Statutory profit before tax of £72.9m, which is defined by accounting rules according to international accounting standards, is also monitored.

Underlying performance

Underlying performance is monitored by management on a segmental basis (retail and SME) which together reflect our core business. Legacy and unallocated relates to legacy operations which we are looking to exit, or where items cannot be allocated to a segment. Segmental presentation reflects the organisational and management structure at the reporting date. Further information is provided in note 3 to the consolidated financial statements.

Year ended 31 December 2024 £m	Core			Legacy & unallocated	Group
	Retail	SME	Total		
Net interest income	353.6	105.3	458.9	1.7	460.6
Other operating income	24.0	16.3	40.3	1.0	41.3
Operating income	377.6	121.6	499.2	2.7	501.9
Credit impairment gains	2.1	1.2	3.3	1.7	5.0
Operating costs – staff	(115.3)	(27.7)	(143.0)	(2.6)	(145.6)
Operating costs – non-staff	(186.2)	(37.6)	(223.8)	(0.8)	(224.6)
Continuous improvement projects	(18.6)	(1.7)	(20.3)	(0.2)	(20.5)
Operating expenses	(320.1)	(67.0)	(387.1)	(3.6)	(390.7)
Underlying profit	59.6	55.8	115.4	0.8	116.2

Year ended 31 December 2023 £m	Core			Legacy & unallocated	Group
	Retail	SME	Total		
Net interest income	377.3	97.7	475.0	2.0	477.0
Other operating income	21.8	15.8	37.6	0.6	38.2
Operating income	399.1	113.5	512.6	2.6	515.2
Credit impairment (losses)/gains	(0.7)	(1.3)	(2.0)	1.4	(0.6)
Operating costs – staff	(113.5)	(28.3)	(141.8)	(3.8)	(145.6)
Operating costs – non-staff	(181.7)	(35.7)	(217.4)	(1.6)	(219.0)
Continuous improvement projects	(25.1)	(3.7)	(28.8)	(0.3)	(29.1)
Operating expenses	(320.3)	(67.7)	(388.0)	(5.7)	(393.7)
Underlying profit/(loss)	78.1	44.5	122.6	(1.7)	120.9

Underlying profit for the year decreased to £116.2m (2023: £120.9m). Income generated by core segments of £499.2m is 2.6 % lower than in 2023, predominantly driven by lower mortgage margins (20bps reduction). This has been partially offset by improving deposit margins, predominantly as a result of the mechanical roll forward of the structural hedge. This has contributed to a higher net interest margin of 1.83 % (2023: 1.80 %).

Financial performance continued

Credit impairment gains increased to £5.0m in 2024 compared to 2023 (2023: losses of £0.6m), driven by an improvement in the macroeconomic environment, releases relating to our affordability post model adjustments ("PMA") and revisions to PMA methodology.

Underlying operating expenses decreased by 0.8 % from £393.7m to £390.7m. Non-staff operating costs have increased by 2.6 % (£5.6m) to £224.6m in part due to higher customer fraud remediation costs of £21.5m (2023: £15.9m). Staff costs remained stable at £145.6m due to pay rises linked to annual salary reviews and variable pay, which are offset by staff efficiencies, with c.400 roles removed across the year. The full benefit of changes will be realised in 2025.

Income statement reconciliation to IFRS basis

Year ended 31 December	Re-presented ¹	
	2024	2023
	£m	£m
Underlying profit	116.2	120.9
Exceptional project expenditure	(8.9)	(12.2)
Exceptional costs including transaction related costs	(41.3)	(10.3)
Redress and remediation costs	(0.6)	(29.3)
Other exceptional gains	7.5	2.3
Statutory profit before tax	72.9	71.4

1. 2023 costs have been re-presented to more accurately portray the impact of costs relating to the acquisition of the Group on profit before tax.

Statutory profit before tax reported for 2024 increased by £1.5m compared to 2023. Exceptional project spend consists predominantly of costs to simplify our mortgages and savings platforms as part of our multi-year transformation programme of £6.4m (2023: £12.2m). Exceptional costs including transaction related costs includes £34.1m (2023: £6.4m) relating to the acquisition of the Group by Coventry Building Society.

Redress and remediation costs have reduced to £0.6m (2023: £29.3m) in the year, with the majority of 2023 costs relating to the outcome of two final decisions by the Financial Ombudsman Service in relation to historic changes made to the Standard Variable Rate in a closed book of mortgage customers and the subsequent decision by the Bank's Board to take proactive steps to compensate eligible customers with similar characteristics. More information is provided in note 26 of the financial statements.

Other exceptional gains relates to the revaluation of Visa Inc. Series B Preferred Stock, which increased by £5.2m during the year from £2.3m to £7.5m. The Bank also made a partial disposal of its shareholding.

In December 2024, the Trustee of the Britannia Pension Scheme ("BPS") completed a full "buy-in" transaction to insure scheme benefits through the purchase of a bulk annuity insurance policy. This insurance policy was purchased using existing scheme assets with no additional contributions from the Group. Through this "buy-in" transaction, substantially all of BPS' liabilities in respect of pension benefits are matched by an insurance asset of equivalent value. The insurance premium paid to purchase the insurance asset exceeded the value of pension benefits insured, resulting in an accounting loss, which is recorded in other comprehensive income.

The BPS "buy-in" transaction had no direct impact on CET1 because the net retirement benefit asset attributable to BPS, net of related deferred tax liabilities, was previously disallowed for CET1 under capital requirements regulations.

Financial performance continued

Taxation

Year ended 31 December	2024 £m	2023 £m
Current tax		
Current year	3.4	1.4
Adjustments in respect of previous years	(3.6)	0.2
Total current tax (credit)/charge	(0.2)	1.6
Deferred tax		
Current year	17.3	(58.3)
Adjustments in respect of previous years	8.5	0.6
Impact of rate changes	-	(2.2)
Total deferred tax charge/(credit)	25.8	(59.9)
Total tax charge/(credit)	25.6	(58.3)

The Group has a tax charge for the period of £25.6m (2023: credit of £58.3m). Our continuing profitability has resulted in a current tax charge relating to 2024 of £3.4m (2023: £1.4m) after the utilisation of historical tax losses and capital allowances to offset taxable profits; there is also a credit in relation to prior years, which results in an overall current tax credit of £0.2m. The utilisation of capital allowances has resulted in a deferred tax charge to the income statement of £25.8m (2023: £59.9m). Deferred tax assets of £243.0m (2023: £233.9m) are recognised on the balance sheet and £412.0m (2023: £413.4m) of unrecognised deferred tax assets in relation to historical tax losses are available to offset future taxable profits.

Balance sheet

As at 31 December 2024	Core			Legacy &	
£m	Retail	SME	Total	unallocated	Group
Assets	19,457.6	419.0	19,876.6	5,603.1	25,479.7
Liabilities	16,435.8	3,241.6	19,677.4	4,537.7	24,215.1

As at 31 December 2023	Core			Legacy &	
£m	Retail	SME	Total	unallocated	Group
Assets	19,302.9	378.4	19,681.3	6,390.0	26,071.3
Liabilities	15,690.4	3,320.7	19,011.1	5,651.2	24,662.3

Core segment assets increased to £19,876.6m (2023: £19,681.3m) due to increased SME loans and retail mortgage assets. Core segment liabilities increased by £666.3m over the same period, as a result of increased variable and term deposits.

Legacy and unallocated assets include treasury balances which serve both retail and SME business. Treasury assets (primarily cash and High Quality Liquid Assets, ("HQLA")) and liabilities have both reduced in the year driven by repayments of TFSME totalling £1,523.9m. There remains £2,527.1m of TFSME funding liabilities to repay by 2027. Legacy customer liabilities represent balances which the Group is seeking to exit and such deposit balances can fluctuate month-on-month.

We were successful in our activity in wholesale markets in 2024. In June, our upgraded investment grade credit rating enabled us to access the covered bond market for the first time in 13 years, with a benchmark £500m three-year issuance. In September, we were also successful in refinancing £200m MREL qualifying debt at coupon of UK gilts plus 205bps, ahead of the November 2024 call date.

Financial performance continued

Capital

£m unless stated	2024	2023
Capital ratios and other capital metrics		
CET1 ratio	18.7%	20.4%
Total Capital Ratio	22.8%	25.3%
Total Capital Requirement ("TCR")	637.9	623.9
Overall Capital Requirement ("OCR")	857.9	837.5
Risk-weighted assets ("RWAs")		
Credit risk	4,174.5	4,206.7
Operational risk	713.9	574.0
Total risk-weighted assets	4,888.4	4,780.7

Total capital and MREL-qualifying resources

CET1 resources decreased by £57.4m since 31 December 2023, predominantly due to the £12.0m final dividend in respect of the year ending 31 December 2023 paid in May 2024 and the £90.0m interim dividend paid in November 2024, the impacts of which have been partially offset by profits in the year. MREL-qualifying resources decreased by £91.6m to £1,772.2m. In September, we successfully refinanced £200m MREL qualifying debt ahead of the November 2024 call date.

The reported CET1 ratio of 18.7 % (2023: 20.4 %) remains well above the regulatory minimum (14.3 %, including Capital Requirements Directive ("CRD") IV buffers). The Group has a minimum Total Capital Ratio of 13.1 % of RWAs, which is required to be met by a minimum of 9.8 % CET1 capital resources and a maximum of 3.3 % Tier 2 capital resources. At the end of 2024, the Group had Pillar 1 requirements equivalent to 8.0 % (2023: 8.0 %) of total RWAs and an Individual Capital Requirement ("ICR") equivalent to 5.05 % of total RWAs (2023: 5.05 %).

The Group's MREL requirement is equivalent to two times TCR, resulting in a total MREL requirement of £1,275.8m (2023: £1,247.8m). The Group's current MREL resources total £1,772.2m (2023: £1,863.8m), providing significant headroom to current MREL requirements. The Group currently has a CRD IV buffer of 4.5 % of RWAs above the TCR. This results in an MREL requirement plus CRD IV buffers of £1,495.9m (2023: £1,461.4m), creating a surplus of £276.3m (2023: £402.4m).

Risk-weighted assets

Total RWAs, which include both credit risk and operational risk RWAs, increased in the year by £107.7m, primarily due to an increase in operational risk RWAs arising from the Bank's growing three year average income profile. In retail, credit risk RWAs decreased by £11.4m and in SME, credit risk RWAs increased by £115.2m. Other credit risk RWAs (which include items relating to treasury and deferred tax assets) have reduced by £136.0m.

Leverage ratio

The Group's PRA leverage ratio (CET1 resources divided by leverage exposures) of 4.0 % (2023: 4.1 %) has decreased as a result of lower CET1 resources. The Group is not bound by a minimum leverage ratio currently, since its retail deposits are less than £50bn.

Liquidity

Liquidity remains strong and significantly above the 100 % regulatory minimum. Liquidity Coverage Ratio ("LCR") has reduced by 19.0 percentage points to 192.4 % (2023: 211.4 %) predominantly due to £1,523.9m TFSME repayments in the period, calculated on a 12 month rolling average in line with Pillar 3 requirements.

Segment update: retail

Our retail segment encompasses the services we provide to our personal banking customers and includes retail lending (mortgages, overdrafts and credit cards which together reflect our retail customer assets) and retail deposits (current accounts and savings products, together comprising our retail customer liabilities). Our retail business only provides services to UK-based customers.

Segmental income

£m	Year ended 31 December		
	2024	2023	Change
Net interest income	353.6	377.3	(6.3) %
Other operating income	24.0	21.8	10.1 %
Operating income	377.6	399.1	(5.4) %
Operating expenses	(320.1)	(320.3)	(0.1) %
Credit impairment gains/(losses)	2.1	(0.7)	>100 %
Underlying profit	59.6	78.1	(23.7) %

Segmental assets and liabilities

£m	As at 31 December		
	2024	2023	Change
Secured	19,225.5	19,067.6	0.8 %
Unsecured	232.1	235.3	(1.4) %
Customer assets - lending	19,457.6	19,302.9	0.8 %
Customer liabilities - deposits	16,435.8	15,690.4	4.8 %
Risk-weighted assets (credit risk)	3,007.0	3,018.4	(0.4) %

Lending

The mortgage market improved in 2024 compared to 2023, with new business application margins increasing to 79bps (2023: 60bps). As a result, the volume of new mortgage applications increased to £3.4bn from £2.3bn in 2023. Gross mortgage lending was £4.8bn (2023: £4.8bn), with £2.1bn relating to retention (2023: £2.7bn). Average completion margins increased from 61bps to 77bps compared to 2023. Due to the increase in mortgage margins, the overall reduction in average mortgage book margins slowed compared to recent years, falling to 94bps from 114bps in 2023.

The majority of our mortgage book is prime mortgages, highlighting that we maintain a low-risk portfolio. Average loan-to-value ("LTV") is 56.0 % (2023: 55.7 %), which continues to provide significant protection from potential house price reductions.

Our customers continue to favour shorter term duration products, due to relatively high interest rates and perceived customer expectations with regards to future reductions in market rates. 50.9 % of our completions during the year were for two-year tenor business compared to 27.4 % in 2023. The blended tenor across our whole portfolio of mortgages with a five-year fixed term decreased from 70.0 % to 64.7 %.

In 2024, the focus for our mortgage business was the safe, structured and successful delivery of the mortgage re-platforming element of our multi-year IT transformation programme. Several migration events were completed in H1 2024, meaning that for the first time since we merged with Britannia Building Society, all of the Bank's mortgages are originated, serviced and maintained on a single system. In addition, we made several enhancements to our service and product proposition to support our customers and broker partners, such as increased loan amounts at higher LTVs and for new builds, along with introducing a 'Green Purchase' range in Q4 2024.

Segment update: retail continued

Secured lending

£m	2024	2023
Gross lending at the start of the year	19,068	19,604
Maturities	(3,050)	(4,413)
Retention	2,143	2,746
New mortgage completions	2,623	2,078
Other movements ¹	(1,558)	(947)
Net residential lending	158	(536)
Gross lending at the end of the year	19,226	19,068

1. Predominantly relates to repayments. Includes mortgage portfolio balances of c.£0.3bn acquired in 2023.

Deposits

Total deposits increased by 4.8 % since 2023 to £16.4bn, as we price our savings products more competitively, in line with our retail deposits strategic pillar, attracting additional balances as we refinance TFSME. Our individual current account average balance decreased to £4,063 (2023: £4,367), however this remains higher than before the outbreak of COVID-19. Term deposits have increased in the year to £2.3bn (2023: £1.9bn), as customers look to take advantage of higher rates. Our franchise deposit balances increased by 2.4 % to £14.1bn (2023: £13.8bn) primarily attributed to customers opting to take advantage of competitive interest rates available on our savings accounts. Retail current account balances of £5.0bn have marginally reduced compared to 2023 (2023: £5.1bn). In 2024, we achieved a net positive switch position for the first time in over 10 years, following a series of successful switch incentive campaigns such as 'Switch and stay' and 'Switch and save'. Our focus is on attracting and retaining customers whose values and purpose are aligned with our ethical brand and co-operative heritage.

In February 2024, we launched a new Regular Savings product, available exclusively to current account customers. This product is designed to help customers save up for something special or to support a good savings habit. It provides a higher rate of interest than our other instant access savings accounts, and for peace of mind, customers can access their money whenever they want to. As at 31 December 2024, we had 47k Regular Saver accounts, with £63.4m in balances.

Our Base Rate Tracker Savings Account, launched in October 2023, has continued to support our growth in customer deposits. This account offers instant access to savings with interest rates linked to the Bank of England base rate, and is exclusively available to current account customers, encouraging customers to build their banking relationship with us.

£m unless otherwise stated	2024	2023	Change
Deposits			
Current accounts	4,967	5,123	(3.0) %
Savings	9,133	8,643	5.7 %
Total franchise	14,100	13,766	2.4%
Term deposits	2,336	1,924	21.4 %
Total	16,436	15,690	4.8%

Key performance indicators	2024	2023
Growth in franchise (%)	2.4%	(8.0) %
Prime customers (% of total)	47.1%	48.5 %
Acquisitions of new customers (#)	73,436	55,610
Net switching (#)	756	(13,086)
Total current accounts (#, '000)	1,224	1,220

Segment update: retail continued

Customer

In 2024, we have continued to focus our efforts on driving efficiency across customer and colleague processes, to ensure we align to customer expectations. We also surveyed our colleagues to understand what the main causes of customer difficulties were, which resulted in quicker and easier processes and enabled our teams to deliver better and more effective customer service. We launched new digital journeys which allow customers to self-serve; such as registering disputed payments, requesting a mortgage redemption and when notifying us of a bereavement. Our 'likely to recommend' customer service metric has increased to 82 %.

We strategically relocated our Newcastle-under-Lyme and Islington branches at the beginning of 2024 and Chelmsford was relocated in December. We are committed to investing in our branch network and review our locations to improve commercial performance and put us in the right place to better serve our customers.

Our mortgage customers continue to face cost of living challenges, putting pressure on household finances. Our changes put in place as part of the Mortgage Charter help support our customers through a range of measures such as: temporary switches from repayment to interest only, or extensions to mortgage terms. We are committed to supporting our customers with the challenges of the higher cost of living.

In December 2023, we launched a new VISA promotion giving customers the chance to win up to £2,500 when they make a purchase using their Co-operative Bank or smile debit card. Each month eleven participating customers are drawn to win either one of ten £500 cash prizes or our £2,500 cash prize. We have so far announced 132 winners sharing a total of £90,000 between them. Over 30,000 customers are enrolled in the promotion to date.

There was intense competition in the industry in 2024 for current account customers, with a wide variety of different switch incentives across the market. To ensure we remained competitive, we developed a number of incentives aimed at attracting and retaining customers. This has helped result in a total net switch-in position of 756 (2023: net switch out position of 13,086), the best performance in several years.

Our Everyday Rewards scheme for current account customers closed during the year. As part of this scheme, £159k was donated to charities during 2024 which brings the total amount donated since 2016 to £1.8m.

Segment update: SME

We provide straightforward, value for money products, including transactional banking, overdrafts, credit cards and loans to a variety of organisations including sole traders, national charities and UK corporates, which are collectively termed our SME segment or business.¹ More detail on the sectors we serve is provided on page 124. The SME business remains a key strategic focus for the Bank and we have seen deposit resiliency against the current economic backdrop. Our focus continues to be on supporting organisations with their banking needs aligned to our values and ethics and our ESG strategy.

Segmental income

£m	Year ended 31 December		
	2024	2023	Change
Net interest income	105.3	97.7	7.8 %
Other operating income	16.3	15.8	3.2 %
Operating income	121.6	113.5	7.1 %
Operating expenses	(67.0)	(67.7)	(1.0) %
Credit impairment gains/(losses)	1.2	(1.3)	>100 %
Underlying profit	55.8	44.5	25.4 %

Segmental assets and liabilities

£m	As at 31 December		
	2024	2023	Change
Customer assets - lending	419.0	378.4	10.7 %
Customer liabilities - deposits	3,241.6	3,320.7	(2.4) %
Risk-weighted assets (credit risk)	337.2	222.0	51.9 %

SME income increased to £121.6m (2023: £113.5m) due to a high proportion of the balance sheet comprising deposits which have benefitted from the rising rate environment. Operating expenses decreased to £67.0m (2023: £67.7m). Our lending assets increased by 10.7 % in 2024 compared to 2023 due to targeted growth and acquisitions, whilst liabilities reduced by 2.4 % to £3,241.6m. This decrease is primarily attributable to a reduction in SME current account balances in part due to utilisation of excess liquidity built up over COVID-19 (with average balances still higher than before COVID-19) and customers moving balances to savings accounts to take advantage of available higher rates. Within SME savings, our balances remained stable at £0.8bn (2023: £0.8bn).

£m unless otherwise stated	2024	2023
SME deposits		
Current accounts	2,427	2,546
Savings	815	775
Total franchise	3,242	3,321
Total current accounts (#)	104,030	102,007
New current accounts opened (#)	11,296	8,857
Total savings accounts (#)	32,898	30,678
New savings accounts opened (#)	4,946	3,567

1. We also lend to housing associations. During 2024, we continued to report this separately from the remainder of our SME business as part of our legacy business and more detail is included on page 126.

Segment update: SME continued

Products and customer experience

Our newly-launched fixed rate loan product for SME lending has shown promising uptake, with £19.5m drawn in 2024.

In October 2024, we ran a Business Current Account (“BCA”) cashback campaign, which is the Bank’s first SME campaign since 2019. The campaign was launched as a test and learn to see whether a cashback incentive will drive new to Bank BCA sales. The incentive ran for a total of three weeks and exceeded expectations, delivering a 202 % uplift in new account volumes (563 accounts).

Also in 2024, we enhanced customer journeys for BCA customers by allowing the use of digital signatures and refreshing our ethical questionnaire for new customers. These enhancements resulted in an increase in BCA applications from 16,421 to 19,826. Application conversion rates have also improved significantly, rising from 30.6 % to 36.7 %.

Throughout the year, customers opened 11,296 new current accounts (2023: 8,857) and 4,946 new savings accounts (2023: 3,567), reflecting the improvement in customer onboarding journeys as a result of progress in our transformation projects as well as customers seeking higher rate accounts in a high rate environment.

By recommencing lending to larger corporates, we have partially offset lending lost through COVID-19 related government backed loan repayments. Underlying SME assets (excluding these COVID-19 loans) have increased to £311.4m (2023: £216.6m).

Board focus in 2024

In 2024, the Board focused on:

- Continued delivery of business as usual activity while also overseeing the transaction with Coventry Building Society. The Board was keen to ensure that services to customers were not affected during what was another busy year for management and the Bank's colleagues.
- In July 2024, the Values and Ethics Committee considered the ESG Strategic Framework and the introduction of a federated model, allowing ESG to be further embedded across the Bank. The Board also noted the Bank's ongoing commitment to values and ethics, including receiving updates on the path to net zero, as well as the relationship with its charity partners and Co-operatives UK.
- Recommendation to the shareholders in May 2024 of the payment of a final dividend in respect of the year ended 31 December 2023 of £12m. In November 2024, the Board approved an interim dividend of £90m. These were the first dividends in over ten years and reflected the strong capital position of the Bank.
- Implementation of the FCA's Consumer Duty for its closed book customers by the July 2024 deadline, following completion of the open book by the July 2023 deadline. The Board was also pleased to approve the Bank's first Consumer Duty Annual Self-Assessment, on the recommendation of the Risk Committee.
- The proposition the Bank offered its customers, providing oversight of commercial performance in a challenging and competitive market and continued to review the service the Bank delivered to its customers, requesting updates from management on the root causes of digital outages experienced in 2024.
- Ensuring the Group's continued compliance with capital requirements plus all buffers through the re-introduction of the Bank's Covered Bonds programme in August 2024, which reflected the achievement of reaching investment grade status with Moody's in April 2024. The strong capital position was further bolstered in September 2024, with the tender of £200m notes with a take up of c.80% and an issuance of £200m new notes which was three times oversubscribed.
- Migration of c.120k mortgage customers and 1.2m savings accounts in Q1 and Q2 2024, marking the material completion of the Bank's multi-year IT programme to simplify its mortgage and savings infrastructure by moving from four platforms to one. The Board Sub-Committee was stood down in June 2024, as remaining actions moved into business as usual activity. The successful completion of the re-platforming marked a key milestone for the Bank and allows for an increased product offering and further improved service for the Bank's customers.
- Maintaining the Bank's relationship with the PRA and FCA. The Board was particularly pleased to receive confirmation of the positive outcome of the 2024 Internal Capital Adequacy Assessment Process ("ICAAP") in December 2024, further evidence of the Bank's turnaround.
- The review and approval of the Annual Report and Accounts, the quarterly trading updates and half-year Interim Financial Report and associated financial information, receiving regular updates from the Chair of the Joint Audit Committee. It also approved the Group's tax strategy and continuing adoption of the HMRC Code of Practice on Taxation for Banks and on-boarded new external independent auditors, PricewaterhouseCoopers LLP ("PwC"), during 2024.
- The oversight of progress towards reaching diversity targets and other leadership and colleague matters, including approval of the Diversity Policy, Code of Conduct, Modern Day Slavery Statement and other policies.
- The review and discussion of people matters, including approving variable pay schemes. The Board also oversaw changes to the Executive team.

In addition, the Board has overseen the continued commitment to co-operative values including those matters specifically referred to on pages 51 to 52 with regard to Section 172 ("s172") obligations.

Statement by the Directors (s172)

Statement by the Directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The successful delivery of the strategic plan (“the Plan”) to generate sustainable competitive advantage relies on key inputs and positive relationships with a wide variety of stakeholders, as described in our business model on page 12.

Engaging with these stakeholders to deliver long-term success is therefore an area of focus for the Board on an ongoing basis, the key elements of which are set out on the previous page.

To ensure that the Board’s decision-making reflects a wide perspective, the views of other stakeholders are gathered by management and, where relevant, reflected within the Board papers and those of the relevant Committees. In all papers and in the discussions based on those papers, it is a specific requirement to consider the impact on our strategy and on delivery of good customer outcomes and the prevention of foreseeable customer harm, as well as set out how management has considered our values and ethics in relation to the topic being discussed. Whilst not all outcomes will benefit all stakeholders, the Board’s priority is to ensure that Directors have acted both individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a-f of section 172 of the Companies Act 2006 (“s172”). These details are set out below:

- a) The likely consequences of any decision in the long term;
- and
- e) The desirability of the company maintaining a reputation for high standards of business conduct;

As part of the review process, the Directors consider the long-term consequences of the Plan. In doing so, the Board oversees the strategic priorities over the short term and long term, including the level of funding required to deliver the strategic priorities and the availability of capital to meet requirements over the period. The Board also considers how the Group’s values and ethics have been incorporated in the Plan and its alignment with our customer-led Ethical Policy (as seen on the Bank’s website), compliance with the requirements of Co-operatives UK and maintenance of its reputation for high standards of business conduct. Further information on our customer-led Ethical Policy and how this informs strategic activity can be found on pages 22 to 26.

All discussions held by the Board and its Committees within their scheduled meetings are supported by documented papers and fully minuted.

The Board requires that the impact or potential impact on the strategy is considered within those papers and this is embedded within the required templates. This ensures that the long-term impact of the decision that may be made in these meetings is discussed and considered, and that the consequences for long-term business resilience is understood. These mandatory points for consideration are also reflected in the requirements for papers produced for the Executive Committees.

b) The interests of the company’s employees;

The Directors understand that the Group’s employees are fundamental to the long-term success of the Group, and the Group aims to be a responsible employer in its approach to pay and benefits. The health, safety and well-being of the Group’s employees is a primary consideration for the way in which the Group conducts its business and promoting an ethical workplace falls under the ‘People’ pillar of our refreshed Ethical Policy.

Further information on the Group’s engagement with its employees and how it promotes an ethical workplace can be found in the Directors’ Report, on pages 82 to 84 and in the group strategic report on page 26. During the year, the Directors continued to spend time reviewing the arrangements put in place by management to ensure safe working conditions for employees and wider support for employees during a time of economic uncertainty. As set out within the Joint Audit Committee report on page 69, there is a process through which employees can formally raise a concern at work on a confidential basis. There is an annual review by the Joint Audit Committee which considers, amongst other things, whether the policy remains appropriate and effective.

c) The need to foster the company’s business relationships with suppliers, customers and others;

The Directors consider how the Group maintains positive relationships with all of its stakeholders, including suppliers, customers and others. A key part of promoting the long-term success of the organisation is the way in which our values and ethics are intrinsically linked to our brand, and why our customers choose to join us. During 2022, the Group was proud to launch its refreshed customer-led Ethical Policy that had been updated following consultation with customers and its employees.

Statement by the Directors (s172) continued

The Directors recognise the impact of the supply chain on the long-term success of the Group and the way in which our suppliers impact our customer and colleague experience. During the year, the Group continued its review of all its supplier contracts to ensure effective working relationships and compliance with the requirements of the Prompt Payment Code. Extensive financial and operational diligence was performed to consider a range of alternative options when reaching decisions around use of suppliers, including consideration of how the suppliers' objectives align with those of the Group and of our customers.

Our customer-led Ethical Policy also guides with whom we choose to do business. More information on our approach to supplier selection and management more widely can be found in the Directors' Report on page 84.

The principal risks and uncertainties described in the risk management report on pages 96 to 109 set out a number of risks which could impact the long-term success of the Group and consideration of how other stakeholders impact those risks, or are impacted by those risks. In many cases, good communication with, and understanding of, these stakeholders aligns closely with a strong Risk Management Framework and a positive risk culture. As a result, the Board actively seeks information to assist the Directors in reaching conclusions about the risks faced by the Group and how these are reflected within the strategy.

d) The impact of the company's operations on the community and the environment;

Throughout the group strategic report, we have outlined how the Group and its staff consider the way in which we impact the environment and the society around us. The Board mandates that when matters are discussed, the papers supporting these discussions specifically consider the alignment to our values and ethics. The Board's role in promoting and embedding the continuous commitment to these co-operative values is set out in more detail on pages 79 to 80.

Our purpose is to pioneer banking that makes a positive difference to the lives of our customers and communities and the five-year Plan places significant emphasis on how we intend to serve that purpose and the Board-approved priorities that will be funded to make a positive difference, and how performance against these expectations will be monitored via the Group's scorecard metrics. During the year, targets have been set, both qualitatively and quantitatively, in relation to the impact on the environment and social matters.

f) The need to act fairly as between members of the company.

The Holding Company, Bank Company and Finance Company are each owned by a single shareholder. The Group structure is set out on page 2 of this report. Their Boards ensure that matters are referred to their respective shareholders in line with each company's Articles of Association (which are publicly available on the Companies House website free of charge at find-and-update.company-information.service.gov.uk) and relevant statutory requirements.

The Disclosure Committee reviews information to determine whether it is inside information that needs to be publicly disclosed to comply with the European Market Abuse Regulation 596/2014 (MAR), as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 in the context of the Bank's covered bonds (from time to time as such bonds are in issuance) and the Holding Company's listed £250m fixed rate reset callable notes due in 2027, £200m fixed rate reset callable notes issued in May 2023 due in 2028, £200m fixed rate reset callable notes issued in September 2024 due in 2028 and £200m fixed rate callable subordinated Tier 2 notes due in 2034.

Further information on relations with shareholders can be found in the ownership section of the corporate governance report on page 59 and on the investor relations page of the Bank's website.

As of 1 January 2025, the Holding Company is a wholly owned subsidiary of Coventry Building Society. The Directors will continue to give consideration to the sharing of information and are committed to continuing to meet obligations under MAR.

Following the acquisition of the entire issued share capital of the Holding Company by Coventry Building Society, the Board will give due consideration to future distributions of surplus capital to its parent company, as appropriate over time, paying regard to stakeholder feedback amongst other factors.

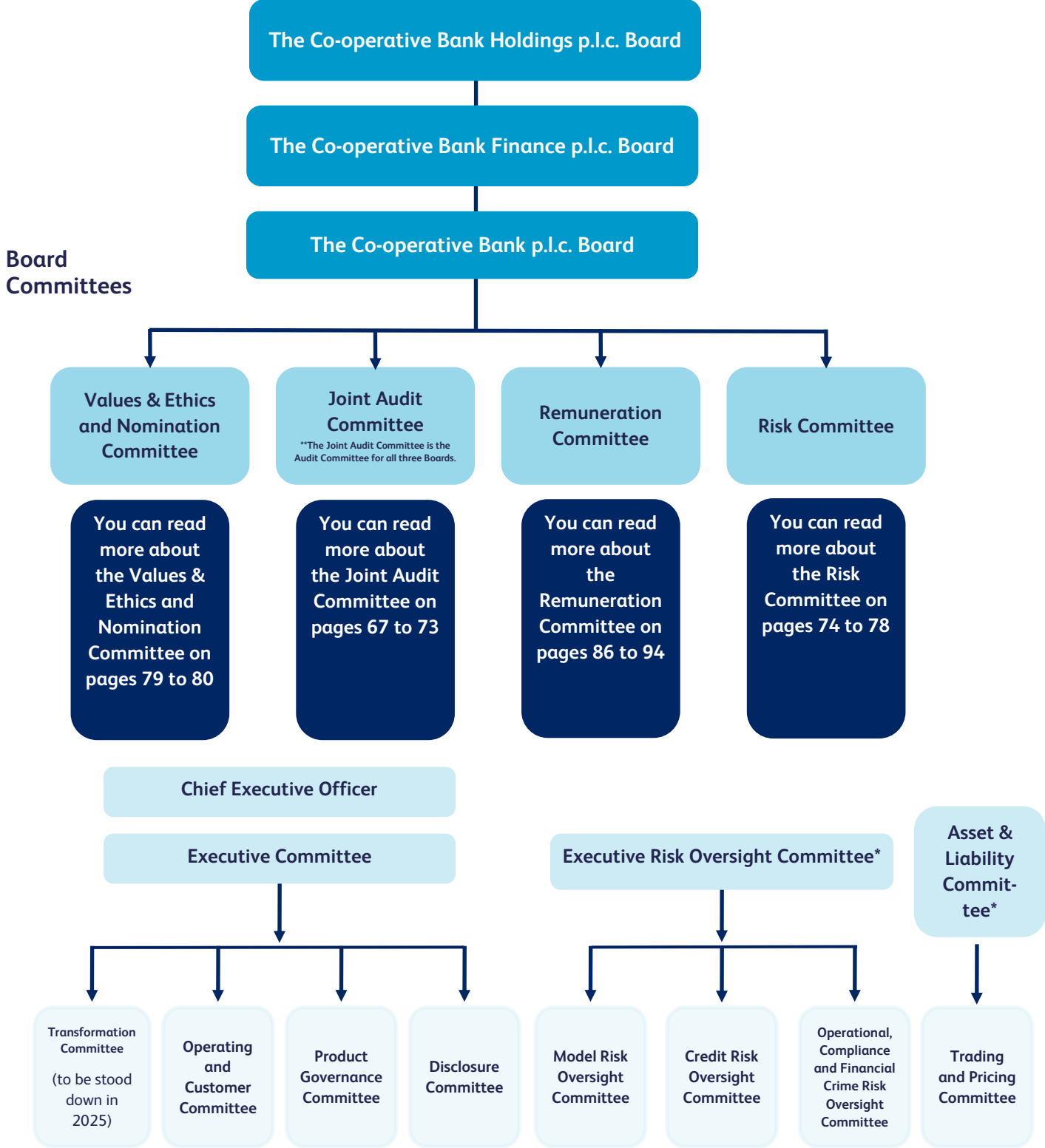
Corporate governance report

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The contents of the corporate governance report are unaudited, unless otherwise stated.

Corporate governance framework

The structure of the Board and its Committees is set out below, along with the Executive Committees.



*The Bank’s Executive Risk Oversight Committee has a dotted line into the Group level Executive Risk Committee. The Bank’s Asset & Liability Committee has a dotted line to the Group’s Asset and Liability Committee.

From time to time the Board sets up temporary sub-committees to oversee specific projects. A temporary sub-committee was set up in December 2021 to oversee the Simplification programme and associated eradication of technical debt (out-of-support IT systems) across the IT estate. This Committee was stood down in June 2024 following successful completion of the programme.

In 2024, the Pension Risk Oversight Committee, which reported into the Executive Risk Oversight Committee, was stood down following de-risking of the Bank’s defined benefit pension schemes, with its remaining financial responsibilities subsumed by the Asset and Liability Committee and people responsibilities by the Executive Committee.

Board of Directors

At the date of the approval of the Annual Report and Accounts, the Board of Directors was comprised as follows:

Committee Chair

VEN

Member of Values & Ethics and Nomination Committee

A

Member of the Joint Audit Committee

RE

Member of Remuneration Committee

R

Member of Risk Committee

Joanne Kenrick

VEN

RE



Chair of the Board

Independent: On appointment

Appointed: January 2025 (Bank Board and Chair)

Career history: Joanne is an experienced Non-Executive Director who has worked across multiple sectors in her executive and non-executive careers. Her early career included roles at Mars Confectionery, Pepsi and Asda, followed by executive roles at Wilson Connolly (a large national housebuilder), Camelot Group plc (operators of the National Lottery), B&Q plc and Homebase Ltd. She was also CEO of Start, a Prince of Wales charitable initiative. Joanne has held previous non-executive roles at Principality Building Society and Safestore Self-Storage Ltd, and was the former Chair of PayM and of the Current Account Switch Service for Pay.uk.

Society and external appointments: In addition to being the Deputy Chair and Senior Independent Director, she is also a member of the Nominations and Governance Committee and the Remuneration Committee at Coventry Building Society. She is also Senior Independent Director and Remuneration Committee Chair for Welsh Water, Remuneration Committee Chair for Sirius Real Estate, and Non-Executive Director and Consumer Duty Champion for Vitality Health.



Martin Stewart

VEN

Deputy Chair

Independent: Yes

Appointed: January 2025 (Bank Board and Deputy Chair)

Career history: Martin has over two decades of board level experience across the UK and Europe. From 2013 to 2018 he was Director of Supervision - Banks, Building Societies and Credit Unions at the Bank of England's Prudential Regulation Authority and chairman of the International Credit Union Regulators Network. Martin became a regulator in 2010, joining the Financial Services Authority to lead the post financial crisis supervision of UK banks and building societies and was part of the leadership team that designed the UK's "twin peaks" regulatory approach and established the PRA in 2013.

Society and external appointments: Board member, Chair of the Board Risk Committee, member of the Board Audit Committee, and Board Technology Oversight Committee at Coventry Building Society. In addition, he is Board Chair at Northern Bank Limited (Danske Bank UK).

Board of Directors continued

Brendan O'Connor



Non-Executive Director

Independent: Yes

Appointed: January 2025 (Bank Board and Chair of Risk Committee)

Career history: Over 35 years' experience at Allied Irish Bank including Head of its Global Treasury Services, Head of Corporate Banking International and Head of Business Banking. Most recently on AIB Group leadership team as Head of Financial Solutions Group before becoming CEO of AIB UK plc in 2015.

Society and external appointments: Board member of Coventry Building Society. Non-Executive Director and Chair of the Board Risk Committee at Ford Credit Europe Bank plc.



Iraj Amiri



Non-Executive Director

Independent: Yes

Appointed: January 2025 (Bank Board and Chair of Joint Audit Committee)

Career history: Iraj was Senior Partner with Deloitte for over 20 years, leading its national internal audit group and serving clients in the financial, retail and public sectors. He spent 10 years as Global Head of Internal Audit for Schroders Plc, carrying out numerous reviews of financial institutions including banks, building societies and insurance companies. Iraj is a Fellow of the Institute of Chartered Accountants in England and Wales and former Fellow of the Royal Statistical Society and was a member of the Internal Audit Task Force of the Institute of Chartered Accountants in England and Wales for a number of years. Iraj was also member of the Regulatory Decisions Committee at the Financial Conduct Authority for six years.

Society and external appointments: Board member, Chair of the Board Audit Committee and Member of the Board Risk Committee at Coventry Building Society. Non-Executive Director and Chair of the Audit and Risk Committee at the Development Bank of Wales Plc. Non-Executive Director, Chair of the Audit Committee and member of the Risk Committee at Aon UK Limited and Non-Executive Director and Audit and Risk Committee Chair at Eurocell plc.

Board of Directors continued

Fiona Clutterbuck



Non-Executive Director

Independent: Yes

Appointed: April 2023 (Bank Board); October 2023 (Chair of Remuneration Committee)

Career history: Fiona has held many positions during her executive career, including Head of Strategy at Phoenix Group, Head of Financial Institutions Advisory at ABN AMRO, and Global Co-Head of Financial Institutions at HSBC Investment Bank. She has over seventeen years of experience as a non-executive director on various public company boards, including Chair of the Remuneration Committee at Hargreaves Lansdown, Senior Independent Director of M&G plc, and Chair of the Remuneration and Risk Committees, Senior Independent Director and latterly Chair of Paragon Bank plc.

Society and external appointments: Chair of AJ Bell plc and its Nomination Committee and a member of its Risk and Compliance and Remuneration Committees.



Caroline Marsh



Non-Executive Director

Independent: Yes

Appointed: January 2025 (Bank Board)

Career history: Caroline has held many positions during her executive career in the financial services sector. She spent the first 13 years of her career in retail banking at Barclays plc. She then joined Virgin as they moved into banking in the late 90s, initially as Sales Director of Virgin One and subsequently as a member of the Executive Committee of Virgin Money through its acquisition of Northern Rock in 2012, its subsequent IPO and its eventual sale to Clydesdale Bank in 2018. As Virgin Money's Culture Director Caroline led the successful cultural integration of Northern Rock and Virgin Money. She also led Virgin Money's social enterprise strategy, including its not-for-profit fundraising platform, Virgin Money Giving, and the Virgin Money Foundation. Caroline has six years of experience as a non-executive director. She is also an accredited Executive and Team Coach.

Society and external appointments: Board member, Chair of the Remuneration Committee, member of the Board Risk Committee and Nomination and Governance Committee at Coventry Building Society. Non-Executive Director of Lowell's UK business, Chair of its UK Remuneration Committee, a member of its Audit Risk and Compliance Committee and Board Consumer Duty Champion.

Board of Directors continued

Mark Parker

RE

R

Non-Executive Director

Independent: Yes



Appointed: September 2023 (Bank Board)

Career history: Mark has held several senior executive positions in the financial services sector, most recently as Chief Operating Officer at Hastings Insurance Services Limited. He was appointed as Chief Operating Officer at Virgin Money plc, following the restructuring and sale of Northern Rock plc to Virgin Money plc. Prior to joining Northern Rock plc in 2009 as Chief Operating Officer leading the technology and operations restructuring, Mark held senior executive positions at HBOS plc within Group Services and Group Technology, and was appointed Chief Executive Officer of Intelligent Finance Bank, part of the HBOS group.

Society and external appointments: Board member and member of the Board Technology Oversight Committee Coventry Building Society.



Steve Hughes

Interim Chief Executive Officer

Appointed: January 2025 (Bank Board and interim CEO)

Career history: Steve has broad transformation, financial and operational experience in senior and board level roles within financial services and consumer goods sectors. Before joining Coventry Building Society, Steve had been Chief Executive of Principality Building Society and Finance Director of the Lloyds Banking Group General Insurance businesses. Passionate about leadership, he has a strong belief in the benefit of the mutual model and is positive about the role a responsible business can have on society, as well as supporting colleagues to be the best they can be. Steve also held the role of Non-Executive Director on the main board of UK Finance and Chair of the audit and risk committee of UK Finance.

Society and external appointments: Board member, Chair of the Non-Executive Directors' Remuneration Committee at Coventry Building Society. Member and Chair of the Audit Committee at BSA Council. Advisory board member of the Money and Pension Service and member of the Payments Advisory Board for the Pennies Foundation.

Louise Britnell

Chief Financial Officer



Appointed: March 2021 (Bank Board), October 2020 (CFO)

Career History: Louise joined the Bank in 2018 initially as Chief Accounting Officer, having been Deputy Chief Financial Officer at one of the UK's largest pension funds, Universities Superannuation Scheme, and its investment management subsidiary. Louise spent 13 years at Deloitte LLP as an external auditor.

Society and external appointments: None

Corporate governance report

Ownership

The Co-operative Bank p.l.c. (“Bank Company”) is a public limited company and has debt listed on the London Stock Exchange. The debt in issue is £500,000,000 Series 2024-1 Floating Rate Covered Bonds due 2027. Its equity is not listed. On 11 February 2019, The Co-operative Bank Finance Limited (“Finance Company”), became the immediate parent of the Bank Company, re-registering as a public company on 18 March 2019 under the name of The Co-operative Bank Finance p.l.c.

The Finance Company is a public limited company. Its equity is not listed. As at 31 December 2024, the Finance Company’s sole shareholder is The Co-operative Bank Holdings p.l.c. (“Holding Company”). The Holding Company re-registered as a public limited company on 13 May 2024 and is the ultimate parent company of the Bank Company (formerly called The Co-operative Bank Holdings Limited). On 6 November 2023, the Holding Company was substituted in place of the Finance Company as the principal issuer of Notes and resolution entity for the Group. The debt in issue is, £250m Fixed Rate Reset Callable MREL-qualifying Notes due 2027, £200m Fixed Rate Reset Callable MREL-qualifying Notes issued in May 2023 due 2028, £200m Fixed Rate Reset Callable Notes issued in September 2024 due 2028, and £200m Fixed Rate Reset Callable Subordinated Tier 2 Notes due 2034.

On 1 January 2025, following the granting of regulatory approval on 28 November 2024, the entire issued class A ordinary share capital of the Holding Company was acquired by Coventry Building Society, and the issued class B redeemable preference share capital of the Holding Company was fully redeemed at nominal value.

The Holding Company’s share capital is divided into Class A ordinary shares of £0.0001 each. The A shares are entitled to dividends to be paid out of the profits of the Holding Company available for distribution in accordance with the Holding Company’s Articles of Association (“Holding Company Articles”) and applicable laws and regulations. Each and every A shareholder is entitled to receive notice, attend and vote at a general meeting of the Holding Company in accordance with the Holding Company Articles.

Values and ethics

Under the Holding Company, Finance Company and Bank Company’s Articles of Association, there is a requirement to promote and conduct the Group’s business to the extent practicable, in a manner informed by the established values of the co-operative movement, in particular with regard to:

- how it relates to, communicates with, balances the interests of, and otherwise deals with its stakeholders; and
- how it applies the profits of the Group, in accordance with the dividend policy set out in its Articles of Association.

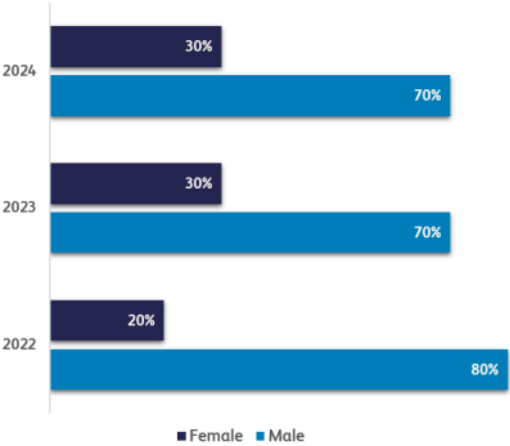
Board composition

There were no changes to the Boards of the Holding Company, Finance Company and Bank Company (the “Boards”) during 2024, however on completion of the transaction between the shareholders of the Holding Company and the Society on 1 January 2025, Bob Dench, Glyn Smith, Sue Harris, Raj Singh, Richard Slimmon and Sebastian Grigg stepped down from the Boards in accordance with the terms of the SPA and Joanne Kenrick, Martin Stewart, Brendan O’Connor, Iraj Amiri, Caroline Marsh and Steve Hughes were appointed to the Boards. Nick Slake stepped down from the Boards on 13 February 2025 following a handover period. Details of the incumbent members of the Boards, their biographies and length of service are set out from page 55.

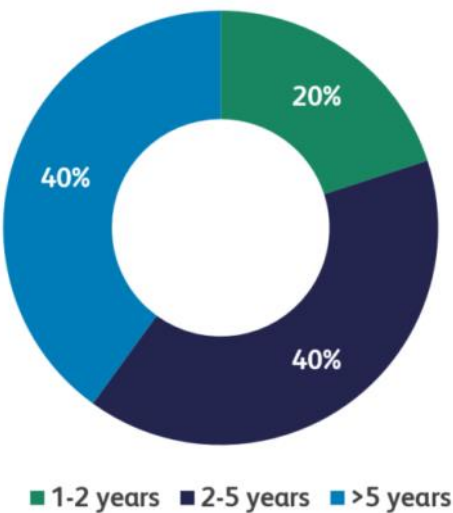
All the Non-Executive Directors have considerable experience and make valuable contributions to the Group. The Non-Executive Directors constructively challenge and help to develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Boards’ deliberations.

The Non-Executive Directors are of sufficient calibre and number such that their views carry significant weight in the Boards’ decision-making.

Gender split of Directors as at 31 December 2024



Length of tenure as Director of Bank as at 31 December 2024



Corporate governance report continued

Role and responsibilities of the Boards of the Holding Company, Finance Company and the Bank Company

The Boards have collective responsibility for the long-term success of the Holding Company, Finance Company and Bank Company. Their role is to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed. They set the values and standards and ensure that their obligations to customers, employees, shareholders and other stakeholders are understood and met. The Board of the Bank Company sets the Bank's strategy and approves plans presented by management for the achievement of the strategic objectives it has set. It determines the nature and extent of the principal risks it is willing to take to achieve its strategic objectives, and is responsible for ensuring maintenance of sound risk management and internal control systems.

The Board and shareholders have approved a schedule of Matters Reserved for the Board and authorities delegated to the Chief Executive Officer. Both the Matters Reserved for the Board and the Chief Executive Officer's delegated authorities have been revisited by the Board and have been

re-adopted for 2025. Implementation of the strategy set by the Board of the Bank Company and the management and day-to-day running of the Bank is delegated to the Chief Executive Officer, with oversight by the Board, with the exception of the Matters Reserved for the Board. The Board has approved the division of responsibilities between the Chair and Chief Executive Officer, and this can be found on the Bank's website, along with the Matters Reserved for the Board.

Board membership

On completion of the transaction between the shareholders of the Holding Company and the Society on 1 January 2025, six Directors were appointed to the Boards of the Holding Company, Finance Company and Bank Company, and six Directors stood down from these Boards.

Nick Slape stepped down from the Board on 13 February 2025.

The biographical details of all Directors are provided on pages 55 to 58 and can also be found on our website at:

www.co-operativebank.co.uk/about-us/our-business/directors

Current members of the Boards		Independent	Appointed (Holding Company)	Appointed (Finance Company)	Appointed (Bank Company)
Joanne Kenrick	Chair	On appointment	1 Jan 2025	1 Jan 2025	1 Jan 2025
Martin Stewart	Deputy Chair	Independent	1 Jan 2025	1 Jan 2025	1 Jan 2025
Fiona Clutterbuck	Non-Executive	Independent	17 Apr 2023	17 Apr 2023	17 Apr 2023
Mark Parker	Non-Executive	Independent	1 Sep 2023	1 Sep 2023	1 Sep 2023
Brendan O'Connor	Non-Executive	Independent	1 Jan 2025	1 Jan 2025	1 Jan 2025
Iraj Amiri	Non-Executive	Independent	1 Jan 2025	1 Jan 2025	1 Jan 2025
Caroline Marsh	Non-Executive	Independent	1 Jan 2025	1 Jan 2025	1 Jan 2025
Steve Hughes	Interim Chief Executive Officer	N/A	1 Jan 2025	1 Jan 2025	1 Jan 2025
Louise Britnell	Chief Financial Officer	N/A	1 Mar 2021	1 Mar 2021	1 Mar 2021

Attendance

The following table sets out the attendance at the scheduled Holding Company, Finance Company and Bank Company Board and Bank Company Committee meetings during 2024:

Attended ¹ (entitled to attend) ²	Board	Joint Audit	Risk	Values and Ethics	Remuneration	Nomination
Bob Dench	7 (7)			5 (5)		3 (3)
Glyn Smith	7 (7)	6 (6)	4 (5)		6 (7)	3 (3)
Sue Harris	7 (7)	6 (6)	5 (5)	5 (5)	7 (7)	
Raj Singh	6 (7)	6 (6)	5 (5)	4 (5)		
Nick Slape	6 (7)					
Louise Britnell	7 (7)					
Richard Slimmon	7 (7)				7 (7)	
Sebastian Grigg	7 (7)		5 (5)			2 (3)
Fiona Clutterbuck	6 (7)	6 (6)	5 (5)		7 (7)	3 (3)
Mark Parker	7 (7)		5 (5)	5 (5)		

1. Business as usual scheduled meetings.

2. The Director concerned was entitled to attend because he/she was a member of the Board or Committee at the time of the meeting.

Corporate governance report **continued**

Number of Bank Company Board and Committee meetings in 2024

In addition to the above scheduled Board and Committee meetings there were also ad-hoc meetings to support strategic and other ad-hoc matters. Total meetings held were as follows:

Board meetings	18
Joint Audit Committee meetings	6
Risk Committee meetings	6
Values and Ethics Committee meetings	5
Remuneration Committee meetings	12
Nomination Committee meetings	4

Where Directors are unable to attend Board and Committee meetings, usually for reasons of illness or a requirement to hold these at shorter notice than is usual, the Chair encourages Directors to provide their views, questions and comments directly to him.

Information to Directors

Directors and usual attendees of Board and Committee meetings use a Board portal and an electronic tablet as their primary method for the receipt of papers. These provide access to additional materials to support Directors in their preparations for Board and corporate activity, including constitutional documents and the materials from previous meetings.

In the ordinary course of scheduled Board and Board Committee meetings, the aim is to provide the Directors with access to Board and Committee papers seven days before a meeting.

Board Committees

The Bank Company Board has established Board Committees, namely: the Risk Committee, the Values & Ethics and Nomination Committee and the Remuneration Committee. There is a Joint Audit Committee of the Holding Company, Finance Company and Bank Company.

All Board Committees have terms of reference, describing the authority delegated to it by each Board. Each of these Committees has a role in ensuring the effective oversight by the Boards of the Holding Company, Finance Company, Bank Company and their subsidiaries.

The terms of reference for the Joint Audit Committee, Risk Committee, Values & Ethics and Nomination Committee and Remuneration Committee can be found at:

www.co-operativebank.co.uk/about-us/our-business

The Boards receive the minutes of all Committee meetings. During the year, each of the Committees reviewed its terms of reference.

In addition to formal Board meetings, the Board conducted 'deep dives'/training on the following topics:

- Resolvability Assessment Framework ("RAF")
Proactive Intervention Framework
- Small and Medium Enterprises ("SME") and
Corporate Overview
- The Co-operative Bank and Co-operatives UK
Partnership
- Senior Managers and Certification Regime ("SMCR")
- Market Abuse Regulation ("MAR").

Board effectiveness

Performance evaluation

Effective relationships between the Executive Directors and the Non-Executive Directors are critical to the operation of the Boards. The Board agendas will continue to balance the need to provide oversight and governance across the business and to provide challenge where appropriate.

In July 2022, following a process led by the Nomination Committee (now the Values & Ethics and Nomination Committee) and Board, the Bank engaged the Chartered Governance Institute UK & Ireland (“CGI”) to carry out an external review of the effectiveness of the Bank Board and Committees of the Bank Board. The review comprised a series of one-to-one interviews with all directors and members of senior management and observation by the CGI of Board and Committee meetings in November 2022. The outputs of the review were presented to the Bank Board in February 2023.

The review proposed a number of recommendations, which included the formalising of processes to review the performance of the Non-Executive Directors, continually updating the talent pipeline for Executive and senior management roles, and the quality and conciseness of Board reporting. A complete list of actions arising from the recommendations was presented to the Nomination Committee and Bank Board in July 2023 outlining how all actions had been, or were in the process of being, addressed.

The outputs of the director evaluation reports were provided to the individual directors and the Chair (the Senior Independent Director in respect of the Chair) to support with their individual and continuing development. A summary of each individual evaluation report was presented to the Nomination Committee in July 2023.

As the Bank does not have a premium equity listing and does not voluntarily comply with the Financial Reporting Council’s (“FRC”) 2024 UK Corporate Governance Code (the “2024 Code”), it is not required to conduct an annual evaluation nor an externally facilitated board evaluation. However, in line with good governance, it is set out within the Matters Reserved for the Board of the Bank, and the terms of reference for each of the Committees, that they should arrange periodic reviews of their own performance. As such, internal self-assessments of the Board and its Committees were undertaken in the second half of 2024, the results of which were presented to the Board and its Committees for discussion in November and December 2024.

Induction and continuing professional development

All newly appointed Directors undertake a structured induction programme, which is designed to provide them with key business information about the Group, and includes briefing sessions with members of the Executive team and a branch visit where possible.

To facilitate the directors’ continuing professional development, individual training needs are reviewed periodically by the Values & Ethics and Nomination Committee. Throughout 2024, the Board held collective training sessions, which took place in April and September

2024. In addition to formal training sessions, the Directors, where appropriate, have one-to-one sessions with members of the Executive. An electronic ‘Document Library’ is available as a resource to enable all Directors to access, revisit and review copies of presentations and materials from formal development sessions.

The Chair’s role is to address the development needs of the Boards as a whole, with a view to enhancing their effectiveness. She ensures that the Directors’ professional development needs are identified and that they are adequately informed about the Group and their responsibilities as Directors.

Senior Managers and Certification Regime (“SMCR”)

The Group continues to deliver robust compliance with its governance over the SMCR as set out in the Directors’ Report on page 84. Directors have been briefed extensively and received training in September 2024 on the responsibilities and accountabilities of individuals captured by the SMCR.

Climate change and greenhouse gas (“GHG”) emissions

The Group is in compliance with applicable climate-related legislation and regulation, including Streamlined Energy and Carbon Reporting (“SECR”) regulations and further details are set out on page 28.

Conflicts of interest

Pursuant to the Companies Act 2006, the Directors have a duty to avoid situations in which they have or may have interests that conflict with those of the Bank Company, Finance Company, Holding Company and the Group’s parent company, Coventry Building Society unless that interest is first authorised by the other Directors. The Bank Company, Finance Company and the Holding Company’s Articles of Association allow the Boards to authorise such potential conflicts and there is a procedure to deal with actual or potential conflicts. Directors are reminded, at each Board meeting, of their duty to report actual or potential conflict as soon as they become aware of any such events. All potential conflicts approved by the Boards are recorded in the Conflicts of Interest Register which is reviewed at Board meetings to satisfy itself that all potential conflicts are appropriately considered and have been approved. The Boards have determined that a Director with a potential or actual conflict will not be permitted to form part of the quorum or vote upon the matter giving rise to the conflict. The Boards have put in place protocols to address potential conflicts arising from the appointment of the Non-Executive Directors who are not independent for the purposes of the Companies Act 2006. Prior to taking up any external appointment or responsibilities, Directors are asked to consult with the Company Secretary and the Chair of the Board.

Board effectiveness continued

Directors and their interests

No Director had a material interest at any time during the year in any contract of significance, other than a service contract, with the Holding Company, Finance Company, Bank Company or any of its subsidiary undertakings. No Director had a beneficial interest in any shares in the Holding Company, Finance Company or Bank Company.

Insurance and indemnities

During 2024, the Holding Company maintained appropriate Directors' and Officers' liability insurance on behalf of all Group entities in respect of legal action against their Directors and Officers. Various officers had, and continue to have, the benefit of indemnities from the Bank Company in relation to losses and liabilities they may incur in their employment. In addition, qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in operation during 2024 and are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur in connection with their appointment.

Professional advice and Board support

A number of external consultants provide professional advice to the Boards from time to time. There is a procedure in place by which, with prior agreement, the Directors may take independent professional advice at the Group's expense in furtherance of their duties.

Statutory disclosures information

Share capital structure, transfer restrictions and takeover bid related disclosures

The Bank's total issued share capital of ordinary shares of £0.05 each are all owned by the Finance Company. The Finance Company's total issued share capital of ordinary shares of £0.0001 each are all owned by the Holding Company. The Holding Company's total issued share capital of Class A ordinary shares of £0.0001 each are all owned by the Society. For further information relating to ownership, please see the corporate governance report on page 59.

Transfer of shares

The shareholder of the Bank Company, Finance Company and Holding Company may transfer any shares in any manner which is permitted by law and is from time to time approved by the Board of the Bank Company, Finance Company and Holding Company respectively.

PRA approval is required if a person intends to acquire or increase its 'control' of a UK authorised person (which includes the Bank). Acquiring 'control' includes where a person first holds 10 % or more of the shares or voting power in the Bank directly or indirectly via the Holding Company. Increasing control means when an existing shareholder increases their shareholding or entitlement to voting power from a holding below certain thresholds to a holding above them. The thresholds are 10 %, 20 %, 30 % or 50 % of shares or voting power.

Voting rights

Subject to the Bank's Articles of Association and to any special rights or restrictions as to voting for the time being attached to any shares, the provisions of the Companies Act 2006 shall apply in relation to voting rights of the Bank's shares.

Ordinary shareholders are entitled to vote at general meetings and appoint proxies. On a show of hands, every member or proxy has one vote. On a poll, every member present in person or by proxy has one vote for every share held. Ordinary shareholders may receive: (1) dividends; (2) assets upon the liquidation of the Bank; and (3) capital payments through the capitalisation of reserves as provided in the Bank's Articles of Association.

Subject to the Finance Company's Articles of Association and to any special rights or restrictions as to voting for the time being attached to any shares, the provisions of the Companies Act 2006 shall apply in relation to voting rights of the Finance Company's shares.

Ordinary shareholders are entitled to vote at general meetings and appoint proxies. On a show of hands, every member or proxy has one vote. On a poll, every member present in person or by proxy has one vote for every share held. Ordinary shareholders may receive: (1) dividends; (2) assets upon the liquidation of the Finance Company; and (3) capital payments through the capitalisation of reserves as provided in the Finance Company's Articles of Association.

Subject to the Holding Company's Articles of Association and to any special rights or restrictions as to voting for the time being attached to any shares, the provisions of the Companies Act 2006 shall apply in relation to voting rights of the Holding Company's shares.

A shareholders are entitled to vote at general meetings and appoint proxies. On a show of hands, every member or proxy has one vote. On a poll, every member present in person or by proxy has one vote for every share held. A shareholders may receive: (1) dividends; (2) assets upon the liquidation of the Holding Company; and (3) capital payments through the capitalisation of reserves as provided in the Holding Company's Articles of Association.

Nomination Committee report

Increased diversity and the right skill set underpins the succession planning for senior Executive and Board appointments

The duties and responsibilities of the Nomination Committee have been merged with the Values & Ethics Committee and the new committee has been named the Values & Ethics and Nomination Committee.

Dear Stakeholder

I would like to begin by thanking the previous Nomination Committee Chair, Bob Dench and previous Values & Ethics Committee Chair, Sue Harris, for their oversight and leadership of the Committees throughout 2024. As with all Committee Chairs, a full handover was carried out and I am pleased to be taking the merged Committee forward in the context of the new ownership structure for the Bank. The below report outlines the Nomination Committee’s activities during 2024 and how the Nomination Committee had met its responsibilities as outlined in its terms of reference.

Joanne Kenrick, Values & Ethics and Nomination Committee Chair, 6 March 2025

Overview of Committee activities during 2024

Against the background of the sale of the Group to Coventry Building Society, the Committee nonetheless continued in 2024 to focus on Board succession planning to ensure that senior business continuity plans remained sufficient and that Board members continued to possess the required skills, knowledge and experience required to deliver the Bank strategy.

Likewise, the Committee oversaw succession planning for Executive members and Material Risk Takers under the Financial Conduct Authority’s Senior Managers and Certification Regime, with particular focus on targeted development initiatives and refreshed personal development plans for Executive Committee members.

The Committee provided oversight of the Bank’s three-year Equality, Diversity and Inclusion (“EDI”) strategy. Designed to provide the foundations for the ongoing development of the Bank’s EDI activity, the strategy will serve to satisfy new EDI regulation whilst aligning the Bank’s EDI goals with its values and ethics, ESG strategy and strategic cultural aims.

Purpose of the Nomination Committee

To lead the process for Board and senior Executive appointments by comprehensively reviewing and making recommendations on the Board and Executive Committee composition, succession planning for Executive Directors, Non-Executive Directors and certain senior Executives, identifying and nominating candidates for Board vacancies and evaluating candidates for the Board. This is now captured in the terms of reference of the Values & Ethics and Nomination Committee.

During 2024, the Nomination Committee met four times with continued focus on succession planning in order to strengthen the Executive Committee and the Board to meet the needs of the business and to be responsive to the regulatory environment in which the Group operates. This is now captured in the terms of reference of the Values & Ethics and Nomination Committee.

Full regard to the benefits of diversity in all its elements, including gender diversity, ethnicity, disability and LGBTQ, is

given, with an aspirational target of 40 % diverse membership of the Board. The Group encourages the executive search consultancies engaged in the search process to reflect diversity in the lists of candidates nominated for the consideration of the Board, encouraging ethnically diverse longlists and 50:50 male:female shortlists. As at the end of 2024, the number of women on the Board was three (of ten). This number has increased to four (of nine) in 2025.

Committee membership of the Nomination Committee during 2024	Date of appointment	Date of resignation
Bob Dench	14 Mar 2018	1 Jan 2025
Sebastian Grigg	11 Jan 2021	1 Jan 2025
Glyn Smith	1 Aug 2023	1 Jan 2025
Fiona Clutterbuck	1 Aug 2023	1 Jan 2025

Committee membership of the Values & Ethics and Nomination Committee	Date of appointment	Date of resignation
Joanne Kenrick (Chair)	1 Jan 2025	-
Martin Stewart	1 Jan 2025	-
Fiona Clutterbuck	1 Jan 2025	-
Iraj Amiri	1 Jan 2025	-

Principal responsibilities of the Nomination Committee

Regular review of the structure, size and composition of the Board.

Identify and nominate, for approval by the Board, candidates to fill Board vacancies having regard to the balance of skills, knowledge, independence, experience and diversity on the Board.

Review the leadership needs, both executive and non-executive, and consider proposals in respect of these.

To review the independence, effectiveness and commitment of each of the Non-Executive Directors.

Nomination Committee report continued

Formulate succession plans for Directors and Non-Executive Directors, senior Executives and Senior Management Function role holders, including the reappointment of any Non-Executive Director at the conclusion of their specified term of office taking into account the skills and expertise needed on the Board in the future and the continued ability of the organisation to compete effectively in the marketplace.

Annually review the diversity policy, and the measure of objectives set in implementing the policy, and progress on achieving the objectives.

Make recommendations to the Board on membership of the Joint Audit, Remuneration and Risk Committees, and any other Board Committees.

Review the results of the Board performance evaluation including the time required from Non-Executive Directors.

The election or re-election of Directors by shareholders at the AGM.

Key areas discussed and reviewed by the Nomination Committee in 2024

Board composition	Review of the structure, size and composition of the Board along with the skills, knowledge and experience of its members to ensure that Directors remain able and have sufficient time to discharge their duties and responsibilities effectively and to the high standard required.
Board and senior Executive succession planning	<p>During 2024, the Nomination Committee considered nominations at both Board and senior Executive level and reviewed succession plans.</p> <p>The Committee recommended the appointment of Chris Smart as Chief Risk Officer to the Board, in line with the Bank’s Executive succession plan.</p> <p>Following engagement with an external consultant, the Committee approved the appointment of Adrian Walker into a newly created Chief Transformation Officer role, who has led the team coordinating the sale of the Group to Coventry Building Society.</p> <p>The Committee approved the secondment of the Bank’s Chief Commercial Officer, Gary McDermott, to Coventry Building Society as Interim Treasurer in November 2024, to promote a sharing of relevant skillsets between the two parties ahead of the change in control on 1 January 2025.</p> <p>Succession planning for the Board, Executives and Material Risk Takers was reviewed in detail in July 2024. This included the identification of internal successors and potential external candidates for senior vacancies.</p> <p>The Committee reviewed proposed development initiatives for Executive management, along with their personal development plans (“PDPs”) which had been refreshed to ensure alignment with strategic goals and growing trends within the broader market.</p>
Diversity policy	<p>The Committee considered and recommended to the Board the proposed Equality, Diversity and Inclusion (“EDI”) strategy. It also provided oversight of the Bank’s EDI Policy and newly drafted guidance outlining the Bank’s approach to managing colleagues’ religions and beliefs and addressing racial inequalities.</p> <p>The Board re-adopted the Board Diversity Policy, as recommended by the Nomination Committee in July 2024, bearing in mind the FCA’s 2022 Policy Statement (“PS22/3”) regarding diversity and inclusion on Boards and Executive Management.</p>
Committee	During the year, the Nomination Committee continued to consider committee composition across all Board Committees.
Performance evaluation	<p>The Directors conducted their first skills self-assessment in late 2015 and the Board has completed one periodically since then. A skills self-assessment was undertaken in 2024, and a summary Board skills matrix was produced and reviewed by the Committee to inform generic skills gaps and individual development needs throughout 2024.</p> <p>The results of a self-effectiveness review completed by Committee members were reviewed by the Nomination Committee in December 2024.</p>
Election and re-election	The Committee reviewed the position of Directors offering themselves for election and re-election at the 2024 AGM.

Joint Audit Committee report

The Joint Audit Committee ensures that internal and external audit services are effective. It is responsible for efficacy and quality of the assurance received on the integrity of the financial statements and related internal controls

Dear Stakeholder

I would like to begin by thanking the previous Committee Chair, Glyn Smith, for his oversight and leadership of the Committee up to and throughout 2024. As with all Committee Chairs, a full handover was carried out and I am pleased to be taking the Committee forward in the context of the new ownership structure for the Bank. The below report outlines the Committee’s activities during 2024 and how the Committee had met its responsibilities as outlined in its terms of reference.

Iraj Amiri

Joint Audit Committee Chair, 6 March 2025

Overview of Committee activities in 2024

The Joint Audit Committee provides oversight and informed challenge over the systems of financial reporting and control, accounts preparation and internal and external audit processes. During 2024, it maintained its focus on the key accounting judgements for the Group, which included those judgements associated with, amongst others, redress activity following the final decision received by the Financial Ombudsman Service in respect of historical changes to closed book SVR mortgage rates, and recognition of contingent costs associated with the sale of the Group to Coventry Building Society in line with applicable financial reporting frameworks.

Throughout the year, the Committee received regular updates from management on the enhancements made to the independent assurance of the Bank’s regulatory reporting governance processes.

While the Group is not required to and does not comply with any corporate governance code, the Committee considered revisions made to the UK Corporate Governance Code, published by the Financial Reporting Council in January 2024, to ensure that the Bank’s corporate governance framework continued to reflect many of the provisions and principles set out in the 2024 Code.

The Committee noted the payment of a final ordinary dividend in May, and in November, recommended the payment of an interim dividend to the Board of the Holding Company. The Committee also received regular updates from Internal Audit (“IA”), including details of the refreshed risk assessment methodology for audit observations, and approved quarterly refreshes of the IA plan. The Committee has overall responsibility for climate-related financial disclosures, including consideration and approval of ESG-related disclosures. The Committee has continued to oversee the Group’s Concern at Work (Whistleblowing) arrangements.

Purpose of the Joint Audit Committee

To monitor, review and report to the Boards on the formal arrangements established by the Boards in respect of the financial and narrative reporting of the Group, the internal controls and the RMF, the internal audit and the external audit processes.

Meetings of the Joint Audit Committee were generally attended by all Non-Executive Directors. The Chief Executive Officer, Chief Financial Officer, invited members of the Finance and Risk teams and the Chief Internal Auditor have also attended, none of whom attends as of right. The independent auditors attend Joint Audit Committee meetings, and private meetings are held with internal and independent auditors and with the risk function as necessary to afford them the opportunity of discussions without the presence of management. The Committee met six times during the financial year. The Chair of the Joint Audit Committee reports to the Board on the outcome of meetings and the Board receives the minutes of all Committee meetings.

Committee membership	Date of appointment	Date of resignation
Iraj Amiri (Chair)	1 Jan 2025	-
Fiona Clutterbuck	1 Aug 2023	-
Brendan O’Connor	1 Jan 2025	-
Caroline Marsh	1 Jan 2025	-
Glyn Smith	10 Oct 2016	1 Jan 2025
Sue Harris	7 May 2019	1 Jan 2025
Raj Singh	12 Sep 2022	1 Jan 2025

The principal responsibilities and key areas of discussion of the Joint Audit Committee are set out overleaf.

Alignment with Risk Committee

The Joint Audit Committee recognises the common interest in issues relevant to both Committees. To support the co-ordination of information between the Committees, the Chair of each of the Joint Audit and Risk Committees is a member of both committees. Both the Joint Audit Committee and Risk Committee welcome attendance by representatives of Internal Audit and the independent auditors at their meetings.

Joint Audit Committee report continued

Principal responsibilities of the Joint Audit Committee

Financial and narrative reporting

Review the content of the financial statements included in this Annual Report and Accounts ('the financial reports') and advise the Boards on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the performance, business model and strategy.

Monitor the integrity of the financial statements.

Review and challenge where necessary:

- the consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the financial statements;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether appropriate accounting standards have been followed and appropriate estimates and judgements made, taking into account the views of the independent auditors;
- the assumptions or qualifications in support of the going concern statements and the disclosures made about the assessment;
- the clarity and completeness of disclosure in the financial reports and the context in which statements are made; and
- all material information presented with the financial statements, including the group strategic report and the corporate governance statements relating to audit and risk management.

Key areas discussed and reviewed by the Joint Audit Committee in 2024

The Joint Audit Committee allocates a number of meetings in its calendar to focus on the preparation for and review of the financial statements. During 2024, the review process included a detailed review of significant accounting judgements and accounting policies and formal reporting from the independent auditors. The Joint Audit Committee receives regular updates relating to key accounting judgements made and changes to existing, or implementation of new, accounting policies. The Joint Audit Committee also reviews the financial statements process to ensure that financial reporting risk is adequately managed.

Key judgements discussed as part of the 2024 accounts process are detailed on page 71, including reports by the independent auditors throughout the year.

The Boards receive a report from the Joint Audit Committee during the Board meetings, which considers the content of the financial statements. Compliance with accounting standards and the completeness of disclosures are also discussed.

The Joint Audit Committee reviewed and challenged the trading updates issued for the first and third quarters of 2024, the Interim Financial Report and the Annual Report and Accounts and recommended them to the Boards for onward circulation to the shareholders. As part of this review, it conducted quarterly going concern assessments. The Joint Audit Committee discussed the going concern conclusions, and the way in which the basis of conclusion was disclosed in the financial reports.

The Joint Audit Committee reviewed and recommended interim accounts for the nine months ended 30 September 2024 for the Holding Company, in support of the interim dividend of 0.996774 pence per ordinary class A share.

The Joint Audit Committee received updates on key regulatory developments including those that could impact the financial reporting process. It also received regular updates on the enhancements made to the Bank's regulatory reporting framework.

The results of a self-assessment of effectiveness review completed by Committee members were reviewed by the Joint Audit Committee in November 2024.

The Joint Audit Committee is responsible for the integrity of the non-financial and financial disclosures made within the Annual Report and Accounts including consideration and approval of ESG related disclosures.

Terms of reference

Review the Joint Audit Committee's terms of reference and monitor its execution.

The Joint Audit Committee conducted an annual review of its terms of reference and reviewed its performance against these in March 2024.

Joint Audit Committee report continued

Principal responsibilities of the Joint Audit Committee

Key areas discussed and reviewed by the Joint Audit Committee in 2024

Internal controls and risk management systems

Review the adequacy and effectiveness of internal financial controls and internal control and risk management systems and statements in the Annual Report and Accounts concerning internal controls and risk management.

Review the Group's arrangements for the deterrence, detection, prevention and investigation of fraud and receive and consider special investigation reports relating to fraud or major breakdowns in internal controls or major omissions including remedial action by management.

During 2024, the Joint Audit Committee considered the recommendations of Internal Audit and the independent auditors in respect of internal control mechanisms and monitored progress against those recommendations. Both the Chief Internal Auditor and the Chief Risk Officer attended Joint Audit Committee meetings throughout the year.

The Joint Audit Committee also considered reports on risk management, internal controls and other reports from management in relation to the Risk Management Framework or in relation to the Annual Report and Accounts.

Raising a concern at work (whistleblowing)

Review and challenge the adequacy, effectiveness and security of the arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and annually review and approve the Group's Raising a Concern at Work (Whistleblowing) Policy.

Annual review of the Concern at Work report.

The Joint Audit Committee received regular updates on incidents reported under the Group's Raising a Concern at Work (Whistleblowing) Policy including the identification of any trends. In November 2024, the Joint Audit Committee carried out an annual review of the Concern at Work report and reviewed and re-approved the Policy.

Internal audit

Review and approve the Charter of the internal audit function and ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, has unrestricted scope and is resourced to perform in accordance with appropriate professional standards for internal auditors.

Ensure the Chief Internal Auditor has direct access to the Chair of the Board and to the Chair of the Joint Audit Committee, and is accountable to the Joint Audit Committee, ensuring that Internal Audit is independent of the Executive and able to exercise independent judgement.

Review and approve the annual Internal Audit Plan and the reasons for any significant change or delay to this plan, ensuring that it includes the evaluation of the effectiveness of the risk, compliance and finance functions.

Receive reports on the results of the internal auditor's work.

Review and monitor management's responsiveness to the internal auditor's findings and recommendations.

Meet with the Chief Internal Auditor at least once a year without the presence of management.

Monitor and review the effectiveness of the Group's internal audit function, in the context of the overall risk management system and consider whether an independent, third party review of internal audit effectiveness and processes is appropriate.

Approve the appointment or termination of appointment of the Chief Internal Auditor.

An external assessment of the internal audit function is conducted at least every four years in accordance with the Group's Internal Audit Charter.

During 2024, the Committee provided a review and challenge of the Internal Audit Charter, the resources of the function and the plan of activities taking place throughout the year. The review included ensuring that the Charter conforms to Global Internal Audit Standards which were fully revised during 2024 and are effective from 9 January 2025.

The Joint Audit Committee regularly received and challenged changes to the Internal Audit Plan to ensure an appropriate level of oversight. The Committee monitored the '3 (months) + 9' approach to the Internal Audit plan, which was introduced during 2024.

The Joint Audit Committee receives a summary of all audits delivered and invites management, where required, to provide an update on agreed actions against high priority rated issues which are tracked to resolution.

The Committee noted the updated Audit Universe and the refreshed methodology for the risk assessment of the Audit Universe, from which the audit plan is derived.

During the year, in camera sessions were held with the Chief Internal Auditor. The Chair of the Committee also met regularly with the Chief Internal Auditor between meetings.

Joint Audit Committee report continued

Principal responsibilities of the Joint Audit Committee

Key areas discussed and reviewed by the Joint Audit Committee in 2024

External audit

Consider and make recommendations to the Boards, to be put to shareholders for approval at the AGMs, in relation to the appointment, reappointment and removal of the independent auditors.

Ensure that at least once every ten years the audit services contract is put out to tender and oversee the selection process. The Joint Audit Committee oversees the appointment of a new audit partner every five years, in line with the requirements of auditor independence rules.

If an auditor resigns, investigate the issues leading to this and decide whether any action is required.

Oversee the relationship with the independent auditors and review the findings of the audit with the independent auditors; approve their remuneration including fees for both audit and permitted non-audit services.

Develop and implement policy on the supply of non-audit services by the independent auditors specifying the types of non-audit service for which use of the independent auditors is pre-approved and the requirement to authorise provision of any non-audit services by the independent auditors to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter. Reporting of the use of non-audit services should include those subject to pre-approval.

Annually assess the independence and objectivity of the independent auditors and compliance with all applicable independence requirements.

Review any representation letter(s) requested by the independent auditors before they are signed by management; review the management letter and management's response to the auditor's major findings and recommendations.

Meet regularly with the independent auditors and at least once a year without the presence of management.

In 2022, the Boards approved, on the recommendation of the Joint Audit Committee, the appointment of PricewaterhouseCoopers LLP ("PwC") as the Group's external independent auditors for the year ending 31 December 2024. PwC were formally appointed as the Group's independent auditors at the AGM on 1 May 2024.

The Chair received and considered a report from the Financial Reporting Council ("FRC") detailing the outcome of their Audit Quality Review of Ernst & Young LLP's ("EY") 2023 audit. The limited findings of the report were discussed with EY, with no further actions taken.

The Joint Audit Committee liaised closely with the independent auditors in respect of their views on the most significant of the key accounting judgements and findings.

The Joint Audit Committee received and reviewed the external audit plan and considered and evaluated the results of the external audit.

In the course of making a recommendation to the Boards in respect of representations to the independent auditors, the Joint Audit Committee reviewed and challenged management assurances supporting management representation letters to the independent auditors.

The Joint Audit Committee considered the independent auditors' management letter containing observations arising from the annual audit leading to recommendations for control or financial reporting improvement and monitored progress.

The Joint Audit Committee reviewed and approved the policy for the supply of non-audit services by the independent auditors in February 2024.

The Joint Audit Committee reviewed the independence of the independent auditors and the objectivity of the audit engagement partner and audit staff using self-assessments from the independent auditors and reports from management around independence risks, and based on a review conducted by Internal Audit to review the independence and objectivity of the independent auditors and their effectiveness, which the Committee considered in February 2025.

In line with regulatory requirements, the Joint Audit Committee received a review opinion from the independent auditors around the profit reported in the 2024 Interim Financial Report.

During the year, in camera sessions were held with the independent auditors.

Joint Audit Committee report continued

1. Significant accounting matters considered by the Joint Audit Committee

In relation to the 2024 financial statements, the Joint Audit Committee considered the following significant accounting issues, matters and judgements. The disclosure and presentation of these matters were discussed and debated with management and the independent auditors, PricewaterhouseCoopers LLP ("PwC").

1.1 Going concern

The Group has used the most recent Board-approved five-year Financial Plan as the basis of its assessment in evaluating whether adopting the going concern basis of accounting is appropriate for the Group, Bank, Holding Company, Bank Company, Finance Company. This assessment included a detailed review of the forecast liquidity position, capital ratios, regulatory capital considerations and projected profitability, which management expects to be reasonable and sustainable over the Financial Plan period. The assessment also considered further, more pessimistic scenarios that could possibly occur. Appropriate consideration has been given to the principal risks and uncertainties that could affect future performance, and the Group has also considered the impact of its acquisition by Coventry Building Society.

The assessment of the going concern basis of preparation has been subject to a thorough process involving analysis and discussion by management, Executive and Board Committees and the Board, in line with our governance processes.

The Joint Audit Committee considered and recommended to the Board that the going concern basis of accounting be adopted and the disclosures prepared by management form part of note 1 to the consolidated financial statements.

1.2 Impairment of loans and advances to customers

The ongoing macroeconomic uncertainty has resulted in continued scrutiny of the forecasting of credit impairment losses. The Joint Audit Committee reviewed detailed papers prepared by management, focussing particularly on:

- the impact of the Group's economic forecasts when applied to the credit impairment models, and the appropriateness of any judgemental adjustments subsequently applied to counteract changes in modelled impairment provisions incongruent with the specific risk profile of the Group's credit exposures;
- the adequacy of more significant judgemental adjustments designed to address the issues around confidence in historical default data on the Group's main prime mortgage portfolio, as well as the continued need to reflect affordability adjustments within the wider suite of adjustments;
- the adequacy of the discount rates used within the ECL calculation; and
- the overall ECL coverage ratios and benchmarking comparisons to support conclusions reached on provision adequacy.

As in previous years, the Joint Audit Committee also reviewed the justifications for and valuations of new and existing operational model adjustments designed to compensate for specific model limitations. The Joint Audit Committee also reviewed management's governance and controls over the ECL assessment process. The Joint Audit Committee also carefully considered evidence in the post balance sheet period as to whether additional provisions were required relative to conditions existing at the balance sheet date.

1.3 Pensions

The Joint Audit Committee considered the accounting treatment of both of the principal defined benefit pension schemes, Pace and the Britannia Pension Scheme. The key judgements also considered by the Joint Audit Committee included the impact of the buy-in of the Britannia Pension Scheme, the continued ability of the Group to recognise the residual pension surpluses on balance sheet and the pension assumptions adopted within the IAS 19 valuation, including changes in assumptions used relative to previous years.

1.4 Deferred tax assets in respect of future taxable profits

The Joint Audit Committee reviewed papers prepared by management that confirmed that it remained appropriate to recognise a deferred tax asset in respect of future taxable profits. The Committee concurred with the appropriateness of the year end value of the deferred tax asset and also that the acquisition of the Group by Coventry Building Society would not impact the value of the asset recognised within the 2024 Annual Report and Accounts. The Joint Audit Committee also agree with management's recommendation to continue to adopt a number of possible future profitability scenarios based on the most recent Board approved plan, to estimate the utilisation of historical tax losses and to determine a range of deferred tax asset values. The valuation continues to be reviewed on a regular basis for appropriateness in the context of that range.

1.5 Effective interest rate

Management presented papers documenting the assumptions behind behavioural lives and economic assumptions used in estimating the carrying value of the Group's fixed rate mortgage portfolio under the effective interest rate ("EIR") method. The Joint Audit Committee reviewed the impact of changes in customer behaviour during 2024 on the EIR assumptions at the year end and concurred with the appropriateness of the year end value of the EIR asset and the judgemental assumptions set out within the paper.

1.6 Conduct risk and legal provisions

For conduct matters, a key focus of the Joint Audit Committee throughout the year was the matter relating to historical changes made to the SVR rate for certain closed-book mortgage customers, which had been subject to complaints and FOS decisions in recent years.

Joint Audit Committee report continued

The Joint Audit Committee monitored the adequacy of the provision that had been recognised following the decision to stand up a remediation programme in December 2023 through to its completion in the second half of 2024.

1.7 Other accounting matters

The Joint Audit Committee considered papers presented by management covering other matters and concurred with the conclusions, which included the following:

- the impairment review of tangible and intangible assets;
- the recognition of liabilities for variable pay and advisory success fees associated with the successful acquisition of the Group by Coventry Building Society; and,
- the continued appropriateness of not consolidating the Warwick, Avon and Stratton unconsolidated structured entities.

1.8 Unadjusted errors

The independent auditors reported to the Joint Audit Committee the misstatements identified in the course of their work, including in respect of prior years; there were no unadjusted errors that were material individually, or in aggregate, to the financial statements.

1.9 Fair, balanced and understandable

The Joint Audit Committee considered whether the 2024 Annual Report and Accounts are fair, balanced and understandable. The Joint Audit Committee satisfied itself that there was a robust process of review and challenge to ensure balance and consistency. This process included internal verification of the document and senior level review of the document both on an individual and committee basis prior to a meeting of the Joint Audit Committee held to review and consider the Annual Report and Accounts in advance of approval by the Board.

2. Governance over accounting policy and judgements

The Joint Audit Committee considered the governance to support the mitigation of financial reporting risk, including the process through which accounting judgements are reviewed, challenged and ratified.

3. Performance evaluation

3.1 External audit

The Joint Audit Committee is responsible for oversight of the independent auditors, including reviewing the audit strategy and, on behalf of the Board, approving the audit fee.

Ernst & Young LLP ("EY") was appointed as the Bank's statutory auditor with effect from the 2014 financial year and remained statutory auditor until the AGM on 1 May 2024. Michael-John Albert of EY was the Senior Statutory Auditor from the 2019 financial year until EY stepped down.

The Joint Audit Committee is conscious of the requirement to conduct a mandatory tender at least every ten years and rotate auditors at least every 20 years. An audit tender process commenced in 2022 with PwC appointed as the Bank's statutory independent auditors for the year ending 31 December 2024 at the AGM on 1 May 2024. Daniel Brydon of PwC is the Senior Statutory Auditor.

The Joint Audit Committee has developed and implemented a policy on the supply of non-audit services by the independent auditors to avoid any threat to auditor objectivity and independence, taking into consideration any relevant guidance on the matter. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that existing knowledge and understanding is necessary. Management regularly provides the Joint Audit Committee with reports on audit, audit-related and non-audit expenditure, together with proposals of any significant non-audit related assignments.

Total auditors' remuneration for the year amounted to £3.3m (2023: £3.2m). Details of the auditors' remuneration can be found in note 4 to the consolidated financial statements. The Joint Audit Committee is satisfied that the remuneration payable to the independent auditors is not material relative to the income of the independent audit officers and firm as a whole, and did not impair the objectivity and independence of the independent auditor.

The Joint Audit Committee evaluated the performance, independence and objectivity of PwC since appointment and also reviewed their effectiveness as independent auditor, taking into account the following factors:

- the competence with which the independent auditors handled the key accounting and audit judgements and communication of the same with management and the Joint Audit Committee;
- the independent auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners;
- the independent auditors' qualifications, expertise and resources and their own assessment of their internal quality procedures;
- the independent auditors' assessment of any potential threats to independence that were self-identified and reported by PwC; and
- the independent auditors' response to FRC quality reviews of PwC.

During 2024, the previous independent auditor, EY, provided the Joint Audit Committee with a management letter summarising its main observations and conclusions arising from the 2023 year end audit, and any recommendations for enhancements to reporting and controls. Mitigating actions were identified for implementation. Internal Audit has been monitoring and tracking the implementation of these actions, with regular reporting to the Joint Audit Committee on progress made.

Joint Audit Committee report continued

3.2 Internal controls

The Board is ultimately responsible for the system of internal controls and it discharges its duties in this area by ensuring management implements effective systems of risk identification, assessment and mitigation. These risk management systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and cannot provide absolute assurance against material misstatement or loss.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting, including the consolidation process. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. A strategic planning, budgeting and forecasting process is in place. Monthly financial information is reported to the Board and management. The Executive Committee reviews performance against budget and forecast on a monthly basis and senior financial managers regularly carry out an analysis of material variances. Responsibility for reviewing the effectiveness of the internal controls has been delegated to the Joint Audit Committee by the Board.

The Joint Audit Committee uses information drawn from the following sources to carry out this review:

- the internal audit function provides objective assurance – its annual work plan is developed in conjunction with management and approved by the Joint Audit Committee, focussing on key risks and key internal controls. In the light of the internal audit function’s recommendations, management develops and implements corrective action plans, which are tracked to completion by Internal Audit, with the results reported to Executive management and to the Joint Audit Committee;
- the Risk Management Framework for reporting and escalation of control issues, and
- further objective assurance is provided by external specialists.

3.3 Internal audit

The Joint Audit Committee monitors the independence of the internal audit function and the Chief Internal Auditor reports directly to the Chair of the Joint Audit Committee and administratively to the Chief Executive Officer. Karen Bassett was appointed to the role of Chief Internal Auditor in November 2023.

The Joint Audit Committee receives a summary of internal audit reports on a quarterly basis and considers the most significant observations, along with management’s remediation activity in response. Audit reports are issued to Executive management, with high-rated audit issues tracked to completion by Internal Audit. Where audit issues are overdue, these are reported to Executive management, the Executive Risk Oversight Committee (“EROC”) and the Joint Audit Committee.

The Joint Audit Committee annually assesses the effectiveness of the internal audit function, and considers on a quarterly basis whether it has appropriate resources and skills (supported by external subject matter experts where appropriate). The Joint Audit Committee evaluates whether the function meets the Chartered Institute of Internal Auditors’ (“CIIA”) International Standards. During the current year the Joint Audit Committee concluded that the function remains effective and appropriately resourced.

Periodically an independent external quality assessment (“EQA”) is conducted. The last EQA was performed in 2021 and the function was rated as Generally Conforms to the IIA Standards. No high priority issues were raised. Internal audit is committed to continuous improvement and has a roadmap to set out and monitor progress on this which is noted by the Joint Audit Committee. The 2024 roadmap was delivered in full.

The Joint Audit Committee assesses the coverage of the audit plan over key risks and areas of the Group. The plan is approved by the Joint Audit Committee and shared with the Regulator. The Internal Audit plan is constructed using a risk based approach by considering highest audit needs through a formulaic risk assessment of the Audit Universe, which also captures cyclical coverage and can be overlaid with judgement when necessary, as a structured approach to prioritisation. Audit need is assessed by using an Audit Universe which covers all areas of the Group and alignment to the principal risks and strategic priorities.

Internal Audit produces an annual control opinion. During 2024, Internal Audit concluded that the Bank’s control framework effectively identifies and mitigates risks across most areas of the Bank, with some specific areas that require strengthening. Where areas require strengthening, management has put plans in place to address high priority observations within six months. Internal Audit has not identified any issues from our assurance work during the year that could have materially impacted the financial records of the Bank that the independent auditors would not have accounted for through their substantive testing approach. We have had regular meetings with PwC to share any significant audit observations.

The Joint Audit Committee report should be read in conjunction with the independent auditors’ reports to the members of each company which can be found on the following pages:

The Co-operative Bank p.l.c.	142
The Co-operative Banking Holdings p.l.c.	152
The Co-operative Bank Finance p.l.c.	162

Risk Committee report

The Risk Committee has responsibility for the oversight of the operation of the Risk Management Framework

Dear Stakeholder

This is my first report as Chair of the Risk Committee having succeeded Raj Singh on 1 January 2025, following the acquisition of the Bank by the Society. I would like to thank Raj Singh for his dedication and significant contribution to the effective running of the Risk Committee over the last couple of years.

Brendan O'Connor

Risk Committee Chair, 6 March 2025

Overview of Committee activities in 2024

During 2024, the Risk Committee spent time reviewing and challenging the refreshed approach to the setting and reporting of Key Risk Appetite Measures ("KRAMs") and the Significant Risk Process. The Committee reviewed the Bank's capital management, and its liquidity management prior to submission to the regulator. The Committee considered the effectiveness of the Risk Management Framework, as well as the controls around large credit approvals as the Bank continues to grow its SME business. Other areas of focus for the Committee throughout 2024 included fraud prevention, the Bank's cyber security measures, technical debt (out-of-support IT systems) remediation, the Bank's Consumer Duty self-assessment and the continued evolution of the Bank's risk models.

Purpose of the Risk Committee

The purpose of the Risk Committee is to review and challenge the Bank's risk appetite and report its conclusions to the Board for approval, and oversee the implementation of the risk management framework ("RMF"), taking a forward-looking perspective and anticipating changes in business conditions.

The Risk Committee met in total six times during the financial year. In performing its duties, the Risk Committee has access to the services of the Chief Risk Officer, the Chief Executive Officer, the Chief Financial Officer, the Chief Internal Auditor, the Chief Operating Officer and the Chief Information Officer, as well as external professional advisors. To support the alignment between the role of the Risk Committee and the Joint Audit Committee, the Chair of the Joint Audit Committee is a member of the Risk Committee and the Chair of the Risk Committee is a member of the Joint Audit Committee.

Fiona Clutterbuck and Mark Parker are also members of the Remuneration Committee. This provides the cross-over between the work of the Remuneration and Risk Committees and ensures that qualitative and quantitative advice is provided to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in setting levels of Executive remuneration.

During 2024, the RMF has been, and continues to be, refined to reflect the changing nature of the risks the Bank is exposed to. The Risk Committee has worked closely with the Joint Audit Committee to monitor risk management and internal controls and during 2024, the independent auditors attended the Risk Committee as an observer and contributed when requested by the Chair.

Principal risks and the level of acceptable risks are determined by reference to what is stipulated in the risk appetite statements, aiming to ensure that there is an adequate system of risk management and that the levels of capital and liquidity held are consistent with the risk profile of the business. Exposure to credit and other risk types such as market, liquidity, operational, pension, reputational, financial risk from climate change and other risks that are inherent in our industry such as strategy, product range and geographical coverage, and the processes for managing those risks are set out in more detail on pages 96 to 109.

Committee membership	Date of appointment	Date of resignation
Brendan O'Connor (Chair)	1 Jan 2025	
Fiona Clutterbuck	1 Aug 2023	
Mark Parker	28 Oct 2023	
Iraj Amiri	1 Jan 2025	
Raj Singh	12 Sep 2022	1 Jan 2025
Glyn Smith	10 Oct 2016	1 Jan 2025
Sue Harris	29 Jul 2020	1 Jan 2025
Sebastian Grigg	11 Jan 2021	1 Jan 2025

The principal responsibilities and key areas of discussion of the Risk Committee are set out overleaf.

Risk Committee report continued

Principal responsibilities of the Risk Committee	Key areas discussed and reviewed by the Risk Committee in 2024
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Terms of Reference

Review the Risk Committee’s terms of reference and monitor its execution.	The Risk Committee conducted an annual review of its terms of reference and reviewed its performance against these metrics.
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Risk Management Framework (“RMF”)

Review and challenge the design, implementation and effectiveness of the RMF and make recommendations to the Board for approval.	The Risk Committee reviewed, challenged and recommended the refreshed key risk appetite measures (“KRAMs”) for 2025 to the Board for approval.
At least annually, review and approve all new policies and those which have changed materially, supporting the RMF.	The Risk Committee reviewed and recommended the refreshed RMF policy to the Board for approval, and reviewed all new policies and those which had changed materially, supporting the RMF policy.
Ensure the remit of the risk management function has: <ul style="list-style-type: none">adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards; andadequate independence, being free from management or other restrictions.	The Risk Committee considered a report which reviewed the remit, independence and effectiveness of the risk and compliance functions.
Review the capability to identify, assess, and manage new risk types.	

Risk culture

Review, promote and challenge the risk culture, and seek assurance to satisfy itself that an appropriate risk culture prevails in the organisation.	At each meeting of the Risk Committee, the Chief Risk Officer presents the Bank Risk Report described above which provides a holistic view of risks, including a summary of the key risk appetite trends, significant risks and emerging risks.
Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in Executive remuneration.	The Risk Committee reviewed any breaches of Board level risk appetites and discussed the results of the risk culture survey conducted in the first quarter of the year. The Risk Committee further considered the benefit of an independent review of the risk culture.
	All employees were required to have at least one risk-related objective for 2024. The Chief Risk Officer has reviewed risk weightings applying to Executive remuneration structures and provided analysis to support Remuneration Committee activities in this area.

Risk Committee report continued

Principal responsibilities of the Risk Committee

Key areas discussed and reviewed by the Risk Committee in 2024

Bribery prevention, anti-money laundering/terrorist financing and Code of Conduct

Review and challenge the adequacy and effectiveness of the systems and procedures for the prevention of bribery and annually review and approve the Group's Internal Fraud and Anti-Bribery and Corruption Control Standard.

Review and challenge regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the anti-money laundering and counter-terrorist financing systems and controls.

Review and recommend to the Board for approval the Code of Conduct and the Personal Investment Dealing Policy

The Group's Internal Fraud and Anti-Bribery and Corruption Control Standard was updated and approved in July 2024 by the Risk Committee with no material changes.

The Risk Committee received and challenged the results of the annual external fraud risk assessment.

The Risk Committee considered reporting from the Money Laundering Reporting Officer during the year.

The Risk Committee reviewed and recommended the Code of Conduct and Personal Investment Dealing Procedure to the Board during the year.

Business strategy

Provide detailed review and challenge of proposed business strategy, giving consideration to the impact on the risk profile, and make recommendations to the Board.

Ensure appropriate due diligence is carried out focussing on risk aspects and implications for risk profile and appetite when advising the Board on strategic acquisitions or disposals.

The Risk Committee, throughout 2024, discussed and monitored the principal risks and uncertainties faced, reviewed the 2024 budget as part of the Board approval process and considered the impact of other strategic decisions throughout 2024.

Risk monitoring

Consider, oversee and advise the Board on, and provide challenge on the Group's exposure to, all principal risks to the business, and dedicate clear and explicit focus to current and forward-looking aspects of risk exposure, especially where those risks could undermine strategy, reputation or long-term viability.

Review and challenge management's risk mitigation and control remediation actions.

In co-operation with the Joint Audit Committee, monitor identified control failings and weaknesses that raise systemic risk issues and management actions taken to resolve them.

Review reports on any material breaches of risk limits and the adequacy of proposed action.

Consider risks posed by the current and prospective macroeconomic and financial environment, drawing on financial stability assessments such as those published by the BoE, the PRA, the FCA and other authoritative sources that may be relevant for the Group's risk policies when preparing advice for the Board.

The Risk Committee monitors all principal risks to the business using the Bank Risk Report which provides a holistic view of risk, including significant and emerging risks and risk appetite trends.

The Risk Committee discussed the FCA's Policy Statement on strengthening protections for borrowers in financial difficulty and received regular updates with regard to the implementation of the requirements.

During 2024, the Risk Committee reviewed reports on potential breaches of risk appetite and proposed actions to resolve them.

The Risk Committee considered key corporate exposures in terms of consolidated exposures and large exposure positions and risk mitigation as and when relevant. It also recommended to the Board a new process for the approval of large lending facilities to enable the Bank to further grow its SME lending.

The Risk Committee has received regular reporting to help it review IT and cyber risks. This was a focus of the Risk Committee throughout 2024, in particular, understanding and monitoring the impact of technical debt (out-of-support IT systems) on the Bank's IT and cyber risks.

The Risk Committee has considered reporting of emerging risks during the year, together with regulatory feedback given to the Bank by the PRA and the FCA and the plans agreed with regulators published to the market from time to time.

Risk Committee report continued

Principal responsibilities of the Risk Committee

Key areas discussed and reviewed by the Risk Committee in 2024

Regulatory risks and compliance

Review and approve the annual Compliance Assurance Plan and the reasons for any significant changes to the plan, taking into account the regulatory risks identified from time to time.

Review, consider and challenge regular reports from the Director of Compliance and keep under review the adequacy and effectiveness of the regulatory risk and compliance function.

Receive prompt notification of any material adverse reports or sanctions by any competent authority.

The Risk Committee monitored and received progress updates on the implementation of the SS1/23 framework in response to the PRA's Policy Statement 11/20, and approved the updated Risk Model Policy.

The Risk Committee reviewed, challenged and approved the 2024 Compliance Assurance Plan in February 2024, which provides coverage of principal risks including conduct, regulatory, fraud and Anti-Money Laundering.

The former and incumbent Chief Risk Officer and Director of Compliance attended Risk Committee meetings during the year providing regular reporting analysis. They also attended regular in camera sessions with the Risk Committee to ensure relevant topics could be discussed in detail without management in attendance.

During 2024, the Risk Committee considered a report which reviewed the remit, independence and effectiveness of the risk and compliance functions.

Risk appetite, limits and tolerances

Review, challenge and recommend to the Board for approval all new risk appetite statements and at least annually, or more frequently as required, the risk appetite.

Review, challenge and approve any material changes to the risk appetite measures, tolerances and limits.

Review, challenge and exercise oversight of capital and liquidity management and advise the Board on strategy for capital and liquidity management.

Annually review, challenge and recommend to the Board for approval the ICAAP.

Annually review, challenge and recommend to the Board for approval the ILAAP.

Review, challenge and recommend to the Board for approval submissions to competent authorities to be submitted in the Board's name.

The Risk Committee continues to work with the Chief Risk Officer to refine the quality of data reporting seen at Committee and Board levels in order to assist the Risk Committee in its oversight of the monitoring of risk appetite, risk acceptances and risk events.

The Risk Committee reviewed, challenged and recommended to the Board for approval, the risk appetite during 2024.

The Risk Committee reviewed and challenged the utilisation of delegated lending within the boundaries of the Lending Discretion Framework during 2024.

The Risk Committee reviewed, challenged and recommended the ICAAP and ILAAP to the Board for approval and noted the Recovery Plan.

The Asset and Liability Committee ("ALCo") was moved to report directly into the Risk Committee, further allowing the Risk Committee to provide oversight of the Bank's capital management and liquidity management.

Prior to recommending to the Board for approval, the Risk Committee reviewed all material submissions to be provided to regulatory bodies.

Risk Committee report continued

Principal responsibilities of the Risk Committee

Key areas discussed and reviewed by the Risk Committee in 2024

Risk reporting

Receive reports, findings and recommendations from the Executive Risk Oversight Committee, noting significant issues.

Receive reports, findings and recommendations from the Bank's Asset and Liability Committee, noting significant issues.

In co-operation with the Joint Audit Committee, review and approve the statements to be included in the Annual Report and Accounts concerning internal controls and risk management.

Through reporting from the Chief Risk Officer, the Risk Committee continued to have access to the findings and recommendations of the Executive Risk Oversight Committee on matters referred to the Risk Committee or to the Board.

In April 2024, the Risk Committee approved the terms of reference for the Executive Risk Oversight Committee and in July 2024, it discussed the results of the Executive Risk Oversight Committee's self-effectiveness review.

It was agreed that the Asset and Liability Committee would report directly into the Risk Committee rather than the Executive Committee. In November 2024, the Risk Committee approved the terms of reference and discussed the results of the Asset and Liability Committee's self-effectiveness review.

The Risk Committee continues to work closely with the Joint Audit Committee in determining the Group's annual reporting.

Chief Risk Officer

Recommend to the Board the appointment and/or removal of the Chief Risk Officer.

Meet at least once a year with the Chief Risk Officer without the presence of management.

The Committee Chair regularly met with the Chief Risk Officer without the presence of management during the year. During 2024, the Risk Committee resolved to recommend the acceptance of the former Chief Risk Officer's resignation to the Board and the appointment of the new Chief Risk Officer.

In camera sessions were held regularly between the Risk Committee and the former and incumbent Chief Risk Officer.

During 2024, the Risk Committee considered a report which reviewed the remit, independence and effectiveness of the risk and compliance functions.

Values and Ethics Committee report (now Values & Ethics and Nomination Committee)

Our long-held commitment to co-operative values and ethics secures our market leadership in ESG for the fourth consecutive year.

Dear Stakeholder,

As the Chair of The Co-operative Bank’s Values & Ethics and Nomination Committee, it is my great pleasure to introduce the 2024 committee report. Although our committee structure has changed in 2025, with the Values and Ethics Committee merging with the Nomination Committee, our commitment to values and ethics remains unchanged. Our customers tell us what matters to them, and we take action on it. Protecting the natural world has been at the heart of our customer-led Ethical Policy for over 30 years and was the number one priority for our customers in our 2021 Values and Ethics Poll.

Our work towards becoming a Net Zero carbon business by 2050 continues, with our scope 1 and 2 emissions reducing by 14.8 % since 2023. Minimising our own environmental impact is our biggest priority - our operations have been carbon neutral since 2007, we’re committed to becoming a lifetime carbon neutral bank and we send zero waste to landfill. We have expanded our product range with new ESG products in 2024, including offering lower mortgage interest rates to customers who purchase energy efficient properties, helping to reduce their energy bills and do their bit for the planet.

Developing a new ESG strategy was a priority for the Bank in 2024. Our ESG strategy sets ambitious targets and strategic priorities and ensures that ESG is embedded in everything we do. This strategy is implemented by our new ESG taskforce with oversight from the Board, and includes members from all areas of the Bank who champion ESG leadership.

These initiatives and our commitment to not finance the extraction or processing of fossil fuels resulted in the Bank being recognised as a Which? Eco Provider for current accounts for the second year running, and we were rated as the UK’s best high street bank for ESG by Morningstar Sustainalytics for the fourth consecutive year, with a score of 11.2. This demonstrates to our customers the impact of choosing to bank with an ethical bank.

Joanne Kenrick

Chair of the Values & Ethics and Nomination Committee, 6 March 2025

Purpose of the Values and Ethics Committee

The purpose of the Values and Ethics Committee was to recommend to the Board, for its approval and adoption, the co-operative values and ethical policies of the Group, and to report at least annually to the Board on the Bank’s compliance with its Statement to Co-operatives UK and with the Bank’s values, ethics and sustainability strategies. This is now captured in the terms of reference of the Values & Ethics and Nomination Committee.

The Values and Ethics Committee was constituted on 1 November 2013 to demonstrate the Bank’s commitment to promoting and conducting its business in accordance with its established values and ethics. The Chief Executive Officer attended meetings of the Values and Ethics Committee.

The values and ethics of the co-operative movement have always been central to our customers, and in 1992 we became the first UK bank to have a customer-led Ethical Policy. The policy has now been in place for over 30 years and is refreshed periodically, most recently in 2022. It remains unique in UK banking because it is shaped by our customers and embodies the values of the co-operative movement.

The Values and Ethics Committee’s terms of reference required it to meet four times a year. In line with its terms of reference, the Values and Ethics Committee focussed in 2024 on review of performance against co-operative values

and its ethical policies, review and challenge of the Sustainability Report and reinforcement of the Bank’s ethical difference. Consideration of values and ethics is a mandatory requirement for all reports to the Board and its Committees. The Values and Ethics Committee’s remit extended to ensuring appropriate oversight of compliance with the Group’s ESG and sustainability aims. This is now captured in the terms of reference of the Values & Ethics and Nomination Committee.

Committee membership	Date of appointment	Date of resignation
Sue Harris (Chair)	7 May 2019 ¹	1 Jan 2025
Bob Dench	14 Mar 2018	1 Jan 2025
Raj Singh	1 Aug 2023	1 Jan 2025
Mark Parker	28 Oct 2023	1 Jan 2025

Committee membership	Date of appointment	Date of resignation
Joanne Kenrick (Chair)	1 Jan 2025	-
Martin Stewart	1 Jan 2025	-
Fiona Clutterbuck	1 Jan 2025	-
Iraj Amiri	1 Jan 2025	-

Values and Ethics Committee report (now Values & Ethics and Nomination Committee)

continued

Principal responsibilities of the Values and Ethics Committee

Key areas discussed and reviewed by the Values and Ethics Committee in 2024

Values and ethical policies

Recommend to the Board for approval and adoption the co-operative values and ethical policies of the Group.

Represent, monitor and advise the Board on matters concerning the interests of all stakeholders in their dealings with the Group in line with the Articles of Association having regard to::

- i) applicable legal and regulatory requirements;
- ii) the need to be commercially sustainable and profitable; and
- iii) the desirability of maintaining and enhancing image and public reputation.

The Values and Ethics Committee oversaw the Group's continued adherence to the Ethical Policy which was refreshed in June 2022 to reflect changing priorities and the findings of a customer and colleague consultation which took place during the summer of 2021. The Values and Ethics Committee also received regular reports on external ESG ratings.

The Values and Ethics Committee focused on developing the Climate Action Plan and pathway to Net Zero. It also considered the ways in which the Bank could further bring together its charity partnership strategy and its ESG strategic priorities.

The Values and Ethics Committee discussed the Group's activities to support positive social change, including support for the Postcode Gardener Project with 'Friends of the Earth', campaigning to transform the private rental sector with Shelter and support for The Co-operative Bank Charitable Fund whereby 1 % of the Bank's profits go towards supporting values and ethics activities in our community. The Bank has also continued to support Amnesty International and its initiatives in 2024 as well as Centrepont, through opening an apprenticeship scheme for young people, providing access to banking and holding Employment Support sessions to help young people develop their skills and confidence.

Statement to Co-operatives UK

Monitor compliance with the Statement¹ to Co-operatives UK and report on this at least annually to the Board.

1. The statement underpins our commitment to promote co-operative activities and to operate in line with co-operative values.

The Values and Ethics Committee monitored the Group's compliance with its statement to Co-operatives UK at each meeting. Regular meetings continue between management and Co-operatives UK to monitor compliance with the statement.

The Values and Ethics Committee monitored progress against the commitment to the partnership with Co-operatives UK for the Business Support Programme for Co-ops, which promotes social and economic development and enterprise in accordance with co-operative values.

Terms of reference

Review the Values and Ethics Committee's terms of reference and monitor its execution.

The Values and Ethics Committee conducted an annual review of its terms of reference and reviewed its performance against these.

Directors’ Report

Unless marked otherwise, information in this report is unaudited.

The Directors of The Co-operative Bank Holdings p.l.c., The Co-operative Bank Finance p.l.c. and The Co-operative Bank p.l.c. (the Directors) present their report and audited accounts for the year ended 31 December 2024.

The Co-operative Bank Holdings p.l.c. (Registered number 10865342), The Co-operative Bank Finance p.l.c. (Registered number 11598074) and The Co-operative Bank p.l.c. (Registered number 00990937) and its subsidiaries provide a range of banking and financial services in the United Kingdom. See page 12 for a full description of our business model and focus.

Engagement with stakeholders, including employees and customers, is included in the s172 statement on page 51.

Dividends

The Directors do not recommend payment of a final dividend in respect of the year ended 31 December 2024.

The shareholders approved a final dividend in respect of the year ended 31 December 2023 of £12m, representing 0.13290p per class A ordinary share, at the 2024 Annual General Meeting. In November 2024, the Board approved an interim dividend of £90m, representing 0.996774p per class A ordinary share.

Business review, future developments, post balance sheet events and financial risk management objectives and policies

The business review and future developments, key performance indicators, principal risks and uncertainties are referred to in the group strategic report or the information on pages 96 to 109. Financial risk management objectives and policies (which includes risk management of financial instruments) can be found as detailed below:

	Pages
Detailed financial performance review	41 to 44
Risk management objectives and policies	96 to 99
Principal risks and uncertainties	100 to 109
Risk management of financial instruments	110 to 140

Post balance sheet events

On 1 January 2025, following the granting of regulatory approval on 28 November 2024, the entire issued class A ordinary share capital of The Co-operative Bank Holdings p.l.c. was acquired by the Coventry Building Society, and the issued class B redeemable preference share capital of The Co-operative Bank Holdings p.l.c. was fully redeemed at nominal value.

The acquisition of the Group by the Coventry Building Society has had no impact on the Group’s accounting reference date. All expenses or liabilities of the Group

contingent on the acquisition, including advisor success fees and transaction-contingent variable pay awards, have been recognised in these financial statements in accordance with the applicable financial reporting framework. Future possible impacts of the acquisition effective from 1 January 2025, which may include alignment of accounting policies and consideration of significant judgements in the context of the wider group, will be considered during the 2025 reporting period.

Going concern

The assessment of the appropriateness of the going concern basis of accounting for The Co-operative Bank Holdings p.l.c., The Co-operative Bank Finance p.l.c. and The Co-operative Bank p.l.c. (“the Companies”) in the 2024 Annual Report and Accounts has been subject to thorough consideration, involving analysis and discussion by management, Executive and Board Committees and the Board, in line with our governance process.

The Directors have assessed the going concern status using a framework focusing on forecast capital, liquidity and profitability as set out within the Group’s most recent Board-approved five-year Financial Plan. The Directors have also considered the principal risks and uncertainties, along with the most relevant regulatory requirements, including future anticipated capital requirements, in addition to any other relevant and material information. After making enquiries of management and considering the five-year forecast, in particular for the period ended 30 June 2026, the Directors have a reasonable expectation that the Companies will have adequate resources to remain in operational existence. For these reasons, they continue to adopt the going concern basis in preparing these financial statements. For more details see note 1 to the consolidated financial statements.

Political donations

There is a policy that no donations are made for political purposes, and none have been made.

Directors’ details

Details of Directors, including changes to the composition of the Boards during the financial year, and changes since the end of the financial year, are provided on page 60 within the corporate governance report.

Directors’ third party and pension scheme indemnity provisions

Details of insurance and indemnities in place for the benefit of the Directors are provided within the corporate governance report.

Related parties

Details of related party transactions are set out in note 31 to the consolidated financial statements, note 24 to the Bank Company financial statements, note 5 to the Finance Company financial statements and note 6 to the Holding Company financial statements.

Directors' Report continued

Corporate responsibility

Corporate responsibility activities are outlined on pages 79 to 80.

Streamlined Energy and Carbon Reporting

The GHG emissions report, including Streamlined Energy and Carbon Reporting 2018 compliance, is detailed within the climate-related financial disclosures on pages 28 to 40.

Anti-bribery and corruption

Based upon the business activity, strategy and UK focus of the Group, it is assessed as being an inherently low-risk organisation in terms of bribery and corruption. For 2024, there are no anti-bribery matters to disclose and no material risks have been identified. The Group has a comprehensive Internal Fraud and Anti-Bribery & Corruption Control Standard, part of which requires due diligence on new third party suppliers and treasury counterparties during the onboarding process and is supplemented by annual due diligence of existing suppliers. In addition, annual training is provided to all colleagues on their anti-bribery and corruption obligations.

Our people

Our commitment to our customer-led Ethical Policy continues to shape our evolving approach to ensuring an ethical workplace. 'People' remains one of the core pillars of our Ethical Policy as we're committed to acting in a way that helps people live their lives freely, equitably and safely. This includes how we treat our colleagues as well as how we treat our customers.

Our people approach is underpinned by our values and expected behaviours, which ensure we are all moving in the same direction and delivering in the right way. We expect all colleagues to hold themselves and each other to account, so we demonstrate our values consistently, ensuring we are at our best for our customers, communities, stakeholders and each other.

Leadership and succession planning

Good leadership is integral to shaping the right culture for the Bank. Our internal leadership development offering provides a range of opportunities for colleagues to select from, including regular fundamental knowledge and skills sessions for people managers; a programme of masterclasses and leader drop-ins run by senior leaders focussed on the Group's core leadership capabilities; updated leader guides, and a Bank-wide mentoring programme.

The leadership development offering focusses on different career stages and has helped colleagues to translate ambition into action through personal development opportunities. Programmes are available from entry level talent and development to a leadership group for leaders with future ambition and capability to be our next generation senior leadership.

Our leadership focus sits alongside our performance management framework that looks at both what is achieved and, equally importantly, how it is achieved. This approach to performance, along with a focus on nurturing talent across the Bank and robust succession planning, means we have been able to continue to offer progression through internal moves to support structure and operating model changes.

In 2024, we ran an internal talent development programme for a cohort of 29 high potential leaders. This development programme has been designed and delivered in-house to support colleagues in their development journey and to ensure we have a strong pipeline of talent for our critical leadership roles.

Entry talent and development

Our entry programme continues to build a strong pipeline of future leaders. Our 2024 recruitment campaign attracted nearly 2,800 applications and resulted in seven graduates, two industrial placements and two interns joining the Bank.

We have 81 colleagues studying towards an apprenticeship programme across a variety of areas, including accountancy and taxation, customer service, credit risk, human resources, risk and compliance, IT, mortgages and management qualifications.

Inclusion and diversity

The Co-operative Bank came together over 150 years ago to stand up for the ideal of co-operative values and principles to build a better society for all. At The Co-operative Bank we strive to create a vibrant, ethical and sustainable working environment that celebrates diversity, promotes inclusion and enables colleagues to achieve excellence. Creating an ethical workplace and culture for all our colleagues is one of our commitments within the 3 pillars of our customer-led Ethical policy.

We know how powerful a truly inclusive and diverse community can be where everyone feels they belong, can be their authentic selves and use their voice for positive change.

Diversity encompasses acceptance and respect, and recognising individual differences to engage the uniqueness of our colleagues to create a culture of belonging.

In 2024 a new Equality, Diversity, and Inclusion ("EDI") Lead role was created to support the Bank in developing our EDI strategy, aligning our goals with our values and ethics, ESG strategy and strategic cultural aims. We promote equality of opportunity and aim to create a workforce that is representative of our society, knowing that embracing difference enhances the capability of The Co-operative Bank.

Directors' Report continued

Our fair, diverse and inclusive culture is underpinned by our inclusion networks and forums, run by colleagues for colleagues. Each network and forum has its own area of focus and associated activities, but are intersectional wherever possible. All networks are open to all colleagues regardless of their demographics, and all actively welcome allies.

We have worked closely with our colleague Inclusion Networks and introduced new forums throughout 2024:

- Access, supporting colleagues with disabilities, long-term health conditions and caring responsibilities;
- REACH, our race, ethnicity and cultural heritage network;
- Proud Together, our LGBT network;
- Elevate, our gender equality network;
- Futures, our careers network;
- Working Carers, creating a safe, honest and confidential space for previous, current and future working carers;
- Parents and Family Forum, creating a safe, honest and confidential space for parents, step-parents, adopted parents, and wider family; and
- Menopause Forum, creating a safe, honest and open space in regard to all Menopause matters.

These groups provide a safe and supportive environment in which to discuss issues relating to equality, diversity and inclusion as well as to provide support and networking. By exploring our diverse thinking we can influence cultural change at the Bank.

We remain committed to recruiting and retaining people with disabilities or health conditions for their skills and talent. Under this commitment and aligned to our renewed Disability Confident Scheme commitments, interviews continue to be offered to all candidates with a disability who meet the minimum criteria for the role. Policies and processes are in place to support disabled colleagues and we are dedicated to making reasonable adjustments for colleagues whilst in our employment. Our commitment to HM Treasury's Women in Finance Charter remains as strong in 2024 as it was in 2016 when we were one of the first banks to sign up to the charter. Over the last eight years we have seen female representation in the Bank's senior leadership roles increase from 32 % to 43.2 %. We will continue to encourage and support women to develop their confidence in seeking progression opportunities alongside their male colleagues in 2025.

By developing an enhanced EDI strategy that further compliments our values and ethics we can ensure we are fully embracing and celebrating the rich diversity within our society. We believe that this focus on a more diverse workforce will create a more productive, successful and engaged workforce and will consequently help us reduce our gender and ethnicity pay gaps over time and address inequalities overall. The EDI strategy in 2025 and beyond will focus on:

- EDI sector accreditation & recognition;
- leadership advocacy;
- regulatory compliance;
- increased gender representation;
- increased ethnicity representation;
- proven organisational EDI awareness;
- recognised accountability of diversity & inclusion;
- elevated colleague engagement; and
- EDI resource investment.

A great place to work

2024 has seen significant change at the Bank following an organisational design restructure to maximise our efficiency and growth that led to a reduction of c.400 across the Bank, as well as our engagement in the purchase of the Group by Coventry Building Society. Colleague experience is an important driver for overall business success and having a continuous understanding of colleagues' experience is essential to ensure we are meeting their needs and progressing against the people strategy. We have a number of mechanisms in place that support two-way colleague communications at a strategic, tactical and operational level, including our CEO Roadshows, leader events, ambassador network, Colleague Co-operative Forum and our Pulse and colleague experience surveys.

Our Colleague Experience Survey in December 2024 had a positive response rate, with 80 % of colleagues taking the time to share their feedback. Overall engagement levels dropped to 72 %, moving us from green (very good) to amber (good) when we compare our results to the full survey in 2023. This is not unexpected given, the scale of change and uncertainty that colleagues have faced in 2024, and the high customer demand environment colleagues have operated within.

We also work closely with our trade union Unite holding regular informal and formal consultations on issues that may affect colleagues. In 2024, we continued with our commitment as part of our customer-led Ethical Policy with our Accreditation to the Real Living Wage Foundation.

As we look ahead to 2025, we aim to deliver a great experience for our people when it matters most, where our shared values shine through. We believe when we live our values, we will make a real difference. They reflect the very best of the Bank and our strengths, and they all come to life in our colleague promise – to be recognised as an inclusive, responsible, fulfilling and enjoyable place to work by our people and industry peers.

Our people strategy sets the direction for 2025 and beyond and provides focus around six key pillars of activity;

- equality, diversity and inclusion;
- talent and succession;
- learning and development;
- leadership;
- performance and reward; and
- wellbeing.

Directors' Report continued

HR key performance indicators

Gender diversity (headcount) as at 31 December

2024	Female No.	Female %	Male No.	Male %	Grand total No.
Board ¹	3	30 %	7	70 %	10
Executive management team ²	2	33 %	4	67 %	6
Other employees	1,736	58 %	1,252	42 %	2,988
Grand total	1,741	58 %	1,263	42 %	3,004

2023	Female No.	Female %	Male No.	Male %	Grand total No.
Board ¹	3	30 %	7	70 %	10
Executive management team ²	2	40 %	3	60 %	5
Other employees	1,985	59 %	1,406	41 %	3,391
Grand total	1,990	58 %	1,416	42 %	3,406

1. Board: Includes Executive and Non-Executive Directors.

2. Executive management team: Includes senior managers who have responsibility for planning, directing or controlling the activities of the business. Members of the Executive management team who are also part of the Board are not included here.

Split of full and part time employees by gender as at 31 December

2024	Full time	Part time	Grand total
Female	1,171	570	1,741
Male	1,189	74	1,263
Grand total	2,360	644	3,004

2023	Full time	Part time	Grand total
Female	1,374	616	1,990
Male	1,338	78	1,416
Grand total	2,712	694	3,406

Senior Managers and Certification Regime ("SMCR") and whistleblowing

The Group continues to deliver robust compliance with its governance over the Senior Managers and Certification Regime. The People Directorate, Risk and Secretariat departments co-ordinate efforts to ensure that regulatory requirements are met, at the same time seeking a smooth process for those impacted by, for example, fitness and propriety checks. Conduct ("COCON") Rule compliance is overseen by an independent panel. The Group's whistleblowing oversight is similarly reviewed to ensure that all relevant disclosures are captured and reported, and that whistleblowers are not subjected to detriment. The Group has a nominated whistleblowing champion who is an Independent Non-Executive Director and deals with all such concerns confidentially whilst ensuring appropriate investigation and follow-up procedures are conducted.

Engagement with suppliers

In 2024, the Group delivered efficiencies in its third party supplier base through proactive management of renewals and exploring strategic opportunities.

The Group continues to prioritise third party risk management aimed at continuous improvement of processes and the governance applied to manage our third

parties, to ensure resilience, regulatory compliance and to obtain early indicators of supplier risk and issues through improved data capture and reporting. We continue to maximise outcomes and obtain best value from our third parties through supporting reductions of the cost of delivering change for the Group.

The Group encountered growing pressure on third party spend in 2024 due to inflationary pressures ongoing from 2023, with some suppliers attempting to recover cost increases in their supply chain.

The Group's focus has been on reducing its exposure to fluctuating cost pressures through: embedding enhanced stringent third party cost and strategic control approval; negotiation of transparency; duration and term; indexing; periodic limits to price escalations and frequency of price adjustments. This increased governance has assisted in ensuring strategic controls were in place in 2024 and continue to operate in 2025.

The Group has continued to ensure the Bank's customer-led Ethical policy is at the forefront of commercial negotiation and we have enhanced our due diligence questionnaire to incorporate further ESG expectations of our third parties.

See the s172 statement on pages 51 to 52 for further detail on how the Group engages with colleagues, customers and other stakeholders.

Directors' Report continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the Statement of Directors' Responsibilities, and the consolidated financial statements of The Co-operative Bank Holdings p.l.c. and its subsidiaries (the "Group"), the consolidated financial statements of The Co-operative Bank p.l.c. and its subsidiaries (the "Bank") and parent company financial statements for The Co-operative Bank Holdings p.l.c. (the "Holding Company"), parent company financial statements for The Co-operative Bank Finance p.l.c. (the "Finance Company") and parent company financial statements for The Co-operative Bank p.l.c. (the "Bank Company") in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group, Bank, Holding Company, Finance Company and Bank Company financial statements for each financial year. Under that law they have elected to prepare the Group, Bank, Holding Company, Finance Company and Bank Company financial statements in accordance with UK-adopted international accounting standards.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group, Bank, Holding Company, Finance Company and Bank Company and of their income statements for that year.

In preparing each of the Group, Bank, Holding Company, Finance Company and Bank Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state that the Group, Bank, Holding Company, Finance Company and Bank Company have complied with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group, Bank, Holding Company, Finance Company and Bank Company will continue in business.

The Directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's, Bank's, Holding Company's, Finance Company's and Bank Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group, Bank, Holding Company, Finance Company and Bank Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are responsible for the maintenance and integrity of the company's website.

Disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information of which the Group's and Bank's auditor is unaware, and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's, and Bank's auditor is aware of that information. We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and income statement of the Group, Finance Company and Bank and of the undertakings included in the consolidations taken as a whole;
- the group strategic report includes a fair review of the development and performance of the business and the position of the Group, Bank, Holding Company, Finance Company, Bank Company and the undertakings included in the consolidations taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's, Bank's, Holding Company's, Finance Company's and Bank Company's performance, business model and strategy.

Corporate governance statement

The Bank has in place its own governance arrangements which are deemed to be appropriate for a company of its size and nature. Further details on our governance arrangements can be found on pages 53 to 80.

This responsibility statement was approved by the Board of Directors of the Holding Company, Finance Company and Bank Company on 6 March 2025 and is signed on behalf of:

On behalf of the Boards for The Co-operative Bank p.l.c., The Co-operative Bank Holdings p.l.c. and The Co-operative Bank Finance p.l.c.

Joanne Kenrick

Chair of the Board

6 March 2025

Directors' Report on remuneration to the shareholder

Unless marked otherwise, information in this report is unaudited.

Continuing to recognise and reward our colleagues for delivering our strategy

Dear Stakeholder,

As Chair of the Remuneration Committee ("the Committee"), I am pleased to present an overview of the key developments relating to remuneration in 2024, together with 2024 The Co-operative Bank Pillar 3 remuneration disclosure.

Reflecting on my second year as Chair of the Committee, I am proud of the efforts made by leaders across the Bank to deliver stability for colleagues during a significant period of change. Exceptional progress has been demonstrated as we have now delivered the sale of the Group to Coventry Building Society. I would like to thank my fellow Remuneration Committee members during the year for their support, contribution towards remuneration governance, and their continued diligence and focus.

A transformational time

The Group undertook a complete restructure in H1, designed to optimise our operating model, which resulted in a significant reduction in overall headcount at the same time as managing our ongoing strategic priorities and preparing for the sale of the Group to Coventry Building Society ("the Society"). Along with my colleagues on the Remuneration Committee, I am immensely proud of the collective effort of all colleagues in delivering the challenging agenda set by the Board on behalf of our shareholders. We have continued to deliver for customers and colleagues and ensured that performance has been delivered within risk appetite. Performance across the year has been strong despite the need to focus on sale readiness and extensive due diligence.

Looking back on 2024

We continued the efforts made in 2023 to support colleagues in a relatively high inflationary environment, by delivering a market competitive investment in pay of around 5%, which was well received by colleagues and supported by our Union. As a Real Living Wage employer, we plan to implement the recently announced increased rates as part of our pay approach effective from 1 April 2025 for our colleagues.

In 2024, we continued to drive our profile as an ESG leader amongst high street banks. From a remuneration perspective, this included further alignment of individual colleague performance to our ESG priorities by ensuring that colleagues adopted a specific ESG objective measure within their individual performance objectives.

For 2024, as in previous years, a portion of remuneration was variable, based on performance delivered against a balanced scorecard. The scorecard was refined this year to

reflect the contribution by colleagues across the Group to delivering the pre-closing undertakings and other associated requirements under the Sale and Purchase Agreement ("SPA"), enabling the sale to proceed as expected on 1 January 2025. This was considered alongside overall performance achieved across financial, customer, ESG, transformation and people objectives. The results of the scorecard were considered by the Remuneration Committee when determining variable pay outcomes together with a review of risk and individual performance.

The Remuneration Committee has been focused on ensuring the impact of the sale on our variable pay plans is understood and considered, including through engagement with the PRA and FCA. In particular, work was undertaken during the year to understand the impact of the change of control on outstanding awards (including the one-off Management Incentive Plan ("MIP") implemented in 2018, Long Term Incentive Plans ("LTIPs") and deferred bonuses) and to put steps in place to ensure that these awards continue to be subject to deferral and retention periods where necessary and released in accordance with regulatory requirements.

The Committee also reviewed the senior leader retention awards granted in 2023 to ensure that key senior talent was retained to support the sale of the Group to the Society. These awards became due in January 2025 following completion of the sale and are subject to deferral and retention periods in accordance with regulatory requirements. The Group operates, in the normal course of business, variable pay within a 2:1 cap. Following the removal of the regulatory bonus cap, announced in late 2023, the Committee agreed to a higher cap of 4:1 in exceptional circumstances. This higher cap was utilised in 2024 to enable the delivery of these retention awards.

I would like to again thank the Executive, including the Chief Executive Officer, Nick Slape, and also the outgoing Chair of the Board, Bob Dench, for their contribution last year. Nick Slape stepped down as Chief Executive Officer in February 2025 and Bob Dench stepped down as Chair on 1 January 2025. Any fixed pay received in connection with their termination is in line with contractual obligations. As per the Bank's consistent practice, as a good leaver Nick will continue to be eligible to receive unvested portions of his prior years variable pay.

Looking ahead to 2025

Following a year of continued external and internal change for the Group, in 2025 our focus as a Remuneration Committee will move towards integration with the Society and reviewing our governance and remuneration frameworks as part of the new combined business.

Directors’ Report on remuneration to the shareholder continued

We will remain committed to ensuring that our reward framework continues to align executive performance with member expectations and the broader group, as well as taking into account customer experience, whilst ensuring that pay remains competitive to retain the right talent and aligns with the strategy of the combined the Society group over the short and long term.

Remuneration regulation

As we enter 2025, we will continue to take into account developments in remuneration regulations and general market and best practices, including the proposed PRA and FCA consultation on banking remuneration rules which may impact the way in which we deliver reward to colleagues in the future.

My sincere thanks to the Remuneration Committee for their efforts in 2024.

We are excited about the opportunities that the acquisition of the Group by the Society will offer, and how we can leverage our combined scale in future to deliver an enhanced and cost-effective employee proposition. I am delighted to be supporting the handover of our remuneration agenda to our new Chair, Caroline Marsh during H1 2025. Caroline brings very relevant experience and passion for customer service, customer and values which align well with the future for both the Bank and the Society, and I wish her well in the role.

Fiona Clutterbuck

Chair of the Remuneration Committee

6 March 2025

The Co-operative Bank Pillar 3 Disclosures as at 31 December 2024

Introduction

The following disclosure explains how the Group has complied with the regulatory requirements under the PRA’s remuneration rules and the FCA’s remuneration code for dual-regulated banks (“PRA and FCA remuneration rules”).

Remuneration governance

The Group has an established Remuneration Committee consisting of Non-Executive Directors. The Remuneration Committee met 12 times in 2024. Its responsibilities include recommending to the Board for approval the overarching principles and parameters of the remuneration policy across the Group, and applying the necessary oversight so that a coherent approach to remuneration is implemented for all employees, whilst ensuring that arrangements are consistent with effective risk management.

The members of the Remuneration Committee during the year were as follows:

Committee membership	Date of appointment	Date of resignation
Fiona Clutterbuck (Chair)	1 Aug 2023 ¹	
Glyn Smith	27 Mar 2019	1 Jan 2025
Richard Slimmon	11 Jan 2021	1 Jan 2025
Sue Harris	26 Jul 2022	1 Jan 2025
Mark Parker	1 Jan 2025	
Joanne Kenrick	1 Jan 2025	
Caroline Marsh	1 Jan 2025	

1. Fiona Clutterbuck Chair since 28 October 2023

In setting remuneration policies, the Remuneration Committee seeks to:

- link reward to business and individual performance, ensuring that performance metrics include financial and non-financial measures so as not to encourage undue/inappropriate risk;
- ensure that the remuneration of senior management is informed, but not driven by reference to independently sourced market data on comparable organisations, and is set in a manner broadly consistent with the systems used to determine pay for employees elsewhere in the Group, taking into account quantum, market comparators and affordability;
- determine the specific conditions for annual bonus and long-term incentive awards so that these are financially prudent, directly aligned to approved strategic plans and thus support and drive long-term sustainability; and
- establish measures which explicitly reward the ongoing support for co-operative values and ethics.

The Remuneration Committee received support and advice during the year from Deloitte as the Remuneration Committee’s external advisor. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to ‘executive remuneration consulting in the UK’. The role and activities of the Remuneration Committee are further detailed in the Remuneration Committee’s terms of reference (which are available on the Group’s website).

Directors' Report on remuneration to the shareholder continued

The Remuneration Committee continues to consult regularly with management on aspects of remuneration and benefits, corporate governance and risk. For these purposes, management includes the Chief Executive Officer, the Chief People Officer, the Chief Risk Officer and the Company Secretary. The Remuneration Committee also works closely with the Chairs of the Risk Committee, Joint Audit Committee, Nomination Committee and Values and Ethics Committee. The Chair of the Board was an attendee of the Committee during 2024, and will be a member of the Committee from 2025.

The Remuneration Committee is satisfied that the Group's remuneration approach is in line with regulatory requirements. The Group is a Level 2 firm based on the proportionality guidance issued for the purpose of the PRA and FCA remuneration rules.

Material Risk Taker criteria

The Remuneration Committee oversees remuneration for staff identified as Material Risk Takers ("MRTs"). In 2024, 39 MRTs were identified within the Group, according to the qualitative and quantitative criteria set out under the PRA and FCA remuneration rules and the Group's own assessment of individuals who can create material risks through their professional activities. The Group has a robust process for identifying MRTs. The Remuneration Committee reviews the MRT list on an annual basis.

The remuneration of MRTs is subject to the requirements set out in the PRA and FCA remuneration rules.

Link between pay and performance

Components of remuneration

Employee remuneration, including that of MRTs, consists of fixed and variable remuneration. The Committee reviews individual pay decisions and outcomes for all employees deemed to be MRTs in any given year.

The Group's variable pay arrangements aim to reward individual and collective performance achieved in a manner consistent with its values and ethics and within its risk appetite.

In addition to the annual bonus, senior colleagues (Executive Committee members and certain other senior colleagues) are ordinarily eligible for grants under an LTIP, as provided under our approved policy, although no such awards were made in respect of the 2024 performance year by the Group. A one-off MIP, which was implemented in late 2018, and the senior leader retention award, granted in 2023, continued to operate, aligning certain senior colleagues with long-term value creation, subject to maintaining sound risk management. These awards have crystallised given the sale of the Group to the Society and will continue to be subject to the appropriate regulatory requirements, including those on deferral, retention, payment in instruments and malus and clawback.

Fixed remuneration

Fixed remuneration, which includes salary for all employees (and other cash allowances for executives and certain other senior roles) is set having regard to individual roles, scope of responsibilities and experience, and internal and external benchmarks. In addition employee pension contributions to our defined contribution scheme are matched up to 10 % by the Bank. A range of benefits including wellbeing support, volunteering opportunities and financial support products are offered to colleagues.

Variable remuneration

The Annual Incentive Plan ("AIP") incorporates the use of a balanced scorecard of financial and non-financial measures which are directly aligned to the Group's strategic plan and ordinarily includes metrics that measure performance related to:

- our customers (for example, brand strength and digital adoption);
- our finances (for example, performance against our key performance indicators ("KPIs") including profitability, operating costs and CET1 ratio);
- our progress against ESG objectives; and
- for this year, a combined assessment of the achievement of SPA objectives, people metrics and transformation delivery.

Variable remuneration awarded to employees whose roles have a material impact on the Group's risk profile meets the requirements of the PRA and FCA remuneration rules. This includes appropriate deferral of awards and the awards being subject to malus (cancellation or reduction of unvested awards) and clawback (recoupment of paid and/or vested awards) provisions as set out in the PRA and FCA remuneration rules. In line with the PRA and FCA remuneration rules, the Group does not award guaranteed variable remuneration, unless it is exceptional, it occurs in the context of hiring, is limited to the first year of service and the Group has a strong and sound capital base. In addition, any severance payments made to this population will take into consideration a number of factors, including but not limited to, contractual obligations (such as payment in lieu of notice) and tenure. Any such guaranteed remuneration or severance to MRT roles is disclosed within the relevant table within this year's Pillar 3 disclosure.

Directors' Report on remuneration to the shareholder continued

Risk consideration

Any risk related failure or risks not being managed within appetites, without Executive Committee and Board oversight, would result in consideration of a risk based remuneration adjustment via:

- individual performance assessment;
- individual or collective adjustment through the risk adjustment process; and/or
- adjustment of bonus pool through Remuneration Committee applied risk modifier informed by the Chief Risk Officer risk report to the Committee and broader risk reporting (e.g. Risk Committee).

The Chief Risk Officer's ("CRO") bi-annual report to the Committee provides a summary of the Bank's risk performance, including:

- individual MRT performance in relation to risk management and risk management framework ("RMF") adherence and any recommendations for risk adjustments;
- an overview of key risk appetite metrics ("KRAMs") and key risk indicators ("KRIs") used to monitor risk, including tolerances, outcomes for the year to date and any trends or significant movements. This covers all the Group's principal risks identified through the RMF;
- a commentary on the strength of the risk governance and control environment, notification and resolution of risk events, together with the cultural attitude to risk within the Group;
- an outlook on any material emerging issues that are likely to present new risks to the Group over the next year, areas requiring further enhancement and any planned changes to be made during the next performance year;
- an opinion of Risk Adjustment Forum ("RAF") performance and opinion on all material risk events and issues identified; and
- a commentary on other risks, such as significant regulatory correspondence and cultural or behavioural issues.

When deciding whether the CRO applies risk adjustments all relevant criteria are taken into account, including:

- the cost of fines and other regulatory actions (e.g. section 166 reviews);
- direct and indirect financial losses attributable to the relevant failure;
- reputational damage;
- the impact of the failure on the firm's relationships with its stakeholders including shareholders, customers, employees, creditors, the taxpayer, counterparties and regulators;

- the impact on profitability from the event (e.g. profit before tax) – actual/accounting and provisioned;
- the timeframe during which the event occurred and whether losses/costs are still accumulating;
- the extent of customer detriment (e.g. number and value of mis-sold policies); and
- redress costs.

The Group bonus pool is determined taking into account the following:

- performance against financial and non-financial measures in the Group balanced scorecard;
- status of risk appetite and consideration of their potential future impact;
- risk events which have already happened and which are reported through to the Remuneration Committee via the Executive Committee and RAF; and
- discretionary adjustment by the Remuneration Committee, having regard to the Group's overall performance and the experience of shareholders and customers.

Individual adjustments to variable pay may then be made, having regard to material risk events that have been reported to the Remuneration Committee, which looks at the role and accountability of the individual in relation to the relevant risk event.

The annual performance of the Group is taken into consideration by the Remuneration Committee when reviewing variable pay, based on performance delivered against a balanced scorecard. The scorecard was refined this year to reflect the contribution by colleagues across the Group to delivering the pre-closing undertakings and other associated requirements under the SPA, enabling the sale of the Group to proceed as expected on 1 January 2025. This was considered alongside overall performance achieved across financial, customer, ESG, transformation and people objectives. In respect of the performance-based metrics for financial, customer and ESG final targets, the overall outcome achieved for 2024 was approximately 60%. The sale, transformation and people targets were achieved in full.

Integral to this focus on performance is the Remuneration Committee's continued attention to the Group's wider risk performance as advised by the CRO and Chair of the Risk Committee.

Directors' Report on remuneration to the shareholder continued

Once the final performance for 2024 was determined, the Remuneration Committee oversaw the distribution of variable pay, including annual bonuses for all employees for the 2024 performance year. Awards varied subject to both the Group-wide scorecard, and individual performance against agreed personal objectives including both 'what' colleagues achieved and behaviours in terms of 'how' they achieved this. Appropriate consideration was also given to the underlying capital performance of the Group, in accordance with regulatory requirements.

The Committee believes that the final scorecard result and subsequent bonus pool are a fair reflection of delivery against a number of key financial and non-financial objectives across 2024.

Individual performance assessment, deferral, malus and clawback

Bonus allocations to individuals are calculated as a percentage of base salary, determined according to an individual's overall performance rating for the performance period, assessed against a set of financial and non-financial measures and including risk management considerations. Variable pay for control functions is primarily based on role-specific objectives, independent of the performance of the business units that they oversee. Individual performance outcomes include input from the Chairs of the Risk and Joint Audit Committees. The final outcomes for senior control functions are approved by the Remuneration Committee.

Deferral of incentive awards is a key mechanism to retain talent which is primarily achieved through annual incentive deferral. In line with regulatory requirements the following is applied to employees' (including MRTs') annual incentives where necessary:

- the deferral of at least 40-60 % of their variable remuneration over a period of at least four years;
- the delivery of at least 50 % of their variable remuneration in the form of instruments. This element of deferred remuneration is also subject to a retention period of up to 12 months;
- risk adjustment of any variable remuneration award, including malus and clawback. Clawback may apply for up to seven years following the award; and
- malus and clawback may be exercised in the event of a material misstatement of the Group's audited financial results, material error in assessing a performance condition, a material failure of risk management, reputational damage to the Group, a material downturn in financial performance, misbehaviour, misconduct or material error by an individual or any other similar circumstances the Remuneration Committee deems appropriate.

Ratio between fixed and variable remuneration

Under the Bank's remuneration policy, variable remuneration for MRTs in the normal course of business cannot exceed twice the amount of their fixed remuneration. Additional flexibility is provided, subject to approval by the Remuneration Committee, to operate a higher ratio of four times fixed remuneration, in exceptional circumstances such as delivery of senior leader retention awards in 2024.

Quantitative remuneration disclosure

1. Remuneration awarded for the financial year

£m		Management Body (MB) Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff (#)	8.0	2.0	8.0	20.8
	Total fixed remuneration (includes payments in lieu of notice) (£m)	3.1	1.6	2.5	3.3
	Of which: cash-based	3.1	1.6	2.5	3.3
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: other forms	-	-	-	-
Variable remuneration	Number of identified staff (#)	-	2.0	7.0	19.8
	Total variable remuneration (£m)	-	4.7	2.8	1.8
	Of which: cash-based	-	2.3	1.4	1.1
	Of which: deferred	-	1.4	0.8	0.3
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	2.4	1.4	0.7
	Of which: deferred	-	1.4	0.8	0.3
	Of which: other instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		3.1	6.3	5.3	5.1

2. Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

£m		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards					
Guaranteed variable remuneration awards - Number of identified staff (#)		-	-	1.0	-
Guaranteed variable remuneration awards - Total amount (£m)		-	-	0.2	-
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap		-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year					
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff (#)		-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount (£m)		-	-	-	-
Severance payments awarded during the financial year					
Severance payments awarded during the financial year - Number of identified staff (#)		-	-	-	3.0
Severance payments awarded during the financial year - Total amount (£m)		-	-	-	0.2
Of which paid during the financial year		-	-	-	0.2
Of which deferred		-	-	-	-
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap		-	-	-	-
Of which highest payment that has been awarded to a single person		-	-	-	0.1

3. Deferred remuneration

£m	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year
MB Supervisory function	-	-	-	-
Cash-based	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-
Other instruments	-	-	-	-
Other forms	-	-	-	-
MB Management function	5.8	0.1	5.7	-
Cash-based	0.8	-	0.8	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	5.0	0.1	4.9	-
Other instruments	-	-	-	-
Other forms	-	-	-	-
Other senior management	2.5	0.2	2.3	-
Cash-based	0.2	-	0.2	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	2.3	0.2	2.1	-
Other instruments	-	-	-	-
Other forms	-	-	-	-
Other identified staff	4.0	1.0	2.9	-
Cash-based	0.3	-	0.3	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	3.7	1.0	2.6	-
Other instruments	-	-	-	-
Other forms	-	-	-	-
Total amount	12.3	1.3	10.9	-

3. Deferred remuneration (continued)

£m	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	-	-	-	-
Cash-based	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-
Other instruments	-	-	-	-
Other forms	-	-	-	-
MB Management function	-	0.6	-	0.1
Cash-based	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	0.6	-	0.1
Other instruments	-	-	-	-
Other forms	-	-	-	-
Other senior management	-	0.3	0.1	0.2
Cash-based	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	0.3	0.1	0.2
Other instruments	-	-	-	-
Other forms	-	-	-	-
Other identified staff	-	0.4	0.3	1.1
Cash-based	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	0.4	0.3	1.1
Other instruments	-	-	-	-
Other forms	-	-	-	-
Total amount	-	1.3	0.4	1.4

4. Remuneration of 1 million EUR or more per year

EUR	Identified staff that are higher earners as set out in Article 450(i) CRR
1.0m to below 1.5m	2
1.5m to below 2.0m	1
2.0m to below 2.5m	2
2.5m to below 3.0m	-
3.0m to below 3.5m	-
3.5m to below 4.0m	-
4.0m to below 4.5m	-
4.5m to below 5.0m	-
5.0m to below 6.0m	1

5. Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

£m	Management body remuneration			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
Total number of identified staff (#)										38.8
Of which: members of the MB	8.0	2.0	10.0							
Of which: other senior management				-	1.0	-	5.0	2.0	-	8.0
Of which: other identified staff				-	2.0	-	10.9	7.9	-	20.8
Total remuneration of identified staff (£m)	3.1	6.3	9.4	-	1.8	-	6.4	2.1	-	
Of which: variable remuneration	-	4.7	4.7	-	1.0	-	3.0	0.5	-	
Of which: fixed remuneration	3.1	1.6	4.7	-	0.8	-	3.4	1.6	-	

Chief Executive Officer and Chief Financial Officer remuneration

The total remuneration for Nick Slape ("CEO") in respect of the year ending 31 December 2024 was £4.8m. The total remuneration for Louise Britnell ("CFO") during 2024 was £1.7m. This was made up of the following:

Fixed remuneration	CEO £000s	CFO £000s
Basic salary	930	391
Allowances and benefits	169	16
Employer pension contributions	93	39
Total fixed remuneration	1,192	446
Variable remuneration		
2024 bonus	1,750	550
2019 LTIP vest	99	25
Retention award	1,720	703
Total variable remuneration	3,569	1,278
Total remuneration	4,761	1,724

Risk management report

96	Risk management objectives and policies, including principal risks and uncertainties
110	Capital risk
112	Credit risk
130	Market risk
136	Liquidity and funding risk

The contents of the risk management report are unaudited, unless otherwise stated.

The information in the risk management report is unaudited unless otherwise stated.

1.1 Our approach to risk management

Responsibility for risk management resides at all levels within the Group and is supported by both Board and management level committees. A three lines of defence (“3LOD”) model is deployed on the following basis:

- First line – responsible for owning and managing all risks within defined appetites, complying with risk policies and control standards, ensuring supporting procedures are documented and maintained using the risk and control self-assessment (“RCSA”), and responsible for reporting the performance, losses, near-misses and status of risks through governance.
- Second line – the risk function acts as the second line of defence (“2LOD”). The risk framework owners (“RFOs”) are responsible for setting risk policies, control standards, Group-wide procedures and risk appetite. RFOs sit within the second line with the exception of some specialist areas where the RFO sits within first line (for example legal, liquidity and funding, market, financial reporting and people risk); the second line risk function provides oversight over the RFO activities in such cases.
- Third line – the internal audit function assesses the adequacy and effectiveness of the control environment and independently challenges the overall management of the risk management framework (“RMF”).

1.2 Chief Risk Officer update

Since becoming Chief Risk Officer (“CRO”) in H2 2024, it has been pleasing to see that the Group has maintained and built on the robust risk management practices that reside at the heart of everything we do. This has remained critical in 2024, as we navigated the sale process of the Group to Coventry Building Society, which completed on 1 January 2025.

Our capital and liquidity foundations remain strong, despite the risks and uncertainties that have arisen throughout 2024, with our balance sheet also showing credit resilience as we have supported customers through the cost of living crisis. I am especially proud of how the Group has safely delivered its transformation objectives for the year, most notably completing the re-platforming of its legacy estate and migrating mortgage and savings customers to one platform as part of its multi-year IT transformation programme, which has enabled us to reduce our exposure to technology risk. Beyond that, we have completed our review of closed products and services in line with the Consumer Duty deadline of 31 July 2024, positioning ourselves well to continue serving our customers’ needs.

Significant risks

2024 presented a continuation of challenging trading and operating environments in recent years, and these are expected to persist into 2025. Whilst inflation has broadly stabilised, the Monetary Policy Committee remains cautious over further rate cuts, and this will continue to put pressure on customers’ abilities to meet their credit obligations. We closely monitor indicators of customers experiencing financial difficulty and we ensure that we are able to offer the right forbearance treatments to limit the number of customers falling into arrears.

As observed across the industry, fraud presents a significant risk for all financial service organisations. Fraudsters rapidly evolve their methods, with the use of sophisticated cyber technology increasing in prevalence in 2024. Throughout the year, the Group delivered a number of important initiatives to help tackle fraud, including achieving milestones in its multi-year IT transformation programme which remediated large portions of technical debt (out-of-support systems) from the organisation, reducing our cyber risk exposures, as well as through customer education and via tactical change activities to our systems and processes, both internally and in collaboration with our external partners. The Group, and the industry as a whole, must continue to combat fraud and ensure that customer harm is minimised. We welcome the changes to the Payment Services Regulations (“PSR”) and have a pipeline of activities to deliver throughout 2025 to ensure we are able to carry on protecting our customers from fraud.

In the 2023 CRO Update, we noted that the Group had received two final decisions from the Financial Ombudsman Service (“FOS”), which in part upheld complaints related to historical increases in the Standard Variable Rate applied to a closed book of mortgage customers between 2011 and 2012. The Group has now materially completed the delivery of a proactive redress scheme for impacted customers.

Key 2024 achievements and looking ahead

2024 has been a year of significant delivery for the Group. Key highlights relate to the ongoing transformation of our technology estate, via our multi-year IT transformation programme. This has enabled us to materially reduce our technical debt, improving the Group’s operational resilience, particularly to cyber risks, as well as enabling us to enhance the quality and variety of products and services available to our customers. We continue to focus on optimising the resilience, security and availability of our technology estate, with further signature actions in plan for 2025, however, the significant work completed through the year has positioned us well.

I was also pleased to see that the Group successfully delivered its Consumer Duty activity across our closed portfolios in line with the deadline of 31 July 2024, following the activity completed in 2023 across our open book portfolios.

2024 has required us to carefully navigate through periods of volatile trading. However, we have successfully managed the level of credit risk across the balance sheet for our retail customers and, with particular focus this year, our SME customers. The latter represent an exciting step in our strategy, as we've safely delivered larger lending facilities to UK businesses in line with our robust credit risk strategy. Further to this, the Group has carefully and prudently managed its funding base. Our wholesale activities included a return to the covered bond market with a £500m three-year issuance, as well as successful refinancing of £200m of senior unsecured MREL-qualifying bonds, whilst making total TFSME repayments of £1.5bn. This activity, alongside prudent tactical actions taken to manage customer deposits, has enabled us to maintain a strong liquidity position while meeting all of our funding commitments.

Finally, I want to acknowledge the work undertaken across the Group to manage the risks associated with the sale and purchase agreement ("SPA") with Coventry Building Society. We have closely monitored our adherence with the requirements of the SPA whilst also ensuring that we continued to manage the Group's risks, aligned to both our RMF and co-operative values, which helped to enable the timely completion of ownership transfer on 1 January 2025.

Looking ahead, we will work closely with our colleagues at Coventry Building Society to ensure a smooth integration and alignment of our risk management frameworks, as the new combined RMF is implemented. We expect to progress this work through 2025. Close collaboration between the Group and Coventry Building Society will ensure that we continue to keep our customers at the forefront, which is crucial in the initial stages of integration.

1.3 Risk management overview

The Board oversees and approves the RMF and is supported by the Risk Committee ("RC"). The RC's purpose is to review principal risk categories and risk appetite, report conclusions to the Board for approval and oversee the implementation of the RMF, whilst anticipating changes in business conditions.

There is a formal structure for identifying, reporting, monitoring and managing risks. This comprises, at its highest level, risk appetite statements and appetite metrics which are set and approved by the Board and are supported by granular risk indicators across each of the principal risk categories within the RMF. This is underpinned by a RMF which sets out the high level policy, control standards, roles, responsibilities, governance and oversight for the management of all principal risks.

Material risks and issues, whether realised or emerging, are explained within section 1.8.

1.4 Our risk management framework

The RMF establishes the principles for managing risks throughout the business, which includes ownership and responsibilities for effective risk management. We have adopted a three lines of defence approach to risk management and the RMF defines the implementation of this model, enabling effective risk ownership and management to within risk appetite, supporting appropriate customer outcomes, and the delivery of our strategy. We continually seek to enhance and further embed the RMF to ensure efficient and effective risk management within risk appetite.

Our focus over 2024 has been on the nature and number of key controls, ensuring they are fit for purpose and accurately describe the Group's control activities. In addition, enhancements have been embedded for risk and risk event reporting, ensuring that risk management efforts are targeted in the right areas. Positively, no adverse impacts have been identified, with efficiencies realised through the optimisation of control testing.

The RMF continues to evolve to meet the Group's current and future operating model as we align to a wider group approach with Coventry Building Society.

1.5 Risk management strategy and appetite

The Board has primary responsibility for approving the risk management strategy through the setting of risk appetite, which defines the type and amount of risk the Group is prepared to take both qualitatively and quantitatively in pursuit of our strategic objectives. In addition, the Board approves key regulatory submissions including the Internal Liquidity Adequacy Assessment Process ("ILAAP") and the Internal Capital Adequacy Assessment Process ("ICAAP").

Risk appetite is translated into specific key risk appetite metrics ("KRAMs") which are tracked, monitored and reported to the appropriate risk committees (refer to section 1.7). Our refreshed risk appetite framework has been embedded since 2023, with KRAMs and key risk indicators ("KRIs") being reported into the appropriate governance committees highlighting where we are outside appetite and the achievement of our strategy is at risk.

1.6 Our risk culture

A critical supporting factor of the RMF is risk culture; this is a shared set of values and behaviours that defines how all colleagues approach the management of risk. This culture begins at the top of the organisation with the Board and the executive team who lead by example with consistent and clear communication of their commitment to managing risk at all levels of the business. Risk management is included in every colleague's objectives each year and

has been embedded within the Group scorecard against which performance is measured.

We have committed to embedding a strong culture of risk management and provide mandatory annual training and additional opportunities for colleagues to refresh knowledge on the RMF. In addition, there are opportunities for leaders to share knowledge and experience in respect of risk management in their roles. Culture is measured through several mechanisms including monitoring of the risk section of the scorecard, the RMF dashboard, which includes metrics on risk process adherence through RMF-focused second line of defence assurance reviews.

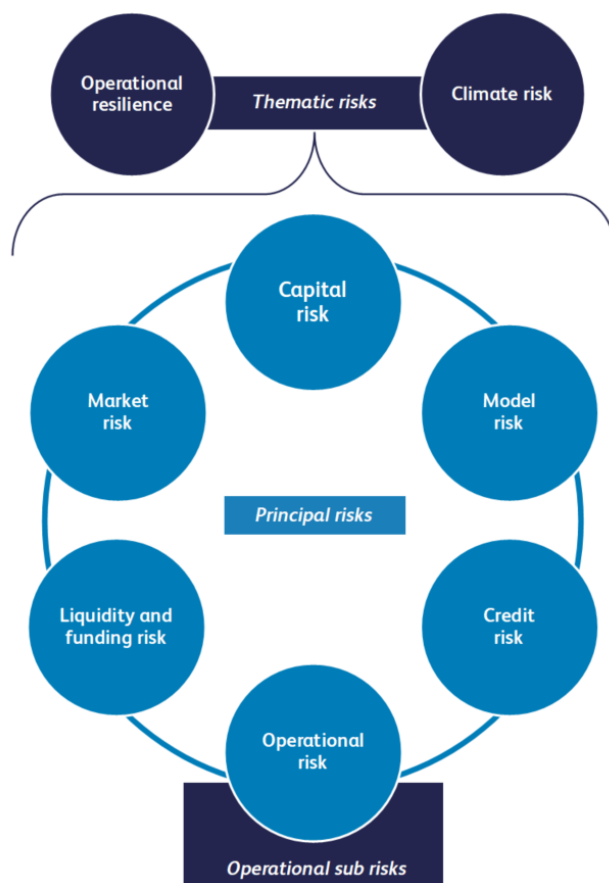
In addition, the Group runs a biennial Risk Culture Survey that is completed anonymously by colleagues in the Group. The survey asks a range of questions to gain a better understanding as to how well risk management is embedded and supported by the appropriate behaviours. The results of the survey are shared with the Board and at every level of the organisation, with an associated action plan created after each iteration in order to address feedback.

1.7 Our risk governance

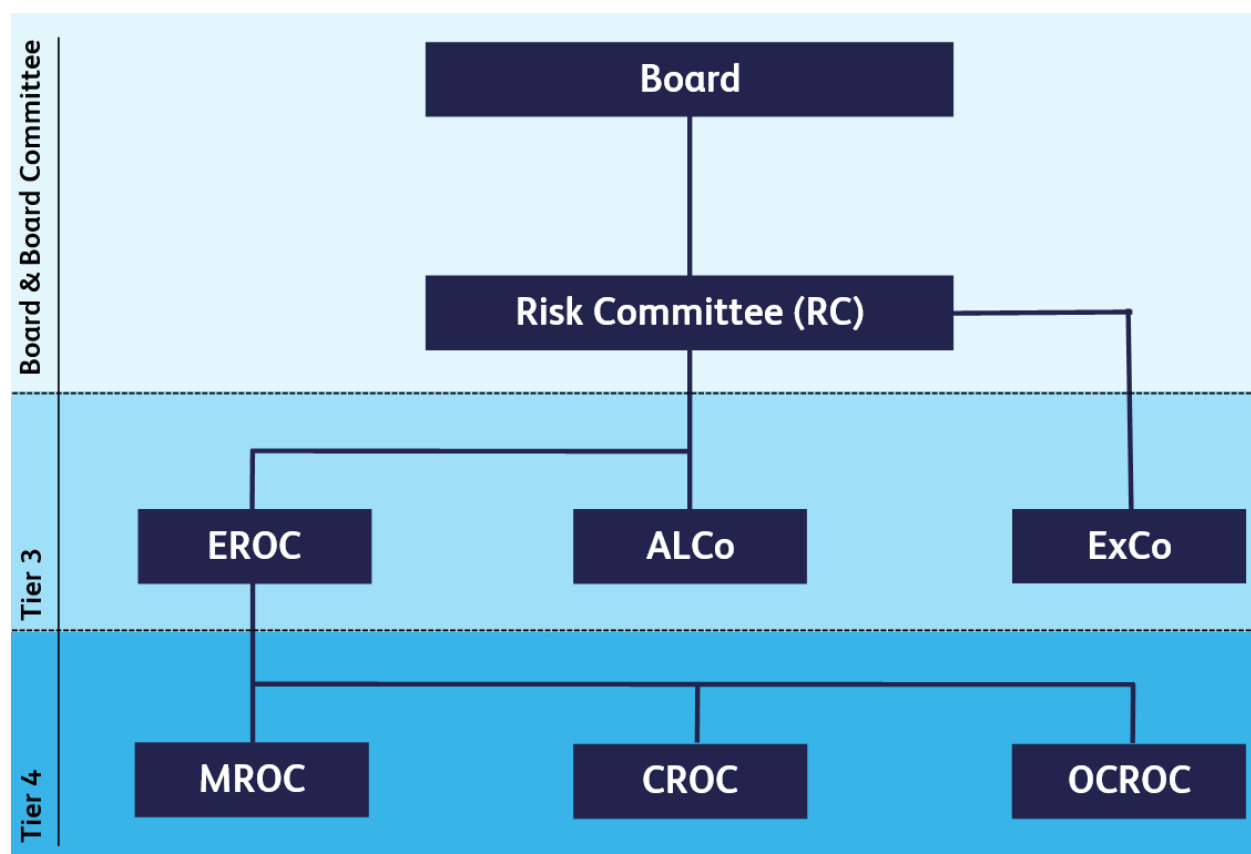
The Board is the key governance body and is responsible for strategy, performance and ensuring appropriate and effective risk management. The Board has delegated the responsibility for the day-to-day running of the business to the Chief Executive Officer (“CEO”). The CEO has established the Executive Committee to assist in the management of the business and deliver the approved strategy and Financial Plan in an effective and controlled manner. The Board has established Board committees and senior management committees to oversee the RMF, including identifying the key risks faced and assessing the effectiveness of any risk management actions.

A decision was made within the year to disband the Tier 4 Pensions Risk Oversight Committee (“PROC”),

which previously reported into the Executive Risk Oversight Committee (“EROC”) due to the successful remediation of the defined benefit pension scheme positions for PACE and BPS and the removal of pension risk from the RMF. PROC’s residual responsibilities have been transferred to either the Asset & Liability Committee (“ALCo”) or the Executive Committee (“ExCo”) to ensure the Group continues to meet its legislative responsibilities.



Board & Committee	Risk focus
Board Chair: Joanne Kenrick (from January 2025)	The Board has collective responsibility for the long-term success of the business. Its role is to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed. It sets the values and standards and ensures the obligations to its shareholders, customers and other stakeholders are understood and met. The Board sets strategy and approves plans presented by management for the achievement of strategic objectives it has set. It determines the nature and extent of the significant risks it is willing to take in achieving strategic objectives and is responsible for ensuring maintenance of sound risk management and internal control systems.
Risk Committee (RC) Chair: Brendan O'Connor (from January 2025)	RC is responsible for reviewing and reporting its conclusions to the Board on the Bank's risk appetite and propose for approval by the Board and oversee the implementation of a RMF, taking a forward-looking perspective and anticipating changes in business conditions.
Executive Risk Oversight Committee (EROC) Chair: Chief Risk Officer	EROC is responsible for oversight of the risk profile of the Group (within the agreed Board risk appetite). EROC reviews and challenges the risks associated with business strategy, plans and overall management of risks. EROC achieves some of its objectives through delegating responsibility to sub-committees: OCROC, MROC and CROC. EROC will escalate, where appropriate, to the Board via the RC.
Executive Committee (ExCo) Chair: Chief Executive Officer	ExCo is responsible for defining and implementing the Board-approved strategy successfully by monitoring and managing delivery against plan and applying appropriate risk management actions to emerging risks.
Asset and Liability Committee (ALCo) Chair: Chief Financial Officer	ALCo is primarily responsible for overseeing the management of capital, market, earnings, liquidity and funding risks. Its responsibilities include identifying, managing and controlling balance sheet risks in executing the Bank's business strategy, ensuring capital and liquidity positions are managed in line with appropriate policies and that adequate capital is maintained at all times. In order to align the function of key committees more closely, ALCo now reports directly to the Risk Committee. This change will further reinforce the mitigation of financial risks through embedding a structure whereby key asset and liability management decisions are set within a risk governance setting.
Model Risk Oversight Committee (MROC) Chair: Prudential Risk & Models Director	MROC ensures, on an ongoing basis, that the model rating systems and material models are operating effectively. This includes providing executive level review and challenge of the model risk and the impact of model risks on business model and strategy. MROC also provides oversight of IRB permissions, including the exemptions where the standardised approach to calculate Pillar 1 capital requirements is applied.
Credit Risk Oversight Committee (CROC) Chair: Head of Retail Credit Risk	CROC is responsible for monitoring significant credit risks and issues within the entire credit lifecycle, the controls and management actions being taken to mitigate them and to hold to account the executives responsible for actions. CROC reviews the credit risk strategy on an ongoing basis, making recommendations to EROC as appropriate.
Operational, Compliance, & Financial Crime Oversight Committee (OCROC) Chair: Director of Compliance, Director of Operational Risk	OCROC is responsible for monitoring significant operational risks and issues including conduct, regulatory, product, reputational, fraud and anti-money laundering ("AML") risks and issues, the controls and management actions being taken to mitigate them and to hold to account the executives responsible for actions. OCROC oversees the current and emerging operational risk profile, ensuring key risk exposures are managed within risk appetite and reported to EROC as appropriate, including the monitoring of adherence to the RMF alongside a process for continuous improvement.



1.8 Principal risk categories

Sections 1.8.1 – 1.8.7 provide an overview of the key themes, risk mitigation activity, and future focus of each of our principal risks categories as laid out within our RMF. The Group has two thematic risks (risks that arise within other principal risks), climate risk and operational resilience risk. Climate risk is discussed in further detail in the climate-related financial disclosures report on pages 28 to 40. Operational resilience risk is detailed below in section 1.8.1.

1.8.1 Operational resilience risk

Definition:

Operational resilience risk is a thematic risk within the RMF and is defined as the risk of the Group suffering operational disruptions arising from the inability to prevent, adapt, respond to, recover and learn from previous events.

Key themes:

Operational resilience events are expected to occur, however our appetite is to have plans in place that mitigate and/or minimise disruptions, ensuring reduced harm to customers, maintaining the safety and soundness of the business and limiting impacts to the wider financial sector. We have no appetite for any breach of regulation in relation to operational resilience and will, at all times, seek to achieve and maintain compliance with all relevant legal and regulatory requirements.

Mitigation:

We have completed a programme of work to identify our important business services (“IBS”), set impact tolerance thresholds for the maximum tolerable levels of disruption to each IBS, map the IBS, complete scenario testing and identify operational resilience vulnerabilities. Since 2023, improvements to IBS mapping have enabled easier identification of vulnerabilities requiring remediation. Our approach to scenario testing has also matured, with testing now considering severe but plausible scenarios which could impact multiple pillars of resilience and multiple IBS at once.

Future focus:

The Group is on track to meet its regulatory commitments for operational resilience by 31 March 2025. While vulnerabilities will still exist beyond this date, there are funded remediation plans in place and mitigating controls (e.g. business and technical recovery plans) to mitigate the impact of any potential resilience events.

Regulator feedback has confirmed that the Group’s position is in line with other firms, and that work undertaken by the Group to date is in line with expectations.

We will continue to monitor the effectiveness of operational resilience risk management through RMF activity, dedicated operational resilience reporting in governance, dedicated assurance reviews completed

as part of the three lines of defence risk management model and a multi-year scenario testing plan.

Key indicators:

N/a

1.8.2 Credit risk

Definition:

Credit risk is the risk to profits and capital that arises from the failure of customers to meet their legal and contractual payment obligations. Credit risk applies to our retail and small and medium-sized enterprises ("SME") segments, and our legacy and unallocated assets which includes treasury.

Retail secured and unsecured credit risk

Key themes:

Managing lending profiles at origination and monitoring of existing customer bases for signs of stress are key to management of credit risk exposure. Portfolio performance is regularly monitored through a suite of credit risk reporting, while strategies are regularly redefined to mitigate emerging risks, informed by both internal and external performance data.

A significant milestone was reached in our multi-year IT transformation programme by completing our re-platforming activity to migrate all mortgage accounts on to a single mortgage platform. This includes a single credit risk decision engine to support new customer acquisition, further facilitating our ability to leverage diversification opportunities in the future.

House prices have been relatively stable with earlier forecasts of house price reductions not materialising. Prices are expected to grow through 2025, helping maintain a strong loan-to-value ("LTV") distribution across the secured portfolio. We also saw modest increases in secured arrears volumes in 2024, broadly in line with movements seen across the sector, driven by cost of living pressures and the higher interest rate environment.

Mitigation:

Credit risk is managed within an agreed set of risk appetite measures for each portfolio, which are monitored through the RMF. All credit exposure mandates are approved within a clearly defined credit approval authority framework.

We have optimised credit score cut-offs to drive secured customer acquisition in the year, utilising analysis performed by credit rating agencies on external data. Exposures to 95 % LTV lending continue to be managed by elevated credit scoring requirements, as well as restricting flats and maisonettes as acceptable collateral. A significant

proportion of 95 % LTV applications are also manually reviewed by our underwriting team. Further underwriting processes have been developed for applicants with marginal disposable income, and our affordability calculator has been refreshed to reflect the latest economic and household expenditure data.

Monitoring remains in place to model the disposable income of our secured portfolio to understand the impacts of cost of living increases as well as rate increases for customers rolling off products onto higher fixed rates. This allows us to identify customers at risk of falling into a negative disposable income position. We use this information to target pre-arrears communications to these customers, to ensure they are aware of the support available to them, and to prompt contact if they are in financial difficulty. This early intervention is key to supporting customers before their financial difficulty worsens.

Refreshed analysis of the Group's climate change risk associated with the retail secured portfolio shows that subsidence risk associated with the portfolio is slightly less than the national average, and flood risk is broadly comparable to the national average.

On our unsecured portfolios, we continue to support customers facing financial difficulty through delivery of our pre-arrears contact strategy, which was enhanced in 2024. Some customer segments remain impacted by cost of living pressures, and we have therefore prioritised reviewing customer management and arrears strategies and processes to ensure they remain fit for purpose.

Furthermore, for new unsecured credit applications, the annual affordability calculator refresh has incorporated updated expenditure data and amended methodology.

Future focus:

Simplifying our IT infrastructure through our multi-year transformation programme leaves us in a strong position to evolve our propositions and lending criteria in an agile way. Collaboration between our risk and commercial departments is key to continue developing our product offering whilst ensuring we continue to serve our customers appropriately. This includes a shared focus on exploring diversification opportunities, particularly in the secured lending criteria, to considering those under-served segments of the market. In exploring these opportunities, risk management and governance plays a key part in ensuring proposals are impact assessed, with adequate controls in place to ensure the Group remains safely within agreed risk appetites.

We will also continue to provide support to customers in financial difficulty. Management information relating to credit risk is continually enhanced to provide oversight and to monitor customer outcomes.

Additionally, customer communications, forbearance toolkits, and arrears management processes are consistently reviewed to ensure they deliver good outcomes for customers in a high interest rate environment that remains challenging for many.

SME credit risk

Key themes:

Throughout 2024, we have pursued a growth strategy in the SME portfolio in line with our refreshed strategic priorities for both new and existing customers, with increases in both new business volumes and average deal size.

SME customers continue to face persistently high interest rates, with the UK Government's Autumn Budget leading to fears of increased cost pressures faced by businesses, particularly through increased national insurance contributions and growth in the national minimum wage.

As the SME portfolio grows, financial loss is a developing risk and macroeconomic challenges mean further tightening on affordability by the Group may lead to an increased number of customers entering financial difficulty. A significant decrease in the performance of the SME portfolio has not materialised, however we remain aware of the challenges faced by our SME customers in the short to medium term.

Mitigation:

Credit risk is managed within an agreed set of risk indicators and appetite measures for each portfolio, monitored through the RMF. All credit delegated lending authorities are approved within a clearly defined credit approval authority framework.

For businesses facing financial challenges, we provide tailored forbearance and collections solutions where appropriate, as they navigate the management of their businesses in periods of stress. Our approach to proactive engagement, particularly for recipients of the Bounce-Back Loan ("BBLs") scheme and Coronavirus Business Interruption Loan Scheme ("CBILS") facilities has minimised the need for recovery actions. This remains a closely monitored area, given an industry-wide increasing trend in insolvency rates since COVID-19.

We perform affordability assessments throughout the loan lifecycle and across all SME sectors. Robust sensitivity analysis at origination to account for high costs and interest rates remains fundamental to ensure affordability is sustainable.

We consider climate risk qualitatively within our relationship managed portfolio. Climate risk analysis is carried out on a case by case basis at the point of acquisition and upon annual review. Additionally, ethical business screening is undertaken upon origination, and we do not lend to businesses involved

in the production or extraction of fossil fuels or activity which contradicts our customer-led Ethical Policy.

Following key growth sectors being identified within the portfolio, we have enabled growth by delivering new and enhanced key credit criteria across sectors and an updated delegated lending authority framework for customers with larger loans. Efficiencies and streamlining in our credit application process have been made whilst managing credit risk accordingly. Simultaneously, we maintain vigilant oversight of the existing portfolio and continued to enhance the RMF with particular focus on customers in or approaching financial difficulty.

Future focus:

Looking ahead to 2025, our focus will be on continuing to monitor customers that are unable to pass on costs to their customers with support available for early intervention and continuous development of the RMF as the portfolio grows.

We will continue to monitor and provide support through business support teams as the expanding cohort of government loan scheme businesses exhaust their 'Pay as You Grow' solutions.

Key indicators:

Impairment gains/(losses) (audited): gain of £5.0m (2023: loss of £(0.6)m)

Core mortgage accounts >3 months in arrears (by balance) (unaudited): 0.26 % (2023: 0.18 %)

1.8.3 Operational risk

Definition:

Operational risk is the risk of losses caused by inadequate or failed processes, errors caused by people or systems, or events that disrupt business operations.



Introduction:

The operational risk section sub-headings are based on a combination of operational sub-risk types and identified key themes throughout 2024.

Change risk

Key themes:

In a period of significant business change, in 2024 we enhanced governance and oversight of change processes and projects, particularly for our multi-year IT transformation programme to re-platform our mortgages and savings. Failure to deliver key change projects in a safe and timely manner limits the agility with which we can adapt our products and pricing and requires us to hold higher capital requirements as a result of technical debt.

Mitigation:

The 2024 transformation portfolio has delivered a set of initiatives in support of the overall strategy, with a focus on risk remediation, improved customer experience and regulatory compliance.

The completion of the re-platforming element of our multi-year transformation programme was a significant milestone for the Group; we migrated all mortgage and savings customers safely to a new platform after insourcing our mortgage servicing operations from Capita in 2023. Delivery of this project is a step change in our mortgage offering to customers as we can now directly service our own customers and

have control over mortgage products, pricing flexibility and tailoring our offerings to current and potential customers.

Contributing to the successful delivery of the programme was the significant time and effort invested in oversight and assurance across all three lines of defence. This included a Board subcommittee with oversight over the programme, with clear accountability for ownership and delivery. Throughout the programme we have continually improved our business change methodology, and the operating financial control framework demonstrated its effectiveness through a dedicated committee.

Finally, the completion of the re-platforming element of our transformation programme has allowed us to take significant steps to reduce our dependency and exposure to legacy IT systems. This work will continue into 2025, with the further reduction of technical debt being a key area of focus.

Future focus:

In 2025, robust programme monitoring and oversight of key developments will continue across all three lines of defence. Frequent updates on the Group's transformation progress will continue to be provided to regulators.

A key project ongoing project is the migration of IT services from legacy datacentres to both a new datacentre and cloud solutions. As with our mortgage and savings transformation project, this programme is subject to stringent governance at executive and Board level.

Technical debt

Key themes:

Similarly to other financial institutions, we manage end-of-life IT systems that provide key services. To reduce associated risks and minimise impacts of any disruptions, we have been delivering a strategy to eliminate the highest risk legacy systems and have implemented additional resilience arrangements to safeguard IT services until replacement.

Mitigation:

Reducing the Group's level of technical debt is a key objective for many of our ongoing and completed projects and programmes. Ongoing investment and monitoring for 2025 is in place to continuously modernise our IT environment and minimise future technical debt as technologies continue to age.

Future focus:

A significant volume of technical debt has been decommissioned in 2024 through application and server remediation. However, there remain some key systems that require remediation. Funded plans are in

place through 2025 to reduce the associated residual risk to within the Group's appetite.

Financial crime

We comply with all relevant UK legislation and regulation to mitigate anti-money laundering ("AML"), counter terrorist financing, financial sanctions, anti-bribery and corruption and facilitation of tax evasion risks.

We have zero tolerance for any deliberate breaches and we consciously act to reduce the risk that we are exposed to uncontrolled levels of financial crime causing unplanned fraud losses, reduced customer confidence or reputational damage.

Mitigation:

Our risk appetite framework sets out a list of high risk activities and customer types with whom we will not enter into or maintain a relationship with, and we will not knowingly offer products or services to individuals or entities that we believe to be engaging in financial crime.

Our financial crime risk policies and standards set out the minimum requirements for mitigating our financial crime risks, while helping to ensure correct customer outcomes are reached. We conduct regular financial crime risk assessments to ensure that adequate identification, assessment, mitigation, management and monitoring of all financial crime risks is undertaken across all business activities to protect the Group and our customers from the harms of financial crime.

We continuously seek to enhance our financial crime framework and have delivered a number of improvements throughout 2024, including controls to manage the risk of material cash based money laundering through the Post Office and moving all SME applications to one onboarding technology, which strengthens our AML controls while enhancing customer journeys.

Although fraud costs (both costs to prevent fraud and to redress customers impacted by fraud) continue to be a significant contributing factor to operational losses in 2024, we have continually invested in improving our fraud controls, enabling us to identify new vulnerabilities more quickly which has helped to reduce the number of customers who have been victims of fraud through account take over ("ATO") and authorised push payment ("APP"). In 2025, we will continue to invest in improvements to our financial crime systems and controls with a focus on enhancing controls in relation to card and cheque fraud and further developing money mule detection capabilities.

Our fully embedded horizon scanning process and attendance at industry-led working groups and forums help us to monitor and adapt to regulatory change, industry developments and emerging risks and threats. This ensures that change is fully understood across our

three lines of defence and our approach is aligned to peers.

Cybercrime

Key themes:

Over the last year, the cybersecurity threat to the UK evolved significantly. The National Cyber Security Centre identified the UK as the third most targeted country for cyberattacks, behind Ukraine and the United States. This resulted in an increasing number of firms falling victim to cyberattacks, with ransomware continuing as a popular attack vector for cyber criminals, causing significant operational, financial and data impacts for targeted organisations. In addition, geopolitical cyber threats have emerged as a more significant threat than our previous cyber strategies had considered, and this landscape is evolving at pace.

Mitigation:

The Board-approved cybersecurity strategy has delivered an intelligence-led approach to managing cyber risk that is aligned to industry standards and independent assessment. Through this, we have been awarded ISO27001 accreditation, one of the industry's most recognised information security standards.

Our 2024 cybersecurity programme has ensured that we respond effectively to the evolving threat landscape, supporting the adoption of new technologies. Through the programme, we have significantly developed our cyber maturity, capability and resilience, using industry-recognised frameworks and independent assessment to validate control enhancements and strategic investments.

Additionally, the milestones achieved towards completing our multi-year IT transformation programme provided material reductions in our technical debt, in turn reducing our exposures to cyber risks as a result of legacy IT systems.

Future Focus:

Our cyber strategy in 2025 will be refreshed to ensure we are able to continue protecting customers and operations from ever-evolving cyber threats. The strategy will be informed by external key threats and intelligence. This will be supported by necessary improvements, identified by internal and independent external assessments, to ensure we keep pace with industry peers.

Third party supplier risk

Key Themes:

We continue to be dependent on suppliers to support or provide key banking services.

Mitigation:

Our supplier operating model continues to mature following the uplift of our framework to meet industry best practice. Risk policies and controls standards as part of the RMF have been updated to reflect the new

requirements, and any identified gaps will be managed through established monitoring and reporting.

Improvements have been made across all aspects of the supplier lifecycle from enhanced onboarding assessments, to contract renewals and executive oversight through a dedicated forum.

Future focus:

Our focus for 2025 will be on our strategic suppliers and reviewing existing contracts and service provision. This will utilise enhancements made to the procurement lifecycle and upskilling of internal capabilities to achieve better outcomes through our commercial partnerships.

Compliance risk

Key themes:

We aim for continuous compliance with all relevant regulatory requirements, promptly remedying any unintentional breaches. Recognising the substantial execution risks associated with regulatory changes, we acknowledge the significant resource demand across the business.

Mitigation:

This year, we completed the implementation of the FCA's Consumer Duty for our closed book products and services after achieving the deadline for open book products in 2023. We have taken steps where necessary to ensure our closed book products and services are in accordance with the regulations and are delivering good customer outcomes.

The Payment Systems Regulator's new reimbursement requirements for victims of APP fraud has been implemented, providing consistency for consumers and increasing consumer protection for authorised push payments, with most APP victims being reimbursed within five days and additional protections introduced for vulnerable customers. We have updated our policies and procedures to support the new requirements and implemented customer education initiatives to ensure that customers we serve are fully aware of the increased protections they have under these new rules.

We delivered a programme of work to ensure that we comply with new rules the FCA has introduced for secured and unsecured credit products. These rules provide a stronger framework of support for customers facing potential payment difficulties. These changes reinforce regulatory expectations that financial services firms put customer needs first and act to deliver good outcomes for customers. We have reviewed and enhanced the support offered to customers in financial difficulty and expanded customer communications to ensure that customers are fully supported and informed through this process.

Future focus:

We are dedicated to regulatory compliance, prioritising the delivery of significant regulatory changes in 2025 and beyond to enhance customer protection and outcomes, and build strong financial resilience.

Key changes from the PRA, FCA, His Majesty's Treasury and the Bank of England include:

- further consultation in relation to the reform of the Consumer Credit Act which is part of the Government's Edinburgh Reforms. The proposals represent a significant change in the approach to consumer credit and should help to simplify and streamline the requirements for customers and credit providers. We will engage in consultations and discussions with regulators;
- PRA implementation of the Basel 3.1 reforms – the PRA have provided a revised implementation date of 1 January 2027. We remain committed to deliver these substantial reforms which provide a consistent approach aligned to international and EU standards and are working through the capital requirements and implications of adoption of Basel 3.1; and
- payment service contract termination – these new requirements will ensure that users of payment services are treated fairly in a contract termination scenario by ensuring better transparency of the reason for termination and longer notification periods. We continue to monitor this draft statutory instrument.

Conduct and reputational risk

Key themes:

We are committed to delivering good customer outcomes and to avoiding causing material customer harm. We support our customers to make effective, timely and properly informed decisions, acting in good faith, avoiding foreseeable harm and supporting customers to pursue their financial objectives. If harm arises we will take appropriate remedial action where necessary.

We continue to evolve and embed the requirements of the Consumer Duty and look for further opportunities to strengthen and sharpen our conduct frameworks to evidence that we deliver good outcomes for our customers.

Mitigation:

We have delivered a dedicated vulnerable customer screen which provides a standardised way of capturing vulnerable characteristics and support needs. This enables our front line colleagues to more effectively service our customers and provides us with in-depth and accessible data to allow us to understand our vulnerable customer population better and highlight where we need to make improvements to better serve these customers.

We continued to evolve and enhance the Consumer Duty measurement framework to provide a clear view of how we are performing against the four Consumer Duty outcomes; customer understanding, customer support, products and services and price and fair value. This enables easier identification of where our customers are experiencing poor outcomes so that

appropriate actions can be put in place to address any concerns.

Enhancements have been made to our quality assurance framework with a focus on end to end customer journeys to better assess customer outcomes. The new framework informs how best to create, update and maintain colleague competency and drives how the Group trains and educates colleagues on process and best practice based on live experiences.

We continue to inform and educate our customers of the ever changing tactics of fraudsters and as a member of Stop Scam are supporting the wider industry to stop scams at source.

Having actively participated in the FCA's Cash Savings Market Review we continued to evolve our assessment of fair value in relation to cash savings products to ensure that specific costs are more easily attributed to specific products. We have developed our data to understand how customers are using these products to enable us to better communicate and support customers in achieving the most from their savings.

In November 2023, the Group received two final decisions from the FOS that partially upheld complaints brought by customers regarding historical changes to the Standard Variable Rate ("SVR") within a closed book of mortgages acquired by the Group as part of its merger with the Britannia Building Society in 2009. As a result of these decisions the Group took steps to proactively identify any customers impacted by these decisions, which has resulted in impacted customers being remediated by partially refunding interest charged historically. The approach the Group has taken to remediating these customers is in line with the Group's obligations under the FCA's complaint handling rules.

Future focus:

In 2025, we will continue to develop and evolve our approach in relation to Consumer Duty through the increased use of data, with insights allowing us to identify ongoing delivery of good customer outcomes. This will enable us to enhance and develop our policies, procedures and approach to better support our customers and avoid causing foreseeable harm.

We will look to apply the model and approach we have developed for our cash savings products to understand whether our customers are receiving fair value from our other products, across both retail and business customers, to provide greater insight into how our customers are using their products. This will enable us to identify poor customer outcomes and support our customers better in achieving their financial objectives.

Key indicators:

N/a

1.8.4 Capital risk

Definition:

The risk that regulatory capital resources are inadequate to cover regulatory capital requirements.

Key themes:

Throughout 2024, the Group's surpluses to all capital requirement ratios have remained strong.

With the exception of our leverage ratio, the Group's day-to-day capital requirements are largely determined by changes in risk-weighted assets ("RWAs"), which totalled £4.9bn at 31 December 2024, due to our capital requirements being scaled to RWAs. The Group's RWAs are in turn determined predominantly by three credit risk parameters: probability of default ("PD"), loss given default ("LGD") and exposure at defaults ("EAD"), due to the majority of the Group's RWAs being estimated on the internal ratings based ("IRB") approach. Increases in RWAs are driven either by increases in underlying assets (balance sheet growth), and/or increases in the risk-weighting assigned to these assets. Significant changes in RWAs are typically driven by changes in modelling requirements, for banks that have permission to use the IRB approach.

From 1 January 2022, we raised a post model adjustment ("PMA") to reflect the expected impact of Policy Statement 11/20 ("PS11/20") on our secured RWAs and expected losses ("EL"). This PMA was revised in December 2022 to reflect progress in the development of compliant models, and has been continuously monitored throughout the year. In 2023, we submitted our new secured IRB EAD, LGD, and hybrid PD models to the PRA, for which we are awaiting feedback.

On 17 January 2025, the PRA announced a further one-year delay to the implementation of Basel 3.1 to 1 January 2027. The PRA noted that this would allow more time for greater clarity on how the United States intends to implement the standards, but the date for full implementation remains 1 January 2030. This followed the publication of the second part of its near-final rules for Basel 3.1 implementation (Policy Statement 9/24 ("PS9/24")) on 12 September 2024, which provided near-final rules in relation to key items such as the IRB and standardised approaches to credit risk, output floor, credit risk mitigation, pillar 3 disclosures and other reporting. Further to this, the PRA provided some initial guidance on Pillar 2 matters. Alongside the publication of Policy Statement 17/23 in December 2023, firms now have full near-final Basel 3.1 standards, ahead of the implementation date of 1 January 2027.

Our capital position is also influenced by changes in the external environment. Capital risks can arise from changes in unemployment, interest rates, inflation, house prices, economic growth and other variables. Whilst we have seen a stabilisation in inflation through

2024, uncertainties driven by geopolitical tensions have resulted in sustained higher interest rates, with the market expecting the Monetary Policy Committee to maintain base rate at higher levels for longer. This puts downward pressure on profitability, due to increased funding costs, as well as higher levels of credit risk that materialise as higher RWAs, EL and expected credit loss provisions under IFRS 9. These impacts are being closely monitored across all of our credit portfolios.

Finally, the PRA reduced the Group's Pillar 2A requirement from 5.05 % of RWAs to 4.03 % of RWAs in December 2024, applicable from January 2025, following their supervisory review and evaluation process ("SREP") and our successful voluntary requirement ("VREQ") application. This reduction in part acknowledges the Group's material progress made in addressing the operational risks arising from technical debt.

Mitigation:

Effective capital risk management is a key priority of the Board and executive team. On an annual basis, we prepare the Internal Capital Adequacy Assessment Process ("ICAAP"), which provides the Board with a detailed assessment of the capital risks to which we are exposed and how we intend to mitigate them. We also closely monitor current and future capital positions across all regulatory frameworks (total capital ratio ("TCR"), minimum requirements for own funds and eligible liabilities ("MREL") and leverage ratio), including capital buffers. Capital management is a key activity across all three lines of defence, with oversight of the strategy and resulting capital impacts being a key priority, alongside regulatory activities. We engage closely with our regulators to ensure they are well informed of actual and expected changes in capital position.

We are well-positioned for the risk of a material deterioration in the macroeconomic environment, with capital available to absorb losses and increases in capital requirements based on the results of our annual stress testing exercise. Capital resources continue to grow organically through ongoing profitability, and we have evidenced our ability to complete capital issuances in recent years, such as the refinancing of Tier 2 subordinated notes in 2023 and more recently the refinancing of MREL-qualifying senior notes in September 2024.

Future focus:

The Group is progressing with a delivery programme for Basel 3.1 requirements, with all requirements outlined in PS9/24 and Policy Statment 17/23 fully interpreted, alongside an impact assessment and engagement with both the executive team and Board. As at 31 December 2024, we anticipate end-state (1 January 2030) Basel 3.1 requirements to reduce CET1 ratio by 2.6 % on a pro-forma basis. The most material

driver of this reduction is the introduction of the output floor applied to standardised RWAs.

The PRA has also provided initial guidance on how it intends to address any potential double-count of capital requirements in pillar 2 arising from the changes to pillar 1 implemented under Basel 3.1, including the SME adjustment. However, the PRA had previously indicated that all firms would receive an off-cycle review of firm-specific Pillar 2 capital requirements, via a data submission exercise due 31 March 2025, which has been paused following the delay to Basel 3.1 implementation. The PRA do not intend to complete their review of pillar 2 methodologies until after Basel 3.1 implementation. Alongside Basel 3.1 implementation, we continue to monitor the regulatory environment and understand potential future impact of changes to regulatory capital frameworks. Regulatory changes can have a material impact on our capital position and as such the Group closely monitors for these changes.

We are cognisant of our dependency on net interest income, particularly generated through mortgage lending. We are exposed to volatility in the mortgage trading environment, with risks to capital arising from the potential income volatility and impacts on profitability and capital resource accrual. In 2024, we have taken actions to address this, via diversification of our SME and commercial lending propositions, and will continue to target these business lines in 2025.

Key indicators:

CET1 Ratio (unaudited): 18.7 % (2023: 20.4 %)

Total Capital Ratio (unaudited): 22.8 % (2023: 25.3 %)

Leverage ratio (unaudited): 4.0 % (2023: 4.1 %)

1.8.5 Model risk

Definition:

Model risk is defined as the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to a firm's reputation.

Key themes:

We are awaiting PRA feedback on the PS11/20 retail secured IRB models that were submitted in 2023. These are key models for the Group, providing a significant capital benefit to the organisation relative to using the standardised approach, and hence remain the fundamental model risk that we are exposed to.

Activity to redevelop IFRS 9 models continues across both retail secured and retail unsecured portfolios. Implementation of these models, planned in 2025, will

reduce model risk and support the Group's alignment to the guidance detailed in the 2024 Dear CFO letter.

In May 2024, we implemented a Group-wide model risk management ("MRM") framework to comply with Supervisory Statement 1/23 ("SS1/23"), including the structure for the review of deterministic quantitative methods ("DQMs").

Mitigation:

We have maintained a PMA for the anticipated impact of the PS11/20 models and consider the continued suitability of capital requirements for all IRB models through a biannual process, approved as required through model governance committees.

We continue to focus on PMAs for IFRS 9 provisioning to mitigate risks deriving from the economic environment, reflecting concerns to specific sectors and to address existing model limitations.

We also maintain an independent second line function to review both models and DQMs. Alongside this, a robust IRB attestation is completed annually to ensure our permission is retained.

Future focus:

Our core focus will be on the implementation of secured hybrid models, following PRA approval. Should further remediation be necessary following regulatory feedback, a reassessment of timelines and expected capital requirements will be conducted. Furthermore, the development and implementation of IFRS 9 models will progress, alongside continued application of the MRM framework.

Alongside this, model development work will be required as part of Basel 3.1 implementation. A full interpretation of the requirements for the IRB approach to credit risk (per PS9/24) has been conducted and the delivery of the necessary model changes will be completed ahead of the 1 January 2027 implementation date.

Key indicators:

N/a

1.8.6 Liquidity and funding risk

Definition:

Liquidity and funding risk is the risk that we are unable to meet obligations as they fall due or can only do so at excessive cost.

Key themes:

We maintained a high level of liquidity in 2024. While liquidity coverage ratio ("LCR") reduced, primarily due to Term Funding for Small to Medium-sized Enterprises ("TFSME") repayments of £1.5bn, we held significant headroom against the regulatory minimum. We have

repaid TFSME funding ahead of contractual maturities as part of the management of our funding and refinancing position. In addition, we delivered wholesale funding issuances and customer deposit growth to support our lending activities, and maintained an appropriate funding profile and liquidity resources as we recognise the potential impact of the economic environment and market conditions on customer funds.

We are predominantly customer-funded, with strong retail and SME deposit franchises. While customer behaviour and balances respond to cost of living pressures, market competition and the higher rate environment, deposits continue to provide a stable funding base. A higher liquidity position and access to wholesale markets has meant we have not been required to compete for more expensive funding.

We have responded to base rate reductions in a proportionate way. While customer rates have reduced, we ensure all customers receive appropriate interest on their balances.

Wholesale funding comprises secured and unsecured debt programmes as well as participation in the Bank of England's TFSME. The return to investment grade credit rating supports our access to wholesale markets and we have successfully issued both unsecured (MREL) and secured (covered bond) funding. The return to the covered bond market provides an additional source of secured funding.

Mitigation:

Liquidity and funding risk is managed primarily with respect to liquidity risk appetite and liquidity coverage ratio. We prepare an annual Internal Liquidity Adequacy Assessment Process ("ILAAP") to ensure that our liquidity risk framework remains appropriate and that we hold sufficient liquidity resources.

We also hold a portfolio of high-quality liquid assets ("HQLA"), alongside contingency funding actions which enable us to raise or preserve liquidity in adverse conditions, and assets available for Bank of England facilities.

Future focus:

While our liquidity and funding position continues to be strong, we recognise that economic challenges and market competition may impact the level and cost of liquidity and funding risk in the future. We expect to continue to build our wholesale funding footprint, supported by an improved credit rating, which alongside our customer franchises provides a diversified funding base. The focus remains on meeting TFSME refinancing and balance sheet growth through a sustainable funding profile. We recognise the potential for uncertainty in customer behaviour as the economic situation evolves, considering such risks in our management of liquidity resources.

Key indicators:

Loan to deposit ratio (unaudited): 103.7 % (2023: 106.4 %)

High quality liquid assets ("HQLA") (unaudited): £4.0bn (2023: £4.5bn)

Liquidity coverage ratio (unaudited): 192.4 % (2023: 211.4 %)

1.8.7 Market risk

Definition:

Market risk is the risk of loss as a result of the value of assets or liabilities being adversely affected by movements in market prices, interest rates or exchange rates.

Key themes:

The business model and market risk framework mean that our main market risk exposure is through potential mismatches in the profiles of customer assets and deposit liabilities. Underlying economic uncertainties and market volatilities have continued to present challenging conditions in which to manage market risk exposures. Market risks associated with fixed term mortgages are a continued area of focus, including pipeline risk where the mortgage market responds quickly to market conditions and there remains a considerable adjustment for many customers as existing fixed term deals expire.

We maintain a structural hedge for current accounts, non-maturing deposits and other non-interest bearing balances, seeking to provide a natural hedge to mortgage origination and a smoother income profile, while acknowledging the lag effect of investment in a higher rate environment.

Mitigation:

We operate a clear market risk framework, with risk limits in place to monitor and manage exposures and impacts of market movements. We seek to hedge market risks where appropriate, including matching of assets and liabilities, as well as use of derivative instruments (interest rate swaps) to manage remaining exposures. Our HQLA portfolio is fully hedged for interest rate risk, and is managed to credit risk spread ("CR01") limits to mitigate this risk.

The framework has continued to provide a robust structure, adapting to changing conditions and supporting the appropriate management of overall exposure to market risk. The framework has been strengthened through the formalisation of our structural hedge approach in a Board approved policy.

Future focus:

We recognise the potential for further volatility in market conditions. Changes in customer behaviours may be seen through levels of prepayment, deposits and pipeline risks. Following a period of higher rates, the market risk focus has moved to reducing rates and volatility as the rate environment responds to macroeconomic conditions and central bank actions.

The impact of severe events due to changing climate patterns or rapid shifts in climate change-related regulation around the world has the potential to cause sharp adjustments to market prices as well as interest rates and exchange rates. Increased market risk as well as operational risk could also arise as a result of disruption to business services, supply chains and transport links.

Key indicators:

PV01 (unaudited): measures the sensitivity of future cash flows to a one basis point shift in interest rates. See market risk – section 4.2 on page 131.

1.9 RISK PROFILE OF THE GROUP

This table shows the business activities of each of the divisions of the Group and the RWAs which reside in each division.

Retail	Business activities: <ul style="list-style-type: none"> • Deposits • Lending to retail (secured, credit cards and overdrafts) 	Loans and advances to customers (L&A to customers)¹ (£m) 19,496.6	RWAs (£m) Credit risk: 3,007.0 Operational risk: 541.7
SME	Business activities: <ul style="list-style-type: none"> • Corporate lending including business banking • Deposits to the SME sector 	L&A to customers¹ (£m) 418.4	RWAs (£m) Credit risk: 337.2 Operational risk: 158.6
Legacy and unallocated	Business activities: <ul style="list-style-type: none"> • Closed books of corporate, unsecured and residential (Optimum) lending and all treasury-related activity. Activity relating to bank-wide operations or not associated with a particular segment. 	L&A to customers¹ (£m) 597.4 Other assets² (£m) 2,035.8	RWAs (£m) Credit risk L&A: 377.3 Non-customer assets ³ : 453.0 Operational risk: 13.6

1. L&A to customer balances include other accounting adjustments but exclude FVAHR and total £20,512.4m (2023: £20,316.9m) as disclosed in note 14 to the Group and Bank financial statements.

2. Combination of loans and advances to banks, investment securities, derivative financial instruments and other assets.

3. RWAs include central items such as treasury, other assets and deferred tax assets.

2. CAPITAL RISK

Overview

Capital resources are held to protect depositors, to cover inherent risks, to absorb unexpected losses, and to support the development of the business.

Capital adequacy is managed and calculated in accordance with Capital Requirements Directive (CRD) IV, implemented in the European Union through publication of Capital Requirements Regulation and a further iteration of the CRD. Together this package of requirements is known as CRD IV and came into force from 1 January 2014. CRD IV disclosures in this and related documents are based on the Group's interpretation of final published rules, including related regulatory Technical Standards.

The strategic report and the 2024 Pillar 3 report provide further detail on the capital risk and common leverage rate disclosures. The Group's capital position is set out below. At 31 December 2024, and throughout the year, the Group complied in full with the capital requirements that were in force. The CET1 % decreased to 18.7 % (2023: 20.1 %) and the Total Capital ratio to 22.8 % following the dividend payment in 2024. Total risk-weighted assets increased from £4,780.7m to £4,888.4m, reflecting the higher operational risk risk-weighted assets.

Capital resources CRD IV & Risk Weighted Assets

	As at 31 December 2024	As at 31 December 2023 Post-dividend ¹
	£m	£m
Common Equity Tier 1 (CET1):		
CET1 before regulatory adjustments	1,264.6	1,397.0
Total regulatory adjustments to CET1	(349.4)	(436.4)
CET1	915.2	960.6
Additional Tier 1 (AT1) capital: instruments	-	-
Total Tier 1 capital (T1 = CET1 + AT1)	915.2	960.6
Total T2 capital before regulatory adjustments	200.4	236.4
Total regulatory adjustments to T2 capital	-	-
T2 capital	200.4	236.4
Total capital (TC = T1 + T2)	1,115.6	1,197.0
Other MREL-qualifying resource	656.6	654.8
Total MREL-qualifying resource	1,772.2	1,851.8
Risk Weighted Assets (RWA)		
Credit risk	4,174.5	4,206.7
Market risk ²	-	-
Operational risk	713.9	574.0
Total RWAs	4,888.4	4,780.7
Segmental analysis for credit RWAs		
Retail	3,007.0	3,018.4
SME	337.2	222.0
Legacy and unallocated	830.3	966.3
Total credit RWAs	4,174.5	4,206.7
Total Capital Requirement (TCR)	637.9	623.9
Overall Capital Requirement (OCR)	857.9	837.5
Capital ratios		
Common Equity Tier 1	18.7%	20.1 %
Tier 1	18.7%	20.1 %
Total capital	22.8%	25.0 %
Leverage ratio		
Tier 1 Capital	915.2	960.6
Total Leverage ratio exposures	23,054.7	23,530.1
Total leverage ratio (PRA basis)	4.0%	4.1 %

1. 2023 includes the impact of the £12m dividend accrued for under CRD (and paid in May 2024). CET1 % pre-dividend (20.4 %) / Total capital % pre-dividend (25.3 %).

2. The Group has no trading book and no market risk RWAs.

3. CREDIT RISK

Credit risk is the risk to profits and capital that arises from a customer's failure to meet their legal and contractual payment obligations.

3.1 Overview

Credit risk is managed through a framework that sets out policies and procedures covering both its measurement and management. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the risk function. All credit exposure limits are approved within a defined credit approval authority framework. Credit exposures are managed through diversification across products, regional spread (within the UK), and customer segments.

3.1.1 Credit exposure

The Group quantifies its exposure to credit risk via the calculation of expected credit losses (ECLs) on a forward-looking basis for certain financial instruments and exposures related to loan commitments and financial guarantee contracts – further information on the policies adopted in the quantification of the Group's ECLs is outlined in the Explanatory Information section and specific judgements made by the Group (e.g. use of forward-looking information and post-model adjustments) are disclosed in note 2 to the Group and Bank financial statements.

The table below reconciles the Group's drawn and undrawn credit exposures subject to ECL assessment to accounting balances across statutory balance sheet reporting lines:

<i>(audited)</i>	Loans and advances to banks	Loans and advances to customers	Investment securities	Derivative financial instruments	Other assets	Total
31 December 2024						
Risk management section	3.2.3	3.2.1	3.2.2	3.2.4	3.2.6	
Note in Group and Bank financial statements	13	14 ³	15	16	17 ⁴	
Analysis of credit risk exposure						
Gross accounting balances	173.1	20,541.7	1,637.3	216.6	8.8	22,577.5
Less: accounting adjustments ¹	-	(71.3)	-	-	-	(71.3)
Gross customer balances	173.1	20,470.4	1,637.3	216.6	8.8	22,506.2
Credit commitments	-	1,489.8	-	-	-	1,489.8
Gross customer exposure	173.1	21,960.2	1,637.3	216.6	8.8	23,996.0
Less customer balances measured at FVTPL	-	(73.2)	(2.9)	(216.6)	-	(292.7)
Net customer exposure subject to ECL calculation	173.1	21,887.0	1,634.4	-	8.8	23,703.3
Allowance for losses						
Collectively modelled ECL ²	-	11.9	-	-	-	11.9
Individually assessed ECL	-	2.3	-	-	-	2.3
Judgemental adjustment	-	15.1	-	-	-	15.1
Total ECL	-	29.3	-	-	-	29.3

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

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

3. Excludes fair value adjustments for hedge risk (FVAHR) (£139.8m).

4. Excludes equity shares (£6.4m) and prepayments (£35.7m).

<i>(audited)</i>	Loans and advances to banks	Loans and advances to customers	Investment securities	Derivative financial instruments	Other assets	Total
31 December 2023						
Risk management section	3.2.3	3.2.1	3.2.2	3.2.4	3.2.6	
Note in Group and Bank financial statements	13	14 ³	15	16	17 ⁴	
Analysis of credit risk exposure						
Gross accounting balances	212.6	20,354.3	2,088.3	309.1	11.2	22,975.5
Less: accounting adjustments ¹	-	(68.8)	-	-	-	(68.8)
Gross customer balances	212.6	20,285.5	2,088.3	309.1	11.2	22,906.7
Credit commitments	-	1,578.6	-	-	-	1,578.6
Gross customer exposure	212.6	21,864.1	2,088.3	309.1	11.2	24,485.3
Less customer balances measured at FVTPL ¹	-	(88.1)	(3.3)	(309.1)	-	(400.5)
Net customer exposure subject to ECL calculation	212.6	21,776.0	2,085.0	-	11.2	24,084.8
Allowance for losses						
Collectively modelled ECL ²	-	14.8	-	-	-	14.8
Individually assessed ECL	-	2.9	-	-	-	2.9
Judgemental adjustment	-	19.7	-	-	-	19.7
Total ECL	-	37.4	-	-	-	37.4

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

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

3. Excludes fair value adjustments for hedge risk (FVAHR) (£167.5m).

4. Excludes equity shares (£12.6m) and prepayments (£24.1m).

All exposures except those within loans and advances to customers are categorised as stage 1 (2023: stage 1) and none of these exposures transferred between stages during the year. The exposures within loans and advances to customers are analysed further in the credit risk management section below.

3.2 Credit risk management

3.2.1 Loans and advances to customers

Loans and advances to customers make up the vast majority of the Group's credit risk exposure. These exposures are concentrated within the UK (see section 4 - Market risk for further information on the foreign currency balances) and are managed and reported internally within the following business segments;

- Retail – further categorised into secured residential and unsecured products
- SME; and
- Legacy and unallocated – primarily legacy corporate loans.

Below is a summary of the exposures within loans and advances to customers analysed by business segment.

<i>(audited)</i>	Core		Legacy & unallocated	Total
31 December 2024				
Risk management section	3.2.1.1	3.2.1.2	3.2.1.3	
Analysis of credit risk exposure				
Gross accounting balances	19,517.9	424.9	598.9	20,541.7
Less: accounting adjustments ¹	(60.3)	(5.9)	(5.1)	(71.3)
Gross customer balances	19,457.6	419.0	593.8	20,470.4
Credit commitments	1,275.5	182.6	31.7	1,489.8
Gross customer exposure	20,733.1	601.6	625.5	21,960.2
Less customer balances measured at FVTPL	(1.1)	(1.6)	(70.5)	(73.2)
Net customer exposure subject ECL to calculation	20,732.0	600.0	555.0	21,887.0
Allowance for losses				
Collectively modelled ECL ²	9.3	1.2	1.4	11.9
Individually assessed ECL	-	2.3	-	2.3
Judgemental adjustment	12.0	3.0	0.1	15.1
Total ECL	21.3	6.5	1.5	29.3

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

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

<i>(audited)</i> 31 December 2023	Core		Legacy & unallocated	Total
	Retail	SME		
Risk management section	3.2.1.1	3.2.1.2	3.2.1.3	
Analysis of credit risk exposure				
Gross accounting balances	19,363.9	383.8	606.6	20,354.3
Less: accounting adjustments ¹	(61.0)	(5.4)	(2.4)	(68.8)
Gross customer balances	19,302.9	378.4	604.2	20,285.5
Credit commitments	1,444.9	94.2	39.5	1,578.6
Gross customer exposure	20,747.8	472.6	643.7	21,864.1
Less customer balances measured at FVTPL ¹	(1.3)	(1.8)	(85.0)	(88.1)
Net customer exposure subject ECL to calculation	20,746.5	470.8	558.7	21,776.0
Allowance for losses				
Collectively modelled ECL ²	11.1	1.9	1.8	14.8
Individually assessed ECL	-	2.1	0.8	2.9
Judgemental adjustment	15.0	4.5	0.2	19.7
Total ECL	26.1	8.5	2.8	37.4

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

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

3.2.1.1 Retail - secured mortgage and unsecured credit risk

The retail business segment is comprised of two main portfolios:

- Retail secured – predominantly prime residential and buy-to-let (BTL) mortgages; and
- Retail unsecured – comprised of two sub-portfolios of credit cards and overdrafts.

Movement in gross customer exposure and allowance for losses

The tables below reconcile the opening and closing credit risk exposure and allowance for losses by stage (including assets Purchased or Originated Credit Impaired (POCI)). Stage transfers have been disclosed on the basis of the underlying exposure's staging at the beginning and end of the year only (e.g. if a case transferred from stage 1 to stage 2 and then returned to stage 1 during the year, the stage transfer would not be captured in the below).

<i>(audited)</i>	Stage 1	Stage 2	Stage 3	POCI	Total
Gross customer exposure					
At 1 January 2024	18,422.7	2,205.0	68.7	50.1	20,746.5
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(588.0)	588.0	-	-	-
To credit impaired (stage 1 or 2 to 3)	(25.2)	(33.1)	58.3	-	-
To 12 month ECL (stage 2 or 3 to 1)	1,303.3	(1,303.3)	-	-	-
From credit impaired (stage 3 to 2 or 1)	2.8	5.2	(8.0)	-	-
Net changes arising from stage transfers	692.9	(743.2)	50.3	-	-
Other changes:					
New assets originated or purchased	3,025.7	-	-	-	3,025.7
Other changes to risk parameters ³	(193.2)	-	-	-	(193.2)
Redemptions and repayments	(2,585.8)	(229.9)	(19.8)	(7.2)	(2,842.7)
Net increases/(decreases) in exposure	939.6	(973.1)	30.5	(7.2)	(10.2)
Assets written off	(1.0)	(1.7)	(1.6)	-	(4.3)
Gross exposure at 31 December 2024	19,361.3	1,230.2 ¹	97.6 ²	42.9	20,732.0

1. Reasons for stage 2 classification, 4 % qualitative SICR triggers, 52 % quantitative SICR triggers (primarily PD deterioration) and 44 % staging override SICR triggers..

2. Of stage 3 balances, 66 % in active default and 34 % in a cure period.

3. Mainly driven by movements in commitments.

RISK MANAGEMENT

<i>(audited)</i>					
Gross customer exposure	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	18,103.2	3,453.1	50.8	59.2	21,666.3
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(836.0)	836.0	-	-	-
To credit impaired (stage 1 or 2 to 3)	(22.9)	(20.6)	43.5	-	-
To 12 month ECL (stage 2 or 3 to 1)	1,673.8	(1,673.8)	-	-	-
From credit impaired (stage 3 to 2 or 1)	4.5	4.9	(9.4)	-	-
Net changes arising from stage transfers	819.4	(853.5)	34.1	-	-
Other changes:					
New assets originated or purchased	2,838.1	-	-	0.8	2,838.9
Other changes to risk parameters ³	(566.1)	-	-	-	(566.1)
Redemptions and repayments	(2,771.0)	(393.0)	(14.0)	(9.9)	(3,187.9)
Net increases/(decreases) in exposure	320.4	(1,246.5)	20.1	(9.1)	(915.1)
Assets written off	(0.9)	(1.6)	(2.2)	-	(4.7)
Gross exposure at 31 December 2023	18,422.7	2,205.0 ¹	68.7 ²	50.1	20,746.5

1. Reasons for stage 2 classification, 64 % quantitative SICR triggers (primarily PD deterioration), 2 % qualitative SICR triggers and 34 % staging override SICR triggers from affordability and cost of living measures.

2. Of stage 3 balances, 75 % in active default and 25 % in a cure period.

3. Mainly driven by movements in commitments

The key changes in gross customer exposure and associated ECL between stages 1 and 2 during the year are broadly driven by the reduction of the PMA focused on specific affordability risks and improvements to the Group's model. Further details can be found in Note 2.2.1 Estimation of expected credit losses.

<i>(audited)</i>					
Allowance for losses	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	6.2	15.3	4.4	0.2	26.1
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.4)	4.8	-	-	4.4
To credit impaired (stage 1 or 2 to 3)	-	(0.6)	3.2	-	2.6
To 12 month ECL (stage 2 or 3 to 1)	0.7	(7.8)	-	-	(7.1)
From credit impaired (stage 3 to 2 or 1)	-	-	(0.2)	-	(0.2)
Net changes arising from stage transfers	0.3	(3.6)	3.0	-	(0.3)
Other charges/(releases):					
New assets originated or purchased	2.5	-	-	-	2.5
Other changes to risk parameters	(1.3)	0.6	0.5	(0.1)	(0.3)
Redemptions and repayments	(0.8)	(1.2)	(1.0)	-	(3.0)
Net income statement charge/(release)	0.7	(4.2)	2.5	(0.1)	(1.1)
Assets written off	(0.7)	(1.4)	(1.6)	-	(3.7)
Loss allowance at 31 December 2024	6.2	9.7	5.3	0.1	21.3
Coverage ratio	0.0%	0.8%	5.4%	0.2%	0.1%

<i>(audited)</i> Allowance for losses	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	8.5	15.5	3.9	0.2	28.1
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.6)	6.6	-	-	6.0
To credit impaired (stage 1 or 2 to 3)	-	(0.4)	2.5	-	2.1
To 12 month ECL (stage 2 or 3 to 1)	0.8	(5.3)	-	-	(4.5)
From credit impaired (stage 3 to 2 or 1)	-	-	(0.2)	-	(0.2)
Net changes arising from stage transfers	0.2	0.9	2.3		3.4
Other charges/(releases):					
New assets originated or purchased	1.8	-	-	-	1.8
Other changes to risk parameters	(2.7)	1.6	0.2	-	(0.9)
Redemptions and repayments	(0.8)	(1.3)	(0.6)	-	(2.7)
Net income statement charge/(release)	(1.5)	1.2	1.9	-	1.6
Assets written off	(0.8)	(1.4)	(1.4)	-	(3.6)
Loss allowance at 31 December 2023	6.2	15.3	4.4	0.2	26.1
Coverage ratio	0.0 %	0.7 %	6.4 %	0.4 %	0.1 %

3.2.1.1.1 Retail - mortgages

The following section provides analysis and commentary on the secured element of the retail business segment:

Origination and account management

Mortgages are loans to customers secured by a first charge over a residential property. Under the Group's current business model, the vast majority of new mortgages are originated via intermediaries under the Co-operative Bank for Intermediaries brand.

The Group primarily advances a combination of prime residential and buy-to-let (BTL) mortgages. Historically, these loans have been advanced on a capital repayment basis, where the loan is repaid over the term of the loan, or interest-only, where the capital element of the loan is repayable only at the end of the term. All new advances since 2012 were on a capital repayment basis with the exception of BTL lending and existing interest-only loans for customers moving home. However, the Group recommenced a residential interest-only offering from October 2023, accounting for c.8 % of completions in 2024.

All POCI cases are historical (mainly through the Britannia acquisition) and it is not the Group's practice to generate Retail POCI assets.

During the term of the mortgage, interest-only mortgages are managed in the same way as capital repayment mortgages. However, the Group has communication strategies in place to remind customers that they must ensure they have a satisfactory repayment plan in place on loan maturity.

Risk in the portfolio is recalculated monthly, using internally-developed behavioural models. This process is used to determine the amount of capital which is required to be held for individual loans.

The value of new completions in the year, together with associated average LTVs and interest-only percentage is shown below.

Origination	2024			2023		
	Advanced amount	Average LTV %	Interest-only %	Advanced amount	Average LTV %	Interest-only %
Total prime residential	2,961.2	70.1	7.3	1,966.3	67.1	0.4
Buy-to-let	45.9	43.5	63.9	126.8	49.6	80.8
Total completions (including ports)	3,007.1	69.7	8.2	2,093.1	66.0	5.2

The table below shows gross customer balance (excluding commitments) analysed by the number of years after the initial origination.

<i>(audited)</i>		
Origination by age	2024	2023
<1 year	3,007.1	2,093.6
1-4 years	8,374.1	9,502.7
4-7 years	5,026.3	4,887.8
7+ years	2,818.0	2,583.5
Total	19,225.5	19,067.6

Portfolio analysis

The following tables show the secured retail residential balances analysed by a number of key risk metrics that the Group uses to monitor its credit risk exposure.

Loan-to-value (LTV) and repayment type

The table shows gross customer balances analysed by indexed LTV bandings and repayment type. The book has increased by £0.2bn over the year alongside HPI movements. The proportion of interest-only mortgages has remained static at 9.1 %, with the majority of interest-only mortgages being buy-to-let.

<i>(audited)</i>						
LTV %	2024			2023		
	Capital repayment	Interest-only	Total	Capital repayment	Interest-only	Total
Less than 50 %	6,069.4	950.1	7,019.5	6,000.0	934.1	6,934.1
50 % to 60 %	3,183.4	466.2	3,649.6	3,197.3	484.1	3,681.4
60 % to 70 %	3,163.7	229.3	3,393.0	3,348.3	225.7	3,574.0
70 % to 80 %	2,820.2	97.6	2,917.8	2,860.2	69.4	2,929.6
80 % to 90 %	1,928.9	5.7	1,934.6	1,478.1	10.9	1,489.0
90 % to 100 %	290.0	1.2	291.2	455.5	1.8	457.3
Greater than or equal to 100 %	19.4	0.4	19.8	1.7	0.5	2.2
	17,475.0	1,750.5	19,225.5	17,341.1	1,726.5	19,067.6

The contractual maturities of the interest-only balances are shown below.

	< 1 year	1-5 years	5-10 years	10-20 years	20+ years	Total
2024	33.3	215.4	393.7	775.0	333.1	1,750.5
2023	42.2	195.2	411.1	789.7	288.3	1,726.5

Mortgage type

The table below shows gross customer balances for mortgages analysed by lending type. The increase in mortgages has been in prime residential mortgages, with buy-to-let declining. Average LTV has remained broadly static from the mix of mortgage lending, redemptions and HPI movements.

	2024			2023		
	Gross customer balance	Average LTV %	Interest only %	Gross customer balance	Average LTV %	Interest only %
Prime residential	18,084.9	56.5	4.5	17,653.9	56.3	3.1
Buy-to-let	1,129.6	47.5	82.0	1,396.7	49.2	82.5
Self-certified	11.0	32.4	96.1	17.0	34.1	92.9
	19,225.5	56.0	9.1	19,067.6	55.7	9.1

UK regional distribution

The table below shows the analysis of LTVs and gross customer balances by UK regions (Government Office Regions). The London and South East remains the largest regional sector with all LTV's broadly stable over the year.

	2024		2023	
	£m	LTV %	£m	LTV %
London & South East	6,276.0	57.0	6,016.3	56.4
Northern England	4,330.2	55.3	4,430.2	56.1
Midlands & East Anglia	5,245.5	55.6	5,230.4	55.1
Wales & South West	2,261.8	54.3	2,316.4	54.6
Other	1,112.0	57.4	1,074.3	56.2
	19,225.5	56.0	19,067.6	55.7

Collateral (audited)

Mortgages are secured by a first charge over the property being purchased or remortgaged and this security is referred to as collateral. At origination, valuation of the property is either assessed by a physical inspection by a Royal Institution of Chartered Surveyors (RICS) certified surveyor from the Group's approved panel, or through the use of an Automated Valuation Model (AVM).

The Group reassesses the valuation of collateral for the non-default book on a quarterly basis using a regional property price index. Loan to values are monitored at portfolio level on an monthly basis, and have been stable throughout 2024, remaining within agreed Bank risk appetites.

The table below analyses the indexed value of property collateral (capped at 100% of LTV) held against the retail residential secured book.

IFRS 9 stage	2024				2023			
	Gross customer exposure	Collateral	Cover %	Loss allowance	Gross customer exposure	Collateral	Cover %	Loss allowance
Stage 1	18,231.3	18,231.3	100.0	4.7	17,259.0	17,259.0	100.0	4.4
Stage 2	1,190.0	1,184.8	99.6	6.7	2,161.1	2,161.0	100.0	11.8
Stage 3	92.9	92.8	99.9	1.3	64.3	64.3	100.0	0.7
POCI	40.7	40.7	100.0	0.1	47.6	47.6	100.0	0.1
	19,554.9	19,549.6	100.0	12.8	19,532.0	19,531.9	100.0	17.0

Within the secured portfolio, no loss allowance will be recognised on certain mortgages where the level of collateral available is sufficiently high (i.e. on low LTV mortgages) such that the risk to the value of the collateral in the downside scenarios still results in a Loss Given Default (LGD) of nil.

Risk grade (PDs) (audited)

The table below analyses the credit risk exposure by PD of retail secured mortgages. All PDs are calculated using the Internal Ratings Based (IRB) approach under CRD IV (12-month PDs). The risk distribution has reduced between the periods with the vast majority of the book with a grade under 1 %.

2024 - Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
≤ 0.04 %	-	-	-	-	-
> 0.04 % ≤ 0.07 %	8,203.8	242.1	1.1	9.1	8,456.1
> 0.07 % ≤ 0.31 %	274.0	11.8	0.1	2.6	288.5
> 0.31 % ≤ 1.00 %	9,361.0	513.0	4.1	20.1	9,898.2
> 1.00 % ≤ 3.00 %	363.0	287.1	1.9	1.8	653.8
> 3.00 % ≤ 15.32 %	9.1	77.8	1.1	2.2	90.2
> 15.32 % ≤ 100.00 %	20.4	58.2	22.7	2.8	104.1
= 100.00 %	-	-	61.9	2.1	64.0
Gross customer exposure	18,231.3	1,190.0	92.9	40.7	19,554.9
Less: allowance for losses	(4.7)	(6.7)	(1.3)	(0.1)	(12.8)
Net customer exposure	18,226.6	1,183.3	91.6	40.6	19,542.1

2023 - Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
≤ 0.04 %	-	-	-	-	-
> 0.04 % ≤ 0.07 %	7,865.3	259.6	0.1	10.7	8,135.7
> 0.07 % ≤ 0.31 %	277.6	12.3	-	2.7	292.6
> 0.31 % ≤ 1.00 %	8,875.5	1,378.0	1.4	24.7	10,279.6
> 1.00 % ≤ 3.00 %	216.9	362.7	0.9	2.0	582.5
> 3.00 % ≤ 15.32 %	10.3	85.1	0.5	2.2	98.1
> 15.32 % ≤ 100.00 %	13.2	63.2	16.3	3.5	96.2
= 100.00 %	0.2	0.2	45.1	1.8	47.3
Gross customer exposure	17,259.0	2,161.1	64.3	47.6	19,532.0
Less: allowance for losses	(4.4)	(11.8)	(0.7)	(0.1)	(17.0)
Net customer exposure	17,254.6	2,149.3	63.6	47.5	19,515.0

Forbearance

Forbearance is when a lender, for reasons relating to the actual or apparent financial stress of a borrower, grants a concession whether temporarily or permanently to that borrower, where the concession may involve restructuring the contractual terms of a debt. Forbearance options may be offered to customers in arrears or financial difficulty or those unable to meet outstanding financial commitments to the Group. The identification of financial difficulty is a key part of the forbearance process – customers may be identified as potentially in financial difficulty through various customer contact points and can be confirmed through more thorough financial assessment.

The table below analyses secured residential mortgage balances by type of forbearance and the associated loss allowance.

2024						
Forbearance category	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Concessions	15.8	13.7	27.1	0.5	57.1	0.6
Arrangements	5.5	12.1	20.2	1.3	39.1	0.4
Term extension	-	-	0.3	-	0.3	-
Assisted Voluntary Sale	-	-	0.6	-	0.6	-
I/O capitalisation/switch	7.1	1.4	1.5	-	10.0	-
Term expired	-	0.1	7.3	0.5	7.9	-
Payment deferral	35.9	12.0	1.7	0.5	50.1	0.1
Deceased grace period	0.6	1.3	6.0	-	7.9	0.1
Total forborne balances	64.9	40.6	64.7	2.8	173.0	1.2

2023 Forbearance category	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Concessions	34.0	24.3	27.2	1.0	86.5	0.6
Arrangements	5.6	8.2	9.2	1.5	24.5	0.5
Term extension	0.1	-	0.4	-	0.5	-
I/O capitalisation/switch	0.2	0.3	0.4	0.3	1.2	-
Term expired	-	-	3.4	-	3.4	-
Payment deferral	3.6	1.4	-	0.2	5.2	-
Deceased grace period	0.5	0.3	6.7	-	7.5	-
Total forborene balances	44.0	34.5	47.3	3.0	128.8	1.1

3.2.1.1.2 Retail - unsecured

The retail unsecured book comprises credit cards and overdrafts.

Origination and account management

Customers' applications for credit are assessed using a combination of credit scoring and policy rules. Credit cards and overdrafts are also subject to ongoing account management to determine any increase or decrease in credit limit that should apply as well as to manage over limit authorisations.

The portfolio risk is reassessed monthly using behavioural scorecards to determine the amount of capital required to be held for individual exposures.

Portfolio analysis

The following table shows unsecured lending gross customer balances and exposures (including undrawn commitments) by product type and associated allowance for losses. The gross customer exposure represents the Group's maximum exposure to credit risk on these assets. Total drawn balances have seen a minimal reduction over the year alongside the undrawn exposure.

(audited)	Gross customer balance		Gross customer exposure		Allowance for losses	
	2024	2023	2024	2023	2024	2023
Credit cards	219.6	223.6	998.9	1,033.9	4.7	5.2
Overdrafts	12.5	11.7	178.2	180.6	3.8	3.9
	232.1	235.3	1,177.1	1,214.5	8.5	9.1

Risk grade (PD) (audited)

The table below analyses the credit risk exposure by PD of retail unsecured products. All PDs are calculated using the Internal Ratings Based (IRB) approach under CRD IV (12-month PDs). The majority of the book is in grades under 1 %.

2024 Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
≤ 0.04 %	125.3	0.8	-	-	126.1
> 0.04 % ≤ 0.07 %	74.6	0.1	-	-	74.7
> 0.07 % ≤ 0.12 %	-	-	-	-	-
> 0.12 % ≤ 0.31 %	665.9	2.1	-	-	668.0
> 0.31 % ≤ 0.50 %	117.9	3.2	-	0.5	121.6
> 0.50 % ≤ 1.00 %	16.5	1.0	-	-	17.5
> 1.00 % ≤ 5.00 %	96.2	8.1	-	1.0	105.3
> 5.00 % ≤ 10.00 %	2.8	1.3	-	-	4.1
> 10.00 % ≤ 20.00 %	30.5	22.7	-	0.7	53.9
> 20.00 % ≤ 50.00 %	0.3	0.5	-	-	0.8
> 50.00 % < 100.00 %	-	0.4	-	-	0.4
100.00 %	-	-	4.7	-	4.7
Gross customer exposure	1,130.0	40.2	4.7	2.2	1,177.1
Less: allowance for losses	(1.5)	(3.0)	(4.0)	-	(8.5)
Net customer exposure	1,128.5	37.2	0.7	2.2	1,168.6

2023 Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
≤ 0.04 %	127.7	0.8	-	-	128.5
> 0.04 % ≤ 0.07 %	80.5	0.1	-	-	80.6
> 0.07 % ≤ 0.12 %	-	-	-	-	-
> 0.12 % ≤ 0.31 %	689.2	2.2	-	0.1	691.5
> 0.31 % ≤ 0.50 %	123.5	3.4	-	0.5	127.4
> 0.50 % ≤ 1.00 %	12.6	0.9	-	-	13.5
> 1.00 % ≤ 5.00 %	96.4	9.1	-	1.0	106.5
> 5.00 % ≤ 10.00 %	2.7	1.2	-	-	3.9
> 10.00 % ≤ 20.00 %	30.8	25.2	-	0.9	56.9
> 20.00 % ≤ 50.00 %	0.3	0.5	-	-	0.8
> 50.00 % < 100.00 %	-	0.5	-	-	0.5
100.00 %	-	-	4.4	-	4.4
Gross customer exposure	1,163.7	43.9	4.4	2.5	1,214.5
Less: allowance for losses	(1.8)	(3.5)	(3.7)	(0.1)	(9.1)
Net customer exposure	1,161.9	40.4	0.7	2.4	1,205.4

Forbearance

Forbearance occurs when, for reasons relating to actual or apparent financial difficulty of the borrower, a temporary or permanent concession is granted. A concession may involve restructuring of the payment terms of the facility. The primary aim of forbearance is to help the borrower through a period of financial difficulty and return the account into a sustainable position, where the facility can be serviced through to full repayment. Where the primary aim cannot be achieved, the secondary aim is to maximise recovery of debt.

A number of forbearance options, including concessionary arrangements, are available to borrowers in financial difficulty. These are handled either with customers directly or through a third party that they have chosen to represent them. Accounts classified as forborne remain so until the period of financial difficulty has passed and the account has demonstrated it can operate under sustainable terms or ownership is transferred to a third party.

The table below analyses unsecured facility balances by forbearance type and the associated gross allowance for losses coverage.

2024 Forbearance category	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Arrangements	-	-	0.3	-	0.3	0.3
Hardship	-	-	0.9	-	0.9	0.8
Temporary reducing overdraft	0.2	0.2	0.9	-	1.3	0.5
Total forborne exposures	0.2	0.2	2.1	-	2.5	1.6

2023 Forbearance category	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Arrangements	-	0.1	0.4	-	0.5	0.4
Hardship	-	0.1	0.8	-	0.9	0.8
Temporary reducing overdraft	0.2	0.2	0.9	-	1.3	0.6
Total forborne exposures	0.2	0.4	2.1	-	2.7	1.8

3.2.1.2 SME credit risk

The SME segment comprises business loans that are considered core to the operation of the Group. There has been an increase in gross customer exposure over the year, including additional commitments. The allowance for losses over the year has reduced following the removal of PMAs mainly relating to at risk sectors and failed claims.

The tables below reconcile the opening and closing credit risk exposure and allowance for losses by stage. Stage transfers have been disclosed on the basis of the underlying exposure's staging at the beginning and end of the year only (e.g. if a case transferred from stage 1 to stage 2 and then returned to stage 1 during the year, the stage transfer would not be captured in the below).

<i>(audited)</i>					
Gross customer exposure – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	251.5	199.1	19.1	1.1	470.8
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(56.3)	56.3	-	-	-
To credit impaired (stage 1 or 2 to 3)	(2.1)	(6.8)	8.9	-	-
To 12 month ECL (stage 2 or 3 to 1)	25.9	(25.9)	-	-	-
From credit impaired (stage 3 to 2 or 1)	0.2	1.8	(2.0)	-	-
Net changes arising from stage transfers	(32.3)	25.4	6.9	-	-
Other changes:					
New assets originated or purchased	260.8	-	-	-	260.8
Other changes to risk parameters	-	-	-	-	-
Redemptions and repayments	(59.2)	(61.9)	(10.0)	-	(131.1)
Net increases/(decreases) in exposure	169.3	(36.5)	(3.1)	-	129.7
Assets written off	-	(0.2)	(0.3)	-	(0.5)
Gross exposure at 31 December 2024	420.8	162.4¹	15.7²	1.1	600.0

1. Reasons for stage 2 classification: 7 % backstop SICR triggers, 3 % quantitative SICR triggers and 90 % 'at risk sector' staging overlay.

2. Of stage 3 balances, 100 % in active default.

<i>(audited)</i>					
Gross customer exposure – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	262.2	232.4	17.1	1.1	512.8
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(30.5)	30.5	-	-	-
To credit impaired (stage 1 or 2 to 3)	(4.9)	(8.6)	13.5	-	-
To 12 month ECL (stage 2 or 3 to 1)	2.7	(2.7)	-	-	-
From credit impaired (stage 3 to 2 or 1)	0.2	1.3	(1.5)	-	-
Net changes arising from stage transfers	(32.5)	20.5	12.0	-	-
Other changes:					
New assets originated or purchased	90.5	-	-	-	90.5
Other changes to risk parameters	-	-	-	-	-
Redemptions and repayments	(68.7)	(53.6)	(8.0)	-	(130.3)
Net increases/(decreases) in exposure	(10.7)	(33.1)	4.0	-	(39.8)
Assets written off	-	(0.2)	(2.0)	-	(2.2)
Gross exposure at 31 December 2023	251.5	199.1¹	19.1²	1.1	470.8

1. Reasons for stage 2 classification: 90 % 'at risk sector' staging overlay, 8 % backstop SICR triggers and 2 % quantitative SICR triggers.

2. Of stage 3 balances, 100 % in active default.

There has been an increase in exposures over the year reflecting new business (both drawn balances and commitments). However, Bounce Back loans have continued to be re-paid. Stage 1 balances have increased reflecting the new originations.

<i>(audited)</i>					
Allowance for losses – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	1.6	4.8	2.0	0.1	8.5
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.3)	0.8	-	-	0.5
To credit impaired (stage 1 or 2 to 3)	-	(0.1)	0.7	-	0.6
To 12 month ECL (stage 2 or 3 to 1)	0.1	(0.6)	-	-	(0.5)
From credit impaired (stage 3 to 2 or 1)	-	-	(0.1)	-	(0.1)
Net changes arising from stage transfers	(0.2)	0.1	0.6	-	0.5
Other charges/(releases):					
New assets originated or purchased	0.7	-	-	-	0.7
Other changes to risk parameters	(0.2)	(0.5)	1.2	(0.1)	0.4
Redemptions and repayments	(0.5)	(1.4)	(0.6)	-	(2.5)
Net income statement charge/(release)	(0.2)	(1.8)	1.2	(0.1)	(0.9)
Assets written off	-	(0.2)	(0.9)	-	(1.1)
Loss allowance at 31 December 2024	1.4	2.8	2.3	-	6.5
Coverage ratio	0.3%	1.7%	14.6%	-	1.1%

<i>(audited)</i>					
Allowance for losses – SME	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	1.3	5.3	1.3	-	7.9
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.2)	0.7	-	-	0.5
To credit impaired (stage 1 or 2 to 3)	-	(0.2)	1.6	-	1.4
To 12 month ECL (stage 2 or 3 to 1)	-	(0.1)	-	-	(0.1)
From credit impaired (stage 3 to 2 or 1)	-	0.1	-	-	0.1
Net changes arising from stage transfers	(0.2)	0.5	1.6	-	1.9
Other charges/(releases):					
New assets originated or purchased	0.8	-	-	-	0.8
Other changes to risk parameters	(0.1)	(0.1)	-	0.1	(0.1)
Redemptions and repayments	(0.2)	(0.8)	-	-	(1.0)
Net income statement charge/(release)	0.3	(0.4)	1.6	0.1	1.6
Assets written off	-	(0.1)	(0.9)	-	(1.0)
Loss allowance at 31 December 2023	1.6	4.8	2.0	0.1	8.5
Coverage ratio	0.6%	2.4%	10.5%	9.1%	1.8%

Origination and account management

At origination the sector based key credit criteria detail the requirements that must be met by the majority of borrowers. Exceptions to that are monitored via a key risk indicator. The Bank operates a strict policy with regards to reporting single name concentrations.

There are a number of triggers which, when met, will result in the customer being classed as watchlist, and classed as higher risk or default and will be subject to closer monitoring. These triggers include but are not limited to: payments past due, cash flow pressures, the need for temporary tailored support, insolvency, or other signs of financial distress.

Portfolio analysis

Lending sectors

The following table shows the Group's SME lending exposures by industry sector. The gross customer exposure represents the Group's maximum exposure to credit risk on these assets and excludes the principal element of loans measured at FVTPL of £1.6m (2023: £1.8m).

Split by industry	2024		2023 ¹	
	Gross customer exposure	of which CBILS/Bounce-Back loans	Gross customer exposure	of which CBILS/Bounce-Back loans
Commercial real estate	213.7	0.4	113.8	1.4
Business banking	115.4	81.4	152.7	120.7
Retail/wholesale	66.3	2.6	37.0	4.1
Transport	49.3	0.4	4.8	0.9
Food/hotel	37.5	9.3	41.2	11.4
Services (including financial and professional)	36.7	2.9	34.2	7.7
Care	21.2	6.8	18.6	8.7
Charities	15.0	2.0	13.5	2.2
Education	8.2	2.1	11.7	3.7
Renewable energy	4.6	-	6.4	-
Housing association	1.9	-	1.6	-
Other	30.2	4.9	35.3	7.7
	600.0	112.8	470.8	168.5

1. 2023 re-presented to reflect the 2024 split by industry.

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

The table shows gross customer exposure analysed by indexed LTV bandings and unsecured. Excludes fair value assets.

LTV %	2024	2023
≤50 % LTV	136.5	114.6
>50 % ≤ 80 % LTV	165.6	98.3
>80 % ≤ 100 % LTV	12.1	7.4
>100 % LTV	35.3	34.9
Secured	349.5	255.2
Unsecured	250.5	215.6
Gross customer exposure	600.0	470.8

Collateral (audited)

Various forms of collateral are used to mitigate the Group's exposure to credit risk. These can vary depending on the lend type and include property collateral, debentures (England and Wales), floating charges (Scotland), cash cover and personal guarantees. Government guarantees apply to the CBILS and BBLs books (80 % and 100 % respectively).

Property valuations are obtained when the facility is first approved. Thereafter the Group's lending procedures require collateral values to be reviewed annually to assess whether a material change has occurred. As a minimum a property must be revalued no less than every five years; or more frequently where a customer's facilities exceed £2.5m (when a maximum 3 yearly revaluation is required) and when lending exposures are considered to be higher risk (when a material change has occurred that is likely to affect the value and/or recoverability of the debt). In certain circumstances, such as syndicated lending arrangements, multi-party facility letters may preclude revaluations at the customer's expense of all the assets as frequently as this and a decision is required by all syndicate lenders as to whether they wish to cover the cost if more frequent updates are required.

The table below analyses the market value of the property collateral (capped at 100 % of LTV) held against assets across all sectors. As noted above the Group also has non-property collateral to utilise.

IFRS 9 stage	2024				2023			
	Gross customer exposure	Collateral	Cover %	Loss allowance	Gross customer exposure	Collateral	Cover %	Loss allowance
Stage 1	252.2	248.9	98.7	0.9	159.2	156.2	98.1	0.9
Stage 2	92.3	92.2	99.9	1.0	90.8	90.1	99.2	1.4
Stage 3	3.9	3.2	82.1	0.7	4.1	3.5	85.4	0.5
POCI	1.1	1.1	100.0	-	1.1	1.1	100.0	0.1
	349.5	345.4	98.8	2.6	255.2	250.9	98.3	2.9

Within the SME portfolio, no loss allowance will be recognised on certain loans where the level of collateral available is sufficiently high (i.e. on Bounce Back Loans, or low LTV corporate loans) such that the risk to the value of the collateral in the downside scenarios still results in a Loss Given Default (LGD) of nil.

Risk grade (audited)

The table below analyses the credit risk exposure by credit grade of SME customers. The standardised balances mainly reflect that live cases are in Stage 1, with watchlist cases in Stage 2 along with live cases judgementally overridden to Stage 2 where it is deemed the sector is adversely impacted by current economic conditions. Default cases are assigned to Stage 3.

2024 - Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
Standardised	268.2	125.4	0.9	-	394.5
Internal Ratings Based (IRB)	1.2	-	-	-	1.2
Strong	-	1.5	-	-	1.5
Good	150.0	32.1	-	-	182.1
Satisfactory	1.3	2.1	-	-	3.4
Weak	-	0.6	-	1.1	1.7
Default	0.1	0.7	14.8	-	15.6
Gross customer exposure	420.8	162.4	15.7	1.1	600.0
Less: allowance for losses	(1.4)	(2.8)	(2.3)	-	(6.5)
Net customer exposure	419.4	159.6	13.4	1.1	593.5

2023 - Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
Standardised	179.3	165.2	1.2	-	345.7
Internal Ratings Based (IRB)	1.1	-	-	-	1.1
Strong	-	-	-	-	-
Good	69.7	29.1	-	-	98.8
Satisfactory	1.4	3.6	-	-	5.0
Weak	-	-	-	1.1	1.1
Default	-	1.2	17.9	-	19.1
Gross customer exposure	251.5	199.1	19.1	1.1	470.8
Less: allowance for losses	(1.6)	(4.8)	(2.0)	(0.1)	(8.5)
Net customer exposure	249.9	194.3	17.1	1.0	462.3

Forbearance

Forbearance may be made to customers who are in financial difficulty. The identification of financial difficulty may occur either through the use of early warning indicator reporting or various customer contact points and will be confirmed through more thorough financial assessment.

The table below analyses gross customer exposures subject to forbearance.

2024	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Forbearance category						
Forborne exposure	0.1	3.1	5.8	-	9.0	0.8

2023						Allowance for losses
Forbearance category	Stage 1	Stage 2	Stage 3	POCI	Total	
Forborne exposure	0.1	2.5	6.4	-	9.0	0.6

3.2.1.3 Legacy risk

The legacy portfolio consists of books which the Group considered to be no longer part of its core operations. However, during 2024 the Group has entered back into the registered social landlords (RSLs) reflecting the growth potential within this sector. The segmental approach for the RSLs will be assessed in 2025. These include the following portfolios:

- Corporate – primarily long-term, low-margin sectors such as RSLs and private finance initiatives (PFI). These are considered to be low-risk in nature.
- Unsecured – the Group's closed personal loan book.
- Optimum – the Group's legacy sub-prime and self-certification mortgage book.

Movement in gross customer exposure and allowance for losses

The movement in the gross customer exposure and the related advances for losses (excludes those assets held at FVTPL) across the legacy segment is shown below.

<i>(audited)</i>					
Gross customer exposure – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	525.2	17.5	10.7	5.3	558.7
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.1)	0.1	-	-	-
To credit impaired (stage 1 or 2 to 3)	-	(0.4)	0.4	-	-
To 12 month ECL (stage 2 or 3 to 1)	0.8	(0.8)	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	8.9	(8.9)	-	-
Net changes arising from stage transfers	0.7	7.8	(8.5)	-	-
Other changes:					
New assets originated or purchased	33.5	-	-	-	33.5
Other changes to risk parameters	(0.7)	(0.1)	-	-	(0.8)
Redemptions and repayments	(33.7)	(1.4)	(0.4)	(0.8)	(36.3)
Net increases/(decreases) in exposure	(0.2)	6.3	(8.9)	(0.8)	(3.6)
Assets written off	-	-	-	(0.1)	(0.1)
Gross exposure at 31 December 2024	525.0	23.8¹	1.8²	4.4	555.0

1. Reasons for stage 2 classification: 59 % quantitative SICR triggers (primarily PD deterioration) and 41 % 'at risk sector' staging overlay.

2. Of stage 3 balances, 99 % in active default and 1 % in the cure period..

<i>(audited)</i>					
Gross customer exposure – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	568.2	6.5	12.6	6.7	594.0
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(14.3)	14.3	-	-	-
To credit impaired (stage 1 or 2 to 3)	(0.1)	(0.2)	0.3	-	-
To 12 month ECL (stage 2 or 3 to 1)	0.4	(0.4)	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	-
Net changes arising from stage transfers	(14.0)	13.7	0.3	-	-
Other changes:					
New assets originated or purchased	-	-	-	-	-
Other changes to risk parameters	(0.2)	-	-	-	(0.2)
Redemptions and repayments	(28.8)	(2.7)	(1.9)	(1.2)	(34.6)
Net increases/(decreases) in exposure	(43.0)	11.0	(1.6)	(1.2)	(34.8)
Assets written off	-	-	(0.3)	(0.2)	(0.5)
Gross exposure at 31 December 2023	525.2	17.5¹	10.7²	5.3	558.7

1. Reasons for stage 2 classification: 89 % quantitative triggers (primarily PD deterioration) and 11 % 'at risk sector' staging overlay.

2. Of stage 3 balances, 100 % in active default.

<i>(audited)</i>					
Allowance for losses – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	1.0	0.6	1.1	0.1	2.8
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	-	-	-	-	-
To credit impaired (stage 1 or 2 to 3)	-	-	-	-	-
To 12 month ECL (stage 2 or 3 to 1)	-	-	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	0.2	(0.8)	-	(0.6)
Net changes arising from stage transfers	-	0.2	(0.8)	-	(0.6)
Other charges/(releases):					
New assets originated or purchased	-	-	-	-	-
Other changes to risk parameters	(0.1)	(0.3)	(0.1)	-	(0.5)
Redemptions and repayments	(0.1)	-	(0.1)	-	(0.2)
Net income statement charge/(release)	(0.2)	(0.1)	(1.0)	-	(1.3)
Assets written off	-	-	-	-	-
Loss allowance at 31 December 2024	0.8	0.5	0.1	0.1	1.5

<i>(audited)</i>					
Allowance for losses – Legacy	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	1.4	0.1	2.7	0.1	4.3
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	-	0.4	-	-	0.4
To credit impaired (stage 1 or 2 to 3)	-	-	-	-	-
To 12 month ECL (stage 2 or 3 to 1)	-	-	-	-	-
From credit impaired (stage 3 to 2 or 1)	-	-	-	-	-
Net changes arising from stage transfers	-	0.4	-	-	0.4
Other charges/(releases):					
New assets originated or purchased	-	-	-	-	-
Other changes to risk parameters	(0.2)	0.1	(1.5)	-	(1.6)
Redemptions and repayments	(0.2)	-	-	-	(0.2)
Net income statement charge/(release)	(0.4)	0.5	(1.5)	-	(1.4)
Assets written off	-	-	(0.1)	-	(0.1)
Loss allowance at 31 December 2023	1.0	0.6	1.1	0.1	2.8

Origination and account management

The Legacy book is mainly comprised of historic closed books. However, during 2024 the Group has entered back into the registered social landlords (RSLs) reflecting the growth potential within this sector. The segmental approach for the RSLs will be assessed in 2025. The books are risk managed in the same way as the core retail and SME books described in section 3.2.1.1 and 3.2.1.2.

Portfolio analysis (audited)

The following table shows the Group's legacy customer balances, gross exposures and loss allowance by broad asset class. The gross customer exposure represents the Group's maximum exposure to credit risk on these assets.

	Gross customer balance		Gross customer exposure		Allowance for losses	
	2024	2023	2024	2023	2024	2023
Corporate – PFI	318.3	333.7	349.0	372.5	1.2	2.1
Corporate – RSL	258.7	238.7	259.1	238.7	0.1	0.1
Corporate – other	2.9	15.7	3.5	16.4	-	0.1
Corporate – total	579.9	588.1	611.6	627.6	1.3	2.3
Less FVTPL	(70.5)	(85.0)	(70.5)	(85.0)	-	-
Corporate – total	509.4	503.1	541.1	542.6	1.3	2.3
Unsecured – personal loans	0.3	0.5	0.3	0.5	-	0.1
Secured – Optimum	13.6	15.6	13.6	15.6	0.2	0.4
	523.3	519.2	555.0	558.7	1.5	2.8

Collateral (audited)

The use of collateral to mitigate credit risk exposure for the legacy corporate and Optimum books is similar in approach to the core SME and retail secured books respectively. These exclude the corporate deals held at fair value with collateral capped at 100 % of LTV.

IFRS 9 stage	2024				2023			
	Gross customer exposure	Collateral	Cover %	Loss allowance	Gross customer exposure	Collateral	Cover %	Loss allowance
Corporate								
Stage 1	309.0	288.9	93.5	0.2	292.4	272.4	93.2	0.2
Stage 2	1.7	1.7	100.0	-	1.8	1.8	100.0	0.1
Stage 3	-	-	-	-	-	-	-	-
POCI	-	-	-	-	-	-	-	-
	310.7	290.6	93.5	0.2	294.2	274.2	93.2	0.3
Optimum								
Stage 1	5.8	5.8	100.0	-	5.8	5.8	100.0	-
Stage 2	1.7	1.7	100.0	-	2.8	2.8	100.0	-
Stage 3	1.7	1.7	100.0	0.1	1.7	1.7	100.0	0.3
POCI	4.4	4.4	100.0	0.1	5.3	5.3	100.0	0.1
	13.6	13.6	100.0	0.2	15.6	15.6	100.0	0.4
	324.3	304.2	93.8	0.4	309.8	289.8	93.5	0.7

Within the Legacy portfolio, no loss allowance will be recognised on certain loans where the level of collateral available is sufficiently high (i.e. on low LTV corporate loans) such that the risk to the value of the collateral in the downside scenarios still results in a Loss Given Default (LGD) of nil.

Risk grade (audited)

The table below analyses the credit risk exposure by credit grade of legacy corporate lending. The majority of the lending is to RSL and PFI so is low risk in nature (across IRB and strong). The credit grades for legacy unsecured and Optimum assets has not been disclosed on the grounds of materiality.

2024- Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
Standardised	1.3	-	-	-	1.3
IRB	223.9	-	-	-	223.9
Strong	285.0	-	-	-	285.0
Good	8.9	1.7	-	-	10.6
Satisfactory	-	-	-	-	-
Weak	-	20.3	-	-	20.3
Default	-	-	-	-	-
Gross customer exposure	519.1	22.0	-	-	541.1
Less: allowance for losses	(0.8)	(0.5)	-	-	(1.3)
Net customer exposure	518.3	21.5	-	-	539.8

2023- Credit grade	Stage 1	Stage 2	Stage 3	POCI	Total
Standardised	4.5	-	-	-	4.5
IRB	191.3	-	-	-	191.3
Strong	308.5	-	-	-	308.5
Good	14.9	1.8	-	-	16.7
Satisfactory	-	-	-	-	-
Weak	-	12.7	-	-	12.7
Default	-	-	8.9	-	8.9
Gross customer exposure	519.2	14.5	8.9	-	542.6
Less: allowance for losses	(1.0)	(0.5)	(0.8)	-	(2.3)
Net customer exposure	518.2	14.0	8.1	-	540.3

Forbearance

The table below analyses gross customer exposures subject to forbearance. The overall increase reflects the current macro-economic climate.

2024	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Forbearance category						
Corporate forbearance	-	19.5	-	-	19.5	0.5
Retail unsecured forbearance	-	-	-	-	-	-
Optimum forbearance	-	-	1.0	1.4	2.4	0.1
Total forborne exposures	-	19.5	1.0	1.4	21.9	0.6

2023	Stage 1	Stage 2	Stage 3	POCI	Total	Allowance for losses
Forbearance category						
Corporate forbearance	-	12.0	8.9	-	20.9	1.3
Retail unsecured forbearance	-	-	-	-	-	-
Optimum forbearance	-	-	1.0	1.7	2.7	0.1
Total forborne exposures	-	12.0	9.9	1.7	23.6	1.4

3.2.2 Investment securities credit risk

No allowance for losses has been recognised for investment securities in either 2024 or 2023. All are classified as low-to-medium risk and within stage 1 (2023: stage 1). The Group has applied the low credit risk exemption available within IFRS 9 to treasury assets with an external rating of investment grade. For further information see the Explanatory Information to the consolidated financial statements, section 1.3.j.ii.

Credit risk mitigation

There are policies in place with regard to the management and valuation of collateral which is used as a form of credit risk mitigation. Only cash deposits, UK government bonds or other debt securities issued by a central government or qualifying multi-lateral development bank with a minimum rating of AA, or a mortgage backed security issued by the Group or one of its subsidiaries, a third-party issued Prime MBS or a AAA-rated Covered Bond; are accepted as collateral. The Group has documented procedures that all securities received as collateral are valued on a daily basis and collateral calls made in line with the relevant legal agreement.

Credit impaired assets

The Group has applied the low credit risk exemption available within IFRS 9 to treasury assets with an external rating of investment grade. No investment security assets were deemed to be credit impaired.

3.2.3 Loans and advances to banks

No allowance for losses has been recognised for loans and advances to banks in either 2024 or 2023. Materially, all exposures are with banks rated externally as A- or higher. These exposures are considered to all be of low-to-medium risk and the ECL has been deemed to be immaterial.

3.2.4 Derivative financial instruments

During 2024, the majority of new derivative transactions continued to be cleared through a central clearing counterparty. In accordance with IFRS 13, an immaterial net credit value adjustment was recorded (31 December 2023: immaterial) in relation to non-collateralised swaps.

The exposure for the ECL calculation is nil as the balance sheet is all measured through FVTPL.

3.2.5 Wholesale credit risk

The treasury asset portfolio is held primarily for liquidity management purposes and, in the case of derivatives, for the purpose of managing market risk. Exposures to the UK government and the BoE account for 71 % (2023: 66 %) of all treasury exposures. The remaining exposures are split financial institutions 15 % (2023: 21 %), non-domestic sovereign and qualifying multi-lateral development bank bonds 13 % (2023: 11 %) and 1 % (2023: 2 %) to residential mortgage-backed securities. No allowance for losses has been recognised in either 2024 or 2023.

3.2.5.1 Direct exposures

Within the treasury asset portfolio there are a number of risk mitigation techniques available including netting and collateralisation agreements. Other methods such as disposal and credit derivatives may be used periodically to mitigate the credit risk associated with particular transactions.

Treasury operates a risk-based approach which monitors counterparty limits and exposure. Both the counterparties and assets held are monitored against a Board-approved matrix of risk tolerance and associated indicators. The scope of this monitoring activity includes rating actions, market events and financial results as they are announced. These factors may influence a change in risk status and possible escalation requiring management actions and inclusion on the watchlist.

The portfolio and watchlist is monitored weekly for appropriate risk status bandings and any associated management actions, whilst exposures are monitored daily to ensure appropriate oversight of trading activity within agreed counterparty limits. As at 31 December 2024, there were no red (highest-risk) exposures outstanding (2023: £nil).

3.2.5.2 Indirect exposures

Treasury monitoring extends beyond direct risk incurred through counterparty trading, to the underlying exposures, which the counterparties may maintain on their own balance sheets.

Where secondary sovereign exposure or contagion risk is deemed to undermine the performance of the counterparty, remedial management actions are taken in respect of the counterparty limits and exposure.

3.2.6 Other assets

An allowance for losses has been recognised for other assets under IFRS 9. There is currently an immaterial provision, at the end of 2024 (2023: Immaterial). The exposures are currently considered to be of low risk.

4. MARKET RISK

Market risk is the risk of loss as a result of the value of financial assets and liabilities being adversely affected by movements in market prices, interest rates or exchange rates.

4.1 Overview

Market risk loss can be reflected in near-term earnings by a reduction in net interest income or, in the longer term, because of changes in the economic value of future cashflows. As the Group does not have a trading book, the main sources of market risk include: fixed rate mortgages and savings products, the Group's holdings of bonds in its liquidity portfolio, and the degree to which these are hedged using derivative instruments. The Group is primarily exposed to interest rate risk, with a smaller level of exposure to foreign exchange rate risk.

With no trading book and net currency positions below the required threshold, no Pillar 1 market risk exists. All market risk exposures are addressed under the Pillar 2 framework, captured in the Group's ICR requirement.

The Group uses PV01 to manage market risk, where a potential change in economic value (EV) is measured by quantifying the net present value (NPV) impact of a one basis point (bp) shift in interest. The PV01 measures the sensitivity of both parallel and specific point of yield curve stress testing (i.e. non-linear yield curve shifts) by one bp. The

residual interest rate risk is hedged using predominantly SONIA based swaps. Where exposures to floating rate indices do not match between floating rate, or hedged to floating rate assets and liabilities, there is also a resultant basis risk.

Market risk exposures have been maintained well within risk appetite in 2024, interest rate risk when expressed in terms of PV01 averaged £nil during 2024 with a lowest of £68k and a largest of £(69)k (2023: £(37)k / £83k / £(108)k respectively). The Group-wide market risk position was managed to a long asset position ahead of the year end, with total net sensitivity across the Group's balance sheet reflected in a total PV01 of £(19)k (2023: £83k).

4.2 Primary risk metrics and sources of market risk

The key drivers of market risk faced, and the metrics used to manage those risks are:

Market risk indicators	2024	2023
Total PV01 (£k)	(19)	83
Average PV01 for the year (£k)	-	(37)
Largest short asset PV01 for the year (£k)	68	83
Longest long asset PV01 for the year (£k)	(69)	(108)
Average basis risk (£m)	3.2	1.7
Swap spread PV01 (£k)	(393)	(620)
Average swap spread PV01 (£k)	(522)	(528)
FX notional (£m)	(0.8)	(0.6)
Average FX notional (£m)	(0.5)	(0.5)

Interest rate risk

Sensitivity of the Group's NPV to a one basis point parallel shift in interest rates (i.e. the PV01) is employed to manage directional interest rate risk and yield curve risk, with limits set at an overall level for directional risk and against individual time buckets for yield curve risk. To supplement these limits, stress testing of exposures against historical yield curve shifts is undertaken to assess the sensitivity to the most extreme curve steepening and curve flattening movements, to a 99 % confidence, observed over appropriate historical periods.

Behavioural assumptions are considered in the treatment of non-interest bearing balances (NIBBs) such as current accounts and reserves, non-rate sensitive deposits (Retail demand deposits), and with regard to customer prepayments of residential mortgages.

Risk exposures are formally reported at least monthly, with interest rate risk and effectiveness of hedging monitored at a minimum of weekly frequency. Interest rate risk is hedged using derivative instruments and investment securities to external wholesale markets as appropriate.

The Group has produced a parallel shock down analysis (a 250-basis point decrease in GBP interest rates), which shows a decrease in NII of (£18.6m) (2023: (£28.4m)).

Basis risk

The definition of basis risk is the risk of loss as a result of the balance sheet being adversely affected by the movement between different index rates.

Basis risk is mainly driven by the mix of exposures to SONIA, base, and administered rates. BoE reserve balances and tracker mortgages generate base rate assets, with administered rate exposures including mortgages and savings products.

Basis risk management seeks to limit volatility to earnings and capital resources from moves in either direction. The assumed potential loss of earnings reflects the downside risk comparing prevailing spreads against historical extremes. The basis risk position primarily reflects the net SONIA-base rate exposure.

HQLA swap spread risk

Swap spread risk is defined as the sensitivity of the combined economic value of HQLA securities and their associated derivative hedges to changes in the spread between benchmark sovereign bond yields and swap rates. These assets are used for liquidity purposes within the treasury portfolio.

Swap spread risk is managed by calculating the sensitivity of its hedged fixed rate bond portfolio to a one bp divergence in yields between the fixed rate bond and its hedge (PV01).

Swap spread risk has reduced through 2024 reflecting the portfolio size and composition in terms of security type and duration.

Foreign exchange risk

The exposure to foreign exchange risk is primarily limited to customer hedging transactions and incidental customer transactions. To manage this risk, an overall maximum notional net sterling position limit is set for overnight exposures. This is supported by applying sub-limits to currencies by tier to reflect their liquidity.

The balance sheet is predominantly sterling with only 0.1 % (2023: 0.1 %) of the assets being in a mix of Euro, US dollars or other foreign currency. The assets comprise loans to banks and the unlisted equity shares. The foreign currency liabilities are immaterial.

At 31 December 2024, the Group's open currency position was £(0.8)m (2023: £(0.6)m). Currency positions are managed against both an overall limit and individual currency limits.

Other sources of market risk

Other sources of market risk include:

- Prepayment risk: the risk that an asset or liability repays more quickly or slowly than anticipated, resulting in a mismatch between the asset, liability and associated hedge.
- Pipeline risk: the risk that the sales of fixed rate products does not match hedging assumptions, resulting in a mismatch between product sales and the hedge amount, which can result in a rebalancing cost.
- Explicit option risk: the sensitivity to the overall direction of interest rates, speed of change of rates and market prices for positions which contain explicit options e.g. caps, floors, and swaps.
- Repricing and implicit optionality in products: the risk that options embedded or implied within retail or commercial products have an impact on market value or earnings with changing interest rates.
- Equity price risk: the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. Non-trading equity price risk exposure arises from equity securities classified as fair value through profit and loss. This mainly relates to the Group's shareholding of Visa B series preferred stock. 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 £0.7m as at 31 December 2024 (2023: £1.5m).

4.3 Hedge accounting (audited)

The Group is exposed to interest rate risk arising from changes in market interest rates. A variety of strategies are employed to mitigate interest rate risk with the overall objective of hedging interest rates paid and received, predominantly back to SONIA.

To reduce the reporting volatility introduced as a result of entering into derivatives for economic hedging purposes, the Group applies hedge accounting. The hedge accounting strategies applied are as follows:

Strategy	Hedging instruments and underlying hedged items	Objective of strategy
1) Macro fair value hedge	Interest rate risk on fixed rate mortgages and customer loans.	In the Group's mortgage macro fair value hedge, macro hedge accounting is used to recognise fair value changes related to changes in net interest rate risk in the fixed rate mortgages and customer loans and therefore reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone.
	Interest rate risk on non-interest bearing current accounts and equity.	In the Group's NIBBs macro fair value hedge, macro hedge accounting is similarly used to recognise fair value changes related to changes in net interest rate risk in non-interest bearing current accounts and therefore reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone.
2) Micro fair value hedge	Interest rate risk on certain fixed rate treasury assets and liabilities.	Micro fair value hedge accounting is used to recognise fair value changes related to changes in interest rate risk in certain treasury assets/liabilities and therefore reduce the profit or loss volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone.

Interest rate risk on fixed rate mortgages and customer deposits (macro fair value hedge)

The Group is exposed to interest rate risk on non-interest bearing (primarily current accounts) due to changes in SONIA. The interest rate risk is managed by entering into pay float/receive fixed interest rate swaps, held in a layered portfolio (the 'layer approach'). The hedging strategy is in line with the requirements of the UK-endorsed version of IAS 39 'Financial Instruments: Recognition and Measurement', which unlike the version issued by the IASB does not prohibit hedging customer deposits and its associated effectiveness testing using a layer approach in a macro fair value hedge. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Possible sources of ineffectiveness include differences between the expected and actual volume of prepayments where a portfolio is being hedged, as the hedging ratio is calculated with regard to expected repayment dates, taking account of expected prepayments based on experience.

Interest rate risk on fixed rate treasury assets and liabilities (micro fair value hedge)

The Group enters into micro fair value hedges in relation to certain fixed rate treasury assets to manage changes in interest rate risk. The interest rate risk is managed by entering into interest rate swaps. Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged.

To mitigate volatility in the income statement generated by these economic hedge relationships, micro fair value hedge accounting is applied.

For micro hedges, the Bank establishes the hedging ratio prospectively by matching the notional amount of the derivatives with the principal (or part principle) of the instruments being hedged. Hedge relationships are considered effective where changes in the hedged item offset changes in the hedging instrument to within an 80 % to 125 % ratio. A prospective effectiveness test is performed at inception, and prospective and retrospective effectiveness tests are performed on a monthly basis using the dollar offset method.

Possible sources of ineffectiveness include imperfect economic hedges as the derivatives are not always an exact match for the risk in the hedged item and SONIA leg compounded average fixing for the next period.

Reset risk on variable rate loans and mortgages (macro cash flow hedge)

The Group retired its macro cash flow hedge on 31 December 2020, replacing it with the NIBBs macro fair value hedge referred to above. The remaining swap was de-designated from the cash flow hedge and re-designated to the new NIBBs macro fair value hedge at its inception. The cash flow hedge reserve is amortised through net interest income over the remaining life of the swaps.

Quantitative hedge accounting information

The following table sets out the maturity profile and average price/rate of micro hedge accounting strategies applied by the Group.

(audited)		Maturity				
2024	Up to 1 month	1-3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total
Fair value hedges (interest rate swap)						
Notional	-	-	-	419.8	286.5	706.3
Average fixed interest rate	-	-	-	2.98 %	3.36 %	

(audited)		Maturity				
2023	Up to 1 month	1-3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total
Fair value hedges (interest rate swap)						
Notional	-	-	10.0	216.8	384.6	611.4
Average fixed interest rate	-	-	5.16 %	2.37 %	3.08 %	

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The following tables show details of the hedging instruments used by the Group.

(audited)	Carrying amount			Balance sheet line items	Changes in fair value used for calculating hedge ineffectiveness
	Notional	Assets	Liabilities		
2024					
Fair value hedges (interest rate risk)					
Interest rate swaps	10,461.2	203.2	38.5	Derivative financial instruments	147.8
Cash flow hedges					
Interest rate swaps	-	-	-	Derivative financial instruments	-

(audited)	Carrying amount			Balance sheet line items	Changes in fair value used for calculating hedge ineffectiveness
	Notional	Assets	Liabilities		
2023					
Fair value hedges (interest rate risk)					
Interest rate swaps	8,419.2	279.5	83.3	Derivative financial instruments	164.7
Cash flow hedges					
Interest rate swaps	-	-	-	Derivative financial instruments	-

The following table contains details of the hedged exposures covered by the Group's hedging strategies.

(audited)	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Balance sheet line items	Change in fair value of hedged item for assessment of effectiveness	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities			
							Discontinued hedges
2024							
Fair value hedges (interest rate risk)							
Fixed rate mortgages	6,999.2	-	(139.8)	-	Loans and advances to customers	18.9	N/A
Fixed rate bonds	404.3	-	(14.2)	-	Investment securities – FVOCI	(6.8)	N/A
Fixed rate bonds	-	-	-	-	Debt securities in issue	-	N/A
Fixed rate bonds	-	-	-	-	Other borrowed funds	-	N/A
Fixed rate gilts	260.7	-	(24.7)	-	Investment securities – FVOCI	(4.9)	N/A
NIBBS	-	2,229.6	-	(21.0)	Customer accounts	9.8	
Cash flow hedges (interest rate risk)							
Floating rate mortgages	-	-	N/A	N/A	Loans and advances to customers	-	(1.3)

(audited)	Carrying amount of hedged item		Accumulated amount of fair value adjustments on the hedged item		Balance sheet line items	Change in fair value of hedged item for assessment of effectiveness	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities			
2023							Discontinued hedges
Fair value hedges (interest rate risk)							
Fixed rate mortgages ¹	6,795.4	-	(167.5)	-	Loans and advances to customers	241.9	N/A
Fixed rate bonds	319.4	-	(7.4)	-	Investment securities – FVOCI	16.3	N/A
Fixed rate bonds	-	-	-	-	Debt securities in issue	-	N/A
Fixed rate bonds	-	-	-	-	Other borrowed funds	(5.0)	N/A
Fixed rate gilts ¹	255.4	-	(19.8)	-	Investment securities – FVOCI	11.1	N/A
NIBBs ¹	-	1,164.2	-	(18.7)	Customer accounts	(41.0)	
Cash flow hedges (interest rate risk)							
Floating rate mortgages	-	-	N/A	N/A	Loans and advances to customers	-	(7.5)

1- 2023 table previously included total amounts available to hedge. Presentation has been aligned to 2024, which contains total amounts hedged.

The accumulated amount of fair value hedge adjustments remaining in the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses is £(7.5)m (2023: £(5.7)m).

The following table illustrates the effectiveness of the designated hedging relationships as well as the impact on the income statement (IS) and other comprehensive income (OCI).

(audited)	Gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in the IS	IS line item that includes hedge ineffectiveness	Amounts reclassified from reserves to IS as:		
				Hedged cash flows will no longer occur	Hedged item affected IS	IS line item that includes reclassified amount
2024						
Interest rate risk						
Macro fair value						
Fixed rate mortgages	N/A	0.5	Other operating (expense)/income net	N/A	N/A	N/A
NIBBs	N/A	(4.1)		N/A	N/A	N/A
Micro fair value						
Fixed rate bonds	N/A	0.1	Other operating (expense)/income net	N/A	N/A	N/A
Fixed rate gilts	N/A	-	Other operating (expense)/income net	N/A	N/A	N/A
Cash flow hedges (interest rate risk)						
Floating rate mortgages	-	-	Other operating (expense)/income net	N/A	-	Net interest income on financial instruments not in a hedging relationship (drip of terminated IRS)

(audited)	Gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in the IS	IS line item that includes hedge ineffectiveness	Amounts reclassified from reserves to IS as:		
				Hedged cash flows will no longer occur	Hedged item affected IS	IS line item that includes reclassified amount
2023						
Interest rate risk						
Macro fair value						
Fixed rate mortgages	N/A	0.2	Other operating (expense)/income net	N/A	N/A	N/A
NIBBs	N/A	(2.6)		N/A	N/A	N/A
Micro fair value						
Fixed rate bonds	N/A	0.3	Other operating (expense)/income net	N/A	N/A	N/A
Fixed rate gilts	N/A	(0.4)	Other operating (expense)/income net	N/A	N/A	N/A
Cash flow hedges (interest rate risk)						
Floating rate mortgages	-	-	Other operating (expense)/income net	N/A	-	Net interest income on financial instruments not in a hedging relationship (drip of terminated IRS)

(audited)	2024	2023
Cash flow hedge reserve as at 1 January	5.4	10.6
Net changes in fair value recognised directly in equity	-	-
Transfers from equity to income or expense	(6.2)	(7.2)
Income tax	1.8	2.0
Cash flow hedge reserve as at 31 December	1.0	5.4

5. LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk that obligations cannot be met as they fall due or can only be met at excessive cost.

5.1 Overview

The Group manages liquidity and funding risk through a mature and comprehensive risk framework, which includes a clearly defined risk appetite, policy, limit structure and monitoring, stress testing and governance.

The Group aims to ensure that it maintains, at all times, sufficient liquidity resources to meet obligations as they fall due, in normal and stressed conditions. Liquidity resources should be appropriate in both quantum and composition to support this objective. This is achieved through a framework of forecasting and stress-testing of cashflows, setting and monitoring against appropriate risk limits supported by metrics including encumbrance, concentration risk, funding and risk profiles.

The Board is responsible for setting liquidity and funding risk appetite, and ensures through its annual review and approval of risk appetite, measures and limits and ILAAP, that material liquidity risks are appropriately identified, quantified, monitored and managed. The Asset and Liability Committee (ALCo), chaired by the CFO, oversees the management of liquidity and funding risk within this defined appetite. The Group operates a three lines of defence model where the Group's liquidity and funding risk frameworks are owned by Treasury and overseen by an independent second line risk team, with Internal Audit providing further independent challenge, oversight and assurance of liquidity management.

The Group's liquidity risk appetite and liquidity risk framework aim to ensure the Group maintains sufficient liquidity resources at all times to meet cashflows as they fall due, in normal and stressed conditions. Stress and sensitivity testing is a core component of the Group's liquidity and funding risk management framework. The Group monitors its liquidity

position against internally defined stress scenarios, including as a minimum market-wide, Group-specific and combined stress tests, measured across appropriate time horizons. Stress testing assesses the appropriateness of the Group's liquid asset buffer as well as contingency action capacity. In addition the Group's risk appetite requires liquid assets to exceed the minimum regulatory Liquidity Coverage Ratio requirements, including any applicable Pillar 2 add-ons, and a Net Stable Funding Ratio exceeding the minimum regulatory requirement. Additional limits are set to manage the composition of the liquid asset buffer, to ensure it is high quality and appropriately diversified.

Management of the liquid asset buffer is centralised in the Treasury function, which also includes wholesale funding operations. Broader management of funding and liquidity includes contributions from across the Group, including finance, products.

The Group's liquidity position is monitored on a daily basis, including a suite of liquidity early warning indicators (EWIs) which support the Liquidity Contingency Plan (LCP). Formal governance of liquidity reporting is prepared on a monthly basis and reported to ALCo, with escalation to EROC and Risk Committee. Liquidity reporting is maintained in line with the requirements of the Group's Liquidity & Funding Control Standard which ensures appropriate controls are in place to meet the objectives of the Policy.

The Group's LCP, part of the wider Recovery Plan framework, is approved on an annual basis, and is tested regularly. The LCP establishes EWIs to identify and monitor a liquidity stress, escalation and governance requirements, and actions that could be considered to preserve or raise incremental liquidity to ensure sufficient liquidity is maintained to meet stressed cashflows.

5.2 Liquidity risk metrics

The Group monitors a suite of liquidity metrics which includes the following:

Metric	2024	2023	
LCR	192.4 %	211.4 %	<ul style="list-style-type: none"> Represents a surplus to regulatory minima of 100 % Aligns to the risk strategy to maintain a prudent liquidity position Pillar 1 12 month rolling average (as reported in Pillar 3).
Internal liquidity stress tests	Buffer held in excess of internal requirements	Buffer held in excess of internal requirements	<ul style="list-style-type: none"> Measures the survival period under an internally defined applicable stress scenario
NSFR	135.3 %	132.5 %	<ul style="list-style-type: none"> Based on current interpretation of requirements and guidance
Customer loan/deposit ratio	103.7 %	106.4 %	<ul style="list-style-type: none"> Ratio of customer loans (excluding credit commitments) to customer deposits
Encumbrance ratio	23.4 %	26.8 %	<ul style="list-style-type: none"> According to the Pillar 3 definition asset encumbrance ratio is calculated as the carrying amount of encumbered assets and collateral divided by total assets and collateral. Median of the last four quarters.

An asset is defined as encumbered if it has been pledged as collateral against an existing liability or to collateralise an exposure that the Group may have, restricting access to that asset in the event of resolution or bankruptcy. An encumbered asset would be no longer available to use in secured funding, to satisfy collateral needs, or to be sold to reduce the funding requirement. The encumbrance tables are presented in the Pillar 3 disclosures (AE1-AE4). The year end asset encumbrance ratio is 20.3 % (2023: 23.5 %).

5.3 Liquid asset portfolios

Total liquidity resources as at 31 December 2024 were £6,058.6m (2023: £6,112.5m). There is a focus on maintaining a high percentage of liquid assets which are high-quality and the table below analyses the liquidity portfolio by product and unencumbered liquidity value. The liquidity portfolio is categorised into primary and secondary (other liquid assets and contingent liquidity).

Primary liquid assets include cash and balances at central banks and other high-quality government bonds (all are eligible under regulations (High-Quality Liquid Assets)).

Secondary liquidity comprises unencumbered liquid investment securities not included as part of primary liquidity, as well as other forms of contingent liquidity sources (mortgage and corporate collateral).

Liquidity – primary & secondary	2024	2023
Operational balances with central banks	2,438.3	2,489.3
Gilts	395.4	341.3
Central government and multilateral development bank bonds	961.3	1,232.0
Total primary liquid assets	3,795.0	4,062.6
Other liquid assets	-	162.3
Contingent liquidity	2,263.6	1,887.6
Total secondary liquid assets	2,263.6	2,049.9
Total liquidity	6,058.6	6,112.5
Average balance	5,792.5	6,311.7

A combination of these asset pools is used to manage liquidity, with primary liquidity used predominantly for short-term cash flow movements, while other liquidity is used for creating longer-term liquidity. Regular realisation through repo transactions and outright sales provide assurance that these asset pools remain sufficiently liquid. The disclosures above are based on what is eligible for liquidity purposes and so does not exactly match the balance sheet.

5.3.1 Wholesale funding

Wholesale funding is used to supplement retail and commercial deposits to diversify the source of funds. There are a variety of long-term wholesale funding sources outstanding, including Tier 2 subordinated debt, MREL-qualifying debt, repos (including BoE indexed long-term repo), Covered Bond and BoE TFSME drawings, as summarised in the table below.

Wholesale funding	2024	2023
Subordinated debt (Tier 2 & MREL)	857.0	892.6
Secured funding (TFSME)	2,527.1	4,051.0
Repos	10.2	53.4
Market borrowing (Covered Bond)	499.3	-
	3,893.6	4,997.0

The wholesale funding position has seen a reduction following the part repayment of the BoE TFSME funding partially offset by the Bank re-entering the Covered Bond market with a £500m issuance. Gilt repos make up £5m of total repo funding. The following table sets out contractual wholesale funding by maturity, with the maturity based on call dates. Silk Road Finance Number Five plc MBS was repaid in 2024. The Tier 2 and MREL debt was re-issued in 2024. The funding below is included within other borrowed funds, deposits by banks and debt securities in issue on the balance sheet. The maturity is based on outstanding balance and not on contractual cashflows.

Wholesale funding maturity	2024	2023
Repayable in less than 1 month	31.1	108.4
Repayable between 1 and 3 months	14.2	-
Repayable between 3 and 6 months	8.1	47.2
Repayable between 6 and 9 months	1,396.0	-
Repayable between 9 and 12 months	839.0	745.5
Repayable between 1 and 2 years	249.5	3,189.0
Repayable between 2 and 5 years	1,355.7	906.9
Repayable in more than 5 years	-	-
	3,893.6	4,997.0

5.4 Liquidity gap (audited)

Details of contractual maturities for assets and liabilities underpin the management of liquidity risk. However, management recognises that customer behaviour differs to contractual maturity, therefore as part of the planning process, behavioural run-off of customer assets and liabilities over time are estimated. The assumptions used to create these estimates and the estimates themselves are recommended for approval by ALCo as part of its responsibility to manage the Plan. Gross nominal flows include interest. Other assets and liabilities include non-financial items and these are excluded from the maturity analysis. Liquidity risk is managed at a Group level and not an individual entity level so the liquidity gap is not disclosed separately in respect of the Bank Company. The differences between the Bank Company and Group balance sheet relate to intercompany transactions, which would not impact liquidity risk beyond that of the Group on the grounds that either a) those positions mirror the payment of terms of external liabilities owed by other Group entities, or b) the Group has control over the timing of settlement of those positions between Group entities. The following table is an analysis of gross undiscounted contractual cash flows of financial assets and liabilities held at the balance sheet date.

<i>(audited)</i> 2024 – Contractual cash flows - Assets	Carrying value	Gross nominal flow	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years
Cash and balances at central banks	2,586.0	2,586.0	2,586.0	-	-	-	-	-	-	-
Loans and advances to banks ¹	173.1	203.8	173.0	0.2	0.3	0.3	0.3	1.2	3.5	25.0
Loans and advances to customers	20,512.4	42,956.5	389.1	251.2	374.9	384.4	414.8	1,819.3	5,982.3	33,340.5
Investment securities	1,637.3	1,897.8	173.7	129.0	61.0	15.4	47.4	458.3	669.3	343.7
Derivative financial instruments	216.6	305.5	22.6	34.0	32.8	32.7	30.7	63.4	48.7	40.6
Other assets	354.3	-	-	-	-	-	-	-	-	-
Total recognised assets	25,479.7	47,949.6	3,344.4	414.4	469.0	432.8	493.2	2,342.2	6,703.8	33,749.8

<i>(audited)</i> 2024 – Contractual cash flows - Liabilities	Carrying value	Gross nominal flow	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years
Deposits by banks	2,717.2	2,829.5	221.5	30.2	30.4	574.9	1,695.3	12.9	264.3	-
Customer accounts	19,971.3	20,052.3	17,722.9	300.0	421.3	469.5	645.7	427.7	65.2	-
Debt securities in issue	499.3	565.3	3.0	4.3	6.5	6.6	6.6	26.1	512.2	-
Derivative financial instruments	47.6	44.4	4.4	3.9	3.8	4.6	2.8	6.3	15.1	3.5
Other borrowed funds	857.0	1,058.6	-	-	34.3	-	34.3	311.2	678.8	-
Lease liabilities	26.2	34.6	-	1.5	1.2	1.2	1.2	4.2	9.6	15.7
Other liabilities	96.5	39.7	39.7	-	-	-	-	-	-	-
Total recognised liabilities	24,215.1	24,624.4	17,991.5	339.9	497.5	1,056.8	2,385.9	788.4	1,545.2	19.2
Unrecognised loan commitments ²	1,489.8	1,489.8	1,489.8	-	-	-	-	-	-	-
Total liabilities	25,704.9	26,114.2	19,481.3	339.9	497.5	1,056.8	2,385.9	788.4	1,545.2	19.2

<i>(audited)</i> 2023 – Contractual cash flows - Assets	Carrying value	Gross nominal flow	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years
Cash and balances at central banks	2,708.3	2,708.3	2,708.3	-	-	-	-	-	-	-
Loans and advances to banks ¹	212.6	222.1	156.4	19.1	0.5	0.5	0.5	1.9	5.7	37.5
Loans and advances to customers	20,316.9	43,281.2	393.7	251.6	375.4	384.9	394.1	1,659.1	6,008.5	33,813.9
Investment securities	2,088.3	4,482.3	224.8	204.1	360.1	223.4	273.3	1,041.4	1,433.6	721.6
Derivative financial instruments	309.1	428.2	30.7	43.4	43.0	39.7	37.6	126.6	79.2	28.0
Other assets	436.1	-	-	-	-	-	-	-	-	-
Total recognised assets	26,071.3	51,122.1	3,513.9	518.2	779.0	648.5	705.5	2,829.0	7,527.0	34,601.0

(audited) 2023 – Contractual cash flows - Liabilities	Carrying value	Gross nominal flow	Less than 1 month	1-3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years
Deposits by banks	4,288.9	4,654.2	311.5	35.3	53.8	54.4	599.1	3,321.2	278.9	-
Customer accounts	19,233.8	19,304.4	17,469.0	138.7	366.8	384.5	324.1	465.2	156.1	-
Debt securities in issue	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	110.3	(88.0)	5.3	0.3	2.0	(1.6)	(3.1)	(15.4)	(33.4)	(42.1)
Other borrowed funds	891.2	1,127.8	-	-	76.0	-	237.8	57.5	756.5	-
Lease liabilities	30.1	39.6	0.1	1.7	1.4	1.3	1.2	4.7	10.7	18.5
Other liabilities ³	108.0	37.4	37.4	-	-	-	-	-	-	-
Total recognised liabilities	24,662.3	25,075.4	17,823.3	176.0	500.0	438.6	1,159.1	3,833.2	1,168.8	(23.6)
Unrecognised loan commitments ²	1,578.6	1,578.6	1,578.6	-	-	-	-	-	-	-
Total liabilities	26,240.9	26,654.0	19,401.9	176.0	500.0	438.6	1,159.1	3,833.2	1,168.8	(23.6)

1. Loans and advances to banks with a contractual maturity of over 5 years includes £25.0m (2023: £37.5m) in the Pace escrow account. Refer to note 29 to the Group and Bank consolidated financial statements for more information.
2. Includes financial guarantee and swap break costs.
3. Comparatives now include contractual cash flows for financial liabilities within 'other liabilities'.

The principal difference between the gross nominal value and the accounting carrying value set out above is due to discounting. Discounting has a greater impact on cash flows in later years, and a minimal impact on cash flows within 1 year. Therefore the contractual cash flows on assets and liabilities expected in less than one year are a fair representation of the contractual maturity of current assets and liabilities at carrying value in the balance sheet.

5.5 Financial instruments in the balance sheet subject to netting arrangements (audited)

The Group has netting agreements in place with counterparties to manage the associated credit risks. Such arrangements primarily include repo and reverse repo transactions and over-the-counter (OTC) derivatives. These netting agreements enable the counterparties to offset liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus reducing credit exposure.

The table below shows the net exposure for sale and repurchase agreements and derivative contracts after any netting benefits and collateral.

2024	Gross amount ¹	Master netting arrangements	Financial collateral ²	Net amount
Financial assets				
Derivative financial instruments	216.6	(44.3)	(167.9)	4.4
Total financial assets	216.6	(44.3)	(167.9)	4.4
Financial liabilities				
Derivative financial instruments	47.6	(44.3)	-	3.3
Sale and repurchase agreements	10.2	-	(10.2)	-
Total financial liabilities	57.8	(44.3)	(10.2)	3.3

2023	Gross amount ¹	Master netting arrangements	Financial collateral ^{2,3}	Net amount
Financial assets				
Derivative financial instruments	309.1	(101.0)	(183.3)	24.8
Total financial assets	309.1	(101.0)	(183.3)	24.8
Financial liabilities				
Derivative financial instruments	110.3	(101.0)	(8.1)	1.2
Sale and repurchase agreements	53.4	-	(53.4)	-
Total financial liabilities	163.7	(101.0)	(61.5)	1.2

1. As reported on balance sheet.
2. The financial collateral disclosed is limited to the amount of the related financial asset or related financial liability (i.e. over-collateralisation, where it exists, is not reflected in the table).
3. The fair value of financial instruments received as collateral is deemed to be equivalent to their carrying value within Despoits by Banks

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Report on the audit of the financial statements

Opinion

In our opinion, The Co-operative Bank p.l.c.'s group (the "Bank Group") financial statements and company (the "Bank Company") financial statements (the "financial statements"):

- give a true and fair view of the state of the Bank Group and of the Bank Company's affairs as at 31 December 2024 and of the Bank Group's profit and the Bank Group and Bank Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Balance Sheet and the Bank Company-only Balance Sheet as at 31 December 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Bank Company-only Statement of Changes in Equity and the Consolidated Statement of Cashflows and Bank Company-only Statement of Cashflows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Joint Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Bank Group and the Bank Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4 (auditor's remuneration) to the consolidated financial statements, we have provided no non-audit services to the Bank Group or its controlled undertakings in the period under audit.

Our audit approach

Context

The year ended 31 December 2024 is our first year as the external auditors of the Bank Group and the Bank Company. Following the external audit tender in 2023, we undertook certain transition activities, including attending key governance meetings during the 2023 financial reporting process. In planning for our first year audit, we met with the Joint Audit Committee and members of management to discuss and understand the business and any significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our understanding of the predecessor auditors' approach, when forming our own views regarding the audit risks and as part of developing our planned audit approach to address those risks. We have considered the impact of the acquisition of the ultimate Parent Company share capital by Coventry Building Society and factored this into our audit approach.

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, testing the entities that are significant due to their size and those that drive particular significant risks.
- We performed a full scope audit over the Bank Company, the audit of one or more financial statement line items of Platform Funding Limited and no audit procedures over the rest of the components within the Bank Group.

Key audit matters

- The appropriateness of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Bank Group and Bank Company)
- The appropriateness of key estimates used in the accounting for the effective interest rate of the Retail Secured portfolio (Bank Group and Bank Company)
- Recognition and valuation of the deferred tax asset relating to the Bank Group's future profitability (Bank Group and Bank Company)
- Valuation of the defined benefit pension obligations (Bank Group and Bank Company)

Materiality

- Overall Bank Group materiality: £12,465,000 based on 1 % of net assets.
- Overall Bank Company materiality: £11,840,000 based on 1 % of net assets.
- Performance materiality: £9,348,750 (Bank Group) and £8,880,000 (Bank Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>The appropriateness of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Bank Group and Bank Company)</i>	
<p>The Bank Group and the Bank Company recorded £29.3m of provisions for expected credit loss ("ECL") as at 31 December 2024 against gross loans and advances to customers of £20,541.7m.</p> <p>The determination of ECL provisions in accordance with IFRS 9 is inherently judgmental and involves setting assumptions using forward looking information reflecting the Bank Group and the Bank Company's view of potential future economic events. As such this can give rise to increased estimation uncertainty.</p> <p>Management determines ECL using a modelled base approach with post model adjustments to be compliant with the requirements of IFRS 9. The most significant assumptions that we focused on in our audit included those with greater levels of management judgement and for which variations had the most significant impact on ECL. These include:</p> <ul style="list-style-type: none"> - The input and assumptions used to estimate the impact of non-linearity arising from the Bank Company's use of macroeconomic scenarios, including appropriate weightings for the various scenarios for the Retail Secured portfolio. - The appropriateness of the models and the assumptions used to calculate the ECL, in particular the assumptions underpinning probability of default ("PD") and loss given default ("LGD") for the Retail Secured portfolio. - The sufficiency of Post Model Adjustments ("PMAs") for the Retail Secured and Small-Medium Sized Enterprises (SME) portfolios, and the valuation of Retail Secured portfolio PMAs. 	<p>Our audit procedures comprised the following:</p> <p>We have assessed the design and implementation of controls over the estimation of ECL.</p> <p>With the assistance of our credit risk modelling specialist, we understood and assessed the ECL methodology and assumptions applied by reference to accounting standards and industry practice.</p> <p>We used a benchmarking tool developed by our economic experts to:</p> <ul style="list-style-type: none"> - Critically assess the reasonableness of the forward-looking macroeconomic scenarios including, future HPI, unemployment rate, GDP, Bank of England base rates, CPI, and scenario weightings applied by the Bank Company. - Assess the reasonableness of the base case scenario against a range of independent forecasts. The outer scenarios, representing forecast economic contractions and expansions, were compared to independent forecasts and the downside scenarios compared to historical economic recessions. - Consider the distribution of industry wide losses in previous economic environments and compared to those implied by the Bank Company's chosen forward macroeconomic scenarios. We identified that the ECL is not materially sensitive to reasonable changes in these scenarios. <p>Our testing over the ECL models included a combination of controls and substantive testing, including using our credit risk modelling specialists to perform the following:</p>

Key audit matter	How our audit addressed the key audit matter
<p>The relevant references in the Annual Report are given in Note 14. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty and consideration of the effect of the future economic environment are given in Note 2.</p>	<ul style="list-style-type: none"> - Assess the appropriateness of the significant assumptions and methodologies used for ECL models, in particular those underpinning PD and LGD for the Retail Secured portfolio. - Independently reperformed the model monitoring tests and replicated the ECL model logic for the Retail Secured and SME models. <p>Our testing over PMAs focused on the sufficiency of Retail Secured and SME PMAs to take account of known model limitations or latest risks using our industry expertise. We tested the valuation of PMAs for the Retail Secured portfolio by critically assessing the methodology, using our credit risk modelling specialist, and tested critical data inputs used in the PMA calculations by agreeing to supporting documentation on a sample basis.</p> <p>We reviewed the ECL disclosures made by management to ensure compliance with accounting standards and agreed the disclosures and sensitivity analysis to supporting evidence without material exceptions.</p>

Key audit matter	How our audit addressed the key audit matter
<i>The appropriateness of key estimates used in the accounting for the effective interest rate of the Retail Secured portfolio (Bank Group and Bank Company)</i>	
<p>Accounting standards require interest receivable and similar income to be recognised on an effective interest rate ('EIR') basis. The EIR approach has the effect of recognising interest at a single constant rate that averages out the effect of fixed and variable rates of interest and fees across the expected life of the mortgage.</p> <p>The loans and advances to customers line item includes effective interest rate adjustments for standard variable rate ('SVR') accounting of £26.0 million at the balance sheet date in respect of the fixed rate mortgage portfolio. This adjustment is released to the income statement in accordance with the forecast behavioural life of the Bank Company's mortgage book which is the main area of estimation uncertainty.</p> <p>In addition, the reversionary interest rate after the fixed mortgage initial term is inherently uncertain. Management calculates these estimates by considering past repayment behaviour on the loan book and by considering the prevailing interest rate environment. We focused our audit work on these two key estimates.</p> <p>The relevant references in the Annual Report are given in Note 14. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty are set out in Note 2.</p>	<p>We have assessed the design and implementation of controls over the determination of the EIR asset.</p> <p>We performed a walkthrough of the EIR model logic, methodology and associated calculations, and independently developed our own discounted cash flow EIR model. This allowed us to test the accuracy and validity of the calculations used and perform sensitivity analysis on key assumptions.</p> <p>We have recalculated the EIR asset in full using our discounted cash flow EIR model and independently developed an alternative range of assumptions, using management's redemption data, and compared this to management's model with no material exceptions.</p> <p>We tested the completeness and accuracy of the redemption data used in the generation of the behavioural life profiles, and challenged management as to whether the current Retail Secured book will perform consistently with historical experience.</p> <p>We confirmed that all fees and charges included within the EIR accounting calculation are in line with accounting standards.</p> <p>We tested the reconciliation of the accounting model outputs to the general ledger to ensure appropriate recording in the financial statements.</p> <p>We reviewed disclosures made by management to ensure compliance with accounting standards and agreed the disclosures and sensitivity analysis to supporting evidence.</p>

Key audit matter	How our audit addressed the key audit matter
Recognition and valuation of the deferred tax asset relating to the Group's future profitability (Bank Group and Bank Company)	
<p>As at 31 December 2024, the Bank Group and the Bank Company has recorded a £197.5m of net deferred tax assets to reflect the extent that the Bank Group's historic losses could be utilised against future anticipated taxable profits.</p> <p>Deferred tax assets can be recognised to the extent it is probable that there will be sufficient future taxable profits generated over an assessed forecast period to utilise them.</p> <p>Judgement was therefore involved in determining the period of assessment and the underlying forecasts used to value the asset. These forecasts are prepared based on certain macro economic assumptions as well as assumptions around future revenue and costs.</p> <p>The relevant references in the Annual Report are given in Note 28. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty are set out in Note 2.</p>	<p>Our audit procedures comprised the following:</p> <p>We evaluated the design and implementation of key controls but did not test the operating effectiveness of controls as we did not plan to rely on them. We performed a fully substantive audit in this area.</p> <p>We critically assessed the future profit forecasts of the Bank Group and the underpinning assumptions, testing that the assumptions were reasonable. Additionally, we assessed the consistency of the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business, including the going concern assessment and the recognition of expected credit losses. In doing this, we verified that the forecasts did not include taxable profit growth that could not be demonstrated as probable, including critically evaluating risks and contrary evidence around the projected future profits. We also performed sensitivity analysis to understand whether reasonably possible changes to these assumptions could lead to a material change in the recognised asset.</p> <p>We considered the length of the forecasts that it would be appropriate to use in calculating the deferred tax asset, with reference to the Bank Group's historic performance and levels of forecasting accuracy.</p> <p>With the help of tax specialists, evaluated management's methodology for assessing the recognition of and recoverability of deferred tax assets, including the ability to offset certain deferred tax liabilities and deferred tax assets. Where recognition is supported by the availability of sufficient probable taxable profits in future periods against which brought forward tax losses can be utilised, our evaluation of these future profits considered both the business model and the applicable UK tax legislation.</p> <p>We tested the mathematical accuracy of the calculations used in determination of deferred tax assets.</p>

Key audit matter	How our audit addressed the key audit matter
Valuation of the defined benefit pension obligations (Bank Group and Bank Company)	
<p>The Bank Group operates two defined benefit funded pension schemes – the bank section of The Co-operative Pension Scheme (“PACE”) and Britannia Pension Scheme (“BPS”). The defined benefit obligations as at 31 December 2024 is £1,208.5m, being £812.7m for PACE and £395.8m for BPS. The net position of both schemes is a surplus of £15.0m for PACE and £17.0m for BPS.</p> <p>The valuation of the defined benefit obligations of the schemes is dependent on a number of forward-looking assumptions, the most sensitive of which are the discount rate, price inflation and life expectancy. These assumptions are unobservable and complex to estimate due to the long duration of the pension obligations. Small changes in these assumptions can have a material impact on the valuation. Management has not made any changes to the underlying valuation methodology however has refreshed the underlying assumptions with the assistance of external experts. The methodology used continues to use section specific discount and inflation rates in order to reflect the duration and profile of each section of each scheme. The valuation of the defined benefit obligation is dependent on assumptions which are unobservable and complex to estimate and therefore was a focus of our audit.</p> <p>The relevant references in the Annual Report are given in Note 29. Management’s associated accounting policies are detailed in Note 1. Management’s critical accounting judgements and key sources of estimation uncertainty are set out in Note 2.</p>	<p>Our audit procedures comprised the following:</p> <p>We assessed the design and governance around the controls over the determination of the significant actuarial assumptions used in calculating the valuation of defined benefit obligations.</p> <p>We engaged our own actuarial experts to evaluate the estimates made by management in determining the key financial and life expectancy assumptions used in the calculation of the liability.</p> <p>We assessed the reasonableness of the methodologies and assumptions adopted using our knowledge of market practice and industry developments, independently developed benchmarks and external market data.</p> <p>We used sensitivity analysis to determine the impact of alternative assumptions.</p> <p>We considered the objectivity and competence of management’s actuarial expert. We reviewed the expert’s IAS 19 report and discussed with the expert the methods adopted to determine the valuation of the obligations.</p> <p>We have read and assessed the disclosures made in the financial statements, including the disclosures of the assumptions, and found them to be appropriate.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Bank Group and the Bank Company, the accounting processes and controls, and the industry in which they operate.

We performed a risk assessment, giving consideration to relevant external and internal factors, economic risks, relevant accounting and regulatory developments, as well as the Bank Group’s strategy. We continually assessed the risks and updated the scope of our audit where necessary.

The Bank Group is formed of The Co-operative Bank p.l.c. and several other subsidiary companies, which are small in the context of the Bank Group’s overall operations. The Bank Group also consolidates structured entities which administer the Bank Group’s funding programmes by virtue of the Bank Group’s control over them.

Based on Bank Group’s materiality, we performed audit procedures over all material account balances and financial information of the Bank Group and its subsidiaries. Our audit procedures on the Bank Group and its subsidiaries provided us with sufficient audit evidence as a basis for our audit opinion on the Bank Group and the Bank Company’s financial statements as a whole. We perform all of the work to support the Bank Group and the Bank Company’s audit opinion and do not involve any other component audit teams.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Bank Group and the Bank Company’s financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Bank Group and Bank Company’s financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Bank Group	Financial statements – Bank company
Overall materiality	£12,465,000	£11,840,000
How we determined it	1 % of net assets	1 % of net assets
Rationale for benchmark applied	<p>We set materiality using a benchmark of net assets. The focus of management is to grow the loan portfolio and deposit base through the launch of new products and the allocation of resources and funding is driven by these plans. In addition, users of the financial statements are focused on whether the company has sufficient net assets to meet minimum regulatory requirements, fulfil its future market obligations and absorb any future losses should they arise.</p> <p>The Bank Company makes up 98 % of the Bank Group's net assets, we have considered the same metric as the Bank Group in determining the Bank Company's materiality. We consider it appropriate to use a single benchmark for the Bank Group and the Bank Company.</p> <p>We have applied the rule of thumb of 1 % to the benchmark due to the Bank Company being a public interest entity.</p>	

For each component in the scope of our Bank Group audit, we allocated a materiality that is less than our overall Bank Group materiality. The range of materiality allocated across components was between £431,600 and £11,840,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Bank Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75 % of overall materiality, amounting to £9,348,750 for the Bank Group financial statements and £8,880,000 for the Bank Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Joint Audit Committee that we would report to them misstatements identified during our audit above £623,250 (Bank Group audit) and £592,000 (Bank Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Bank Group and the Bank Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the going concern assessment process, including the preparation and approval of the budget;
- Performing a risk assessment to identify factors that could impact the going concern basis of accounting including the current and forecast financial performance within the sector in which the company operates;
- Obtaining the directors going concern assessment and evaluation the reasonableness of the scenarios applied by management in their going concern assessment;
- Reviewing correspondence between the Bank Company and its regulators; and
- Reading and evaluating the adequacy of the disclosures made in the Annual Report in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank Group and the Bank Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Bank Group and the Bank Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Bank Group and the Bank Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank Group and the Bank Company'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 Bank Group or the Bank Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including the Chief Financial Officer, Internal Audit and those charged with governance, and with management's legal counsel, in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Consideration of whether any transactions appeared unusual or inconsistent with the Bank Group and the Bank Company's normal business operations;
- Reviewing key correspondence with the Financial Conduct Authority and Prudential Regulation Authority and meeting with these regulators during the year;
- Identifying and testing manual journal entries, including those posted to certain account combinations, journals posted late in the migration process and back dated journals;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Challenging and assessing for bias the assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the expected credit loss allowance for loans and advances to customers, recognition and valuation of deferred tax assets relating to the Bank Group's future profitability, the valuation of the defined benefit pension obligation, and the appropriateness of key judgements and the appropriateness of key estimates used in the accounting for the effective interest rate of the Retail Secured portfolio (see related key audit matters above).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Bank Group and the Bank Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Bank Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Bank Group and the Bank Company's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 1 May 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
6 March 2025

Report on the audit of the financial statements

Opinion

In our opinion, The Co-operative Bank Holdings p.l.c.'s group (the "Holdings Group") financial statements and company ("Holding Company") financial statements (the "financial statements"):

- give a true and fair view of the state of the Holdings Group and of the Holding Company's affairs as at 31 December 2024 and of the Holdings Group's profit and the Holdings Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Balance Sheet and the Holding Company-only Balance Sheet as at 31 December 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Holding Company-only Statement of Changes in Equity and the Consolidated Statement of Cashflows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Joint Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Holdings Group and Holding Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4 (auditor's remuneration) to the consolidated financial statements, we have provided no non-audit services to the Holdings Group or its controlled undertakings in the period under audit.

Our audit approach

Context

The year ended 31 December 2024 is our first year as the external auditors of the Holdings Group and Holding Company. Following the external audit tender in 2023, we undertook certain transition activities, including attending key governance meetings during the 2023 financial reporting process. In planning for our first year audit, we met with the Joint Audit Committee and members of management to discuss and understand the business and any significant changes during the year, and to understand their perspectives on associated business risks. We used this insight, in addition to our understanding of the predecessor auditors' approach, when forming our own views regarding the audit risks and as part of developing our planned audit approach to address those risks. We have considered the impact of the acquisition of the Holding Company's share capital by Coventry Building Society and factored this into our audit approach.

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, testing the entities that are significant due to their size and those that drive particular significant risks.
- We performed a full scope audit over the Holding Company, The Co-operative Bank Finance p.l.c. and The Co-operative Bank p.l.c., an audit of one or more financial statement line items of Platform Funding Limited and no audit procedures over the rest of the components within the Holdings Group.

Key audit matters

- The appropriateness of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Holdings Group)
- The appropriateness of key estimates used in the accounting for the effective interest rate of the Retail Secured portfolio (Holdings Group)
- Recognition and valuation of the deferred tax asset relating to the Group's future profitability (Holdings Group)
- Valuation of the defined benefit pension obligations (Holdings Group)
- Assessing the carrying value of investment in subsidiary for impairment (Holding Company)

Materiality

- Overall Holdings Group materiality: £12,465,000 based on 1 % of net assets.
- Overall Holding Company materiality: £4,460,000 based on 1 % of net assets.
- Performance materiality: £9,348,750 (Holdings Group) and £3,345,000 (Holding Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>The appropriateness of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers (Holdings Group)</i>	
<p>The Holdings Group recorded of £29.3m of provisions for expected credit loss ("ECL") as at 31 December 2024 against gross loans and advances to customers of £20,541.7m.</p> <p>The determination of ECL provisions in accordance with IFRS 9 is inherently judgmental and involves setting assumptions using forward looking information reflecting the Holdings Group's view of potential future economic events. As such this can give rise to increased estimation uncertainty.</p> <p>Management determines ECL using a modelled base approach with post model adjustments to be compliant with the requirements of IFRS 9. The most significant assumptions that we focused on in our audit included those with greater levels of management judgement and for which variations had the most significant impact on ECL. These include:</p> <ul style="list-style-type: none"> - The input and assumptions used to estimate the impact of non-linearity arising from the Holdings Group's use of macroeconomic scenarios, including appropriate weightings for the various scenarios for the Retail Secured portfolio. - The appropriateness of the models and the assumptions used to calculate the ECL, in particular the assumptions underpinning probability of default ("PD") and loss given default ("LGD") for the Retail Secured portfolio. - The sufficiency of Post Model Adjustments ("PMAs") for the Retail Secured and Small-Medium Sized Enterprises (SME) portfolios, and the valuation of Retail Secured portfolio PMAs. 	<p>Our audit procedures comprised the following:</p> <p>We have assessed the design and implementation of controls over the estimation of ECL.</p> <p>With the assistance of our credit risk modelling specialist, we understood and assessed the ECL methodology and assumptions applied by reference to accounting standards and industry practice.</p> <p>We used a benchmarking tool developed by our economic experts to:</p> <ul style="list-style-type: none"> - Critically assess the reasonableness of the forward-looking macroeconomic scenarios including, future HPI, unemployment rate, GDP, Bank of England base rates, CPI, and scenario weightings applied by the Holdings Group. - Assess the reasonableness of the base case scenario against a range of independent forecasts. The outer scenarios, representing forecast economic contractions and expansions, were compared to independent forecasts and the downside scenarios compared to historical economic recessions. - Consider the distribution of industry wide losses in previous economic environments and compared to those implied by the Holdings Group's chosen forward macroeconomic scenarios. We identified that the ECL is not materially sensitive to reasonable changes in these scenarios. <p>Our testing over the ECL models included a combination of controls and substantive testing, including using our credit risk modelling specialists to perform the following:</p>

Key audit matter	How our audit addressed the key audit matter
<p>The relevant references in the Annual Report are given in Note 14. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty and consideration of the effect of the future economic environment are given in Note 2.</p>	<ul style="list-style-type: none"> - Assess the appropriateness of the significant assumptions and methodologies used for ECL models, in particular those underpinning PD and LGD for the Retail Secured portfolio. - Independently reperformed the model monitoring tests and replicated the ECL model logic for the Retail Secured and SME models. <p>Our testing over PMAs focused on the sufficiency of Retail Secured and SME PMAs to take account of known model limitations or latest risks using our industry expertise. We tested the valuation of PMAs for the Retail Secured portfolio by critically assessing the methodology, using our credit risk modelling specialist, and tested critical data inputs used in the PMA calculations by agreeing to supporting documentation on a sample basis.</p> <p>We reviewed the ECL disclosures made by management to ensure compliance with accounting standards and agreed the disclosures and sensitivity analysis to supporting evidence without material exceptions.</p>

Key audit matter	How our audit addressed the key audit matter
<i>The appropriateness of key estimates used in the accounting for the effective interest rate of the Retail Secured portfolio (Holdings Group)</i>	
<p>Accounting standards require interest receivable and similar income to be recognised on an effective interest rate ("EIR") basis. The EIR approach has the effect of recognising interest at a single constant rate that averages out the effect of fixed and variable rates of interest and fees across the expected life of the mortgage.</p> <p>The loans and advances to customers line item includes effective interest rate adjustments for standard variable rate ("SVR") accounting of £26.0 million at the balance sheet date in respect of the fixed rate mortgage portfolio. This adjustment is released to the income statement in accordance with the forecast behavioural life of the Holdings Group's mortgage book which is the main area of estimation uncertainty.</p> <p>In addition, the reversionary interest rate after the fixed mortgage initial term is inherently uncertain. Management calculates these estimates by considering past repayment behaviour on the loan book and by considering the prevailing interest rate environment. We focused our audit work on these two key estimates.</p> <p>The relevant references in the Annual Report are given in Note 14. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty are set out in Note 2.</p>	<p>We have assessed the design and implementation of controls over the determination of the EIR asset.</p> <p>We performed a walkthrough of the EIR model logic, methodology and associated calculations, and independently developed our own discounted cash flow EIR model. This allowed us to test the accuracy and validity of the calculations used and perform sensitivity analysis on key assumptions.</p> <p>We have recalculated the EIR asset in full using our discounted cash flow EIR model and independently developed an alternative range of assumptions, using management's redemption data, and compared this to management's model with no material exceptions.</p> <p>We tested the completeness and accuracy of the redemption data used in the generation of the behavioural life profiles, and challenged management as to whether the current Retail Secured book will perform consistently with historical experience.</p> <p>We confirmed that all fees and charges included within the EIR accounting calculation are in line with accounting standards.</p> <p>We tested the reconciliation of the accounting model outputs to the general ledger to ensure appropriate recording in the financial statements.</p> <p>We reviewed disclosures made by management to ensure compliance with accounting standards and agreed the disclosures and sensitivity analysis to supporting evidence.</p>

Key audit matter	How our audit addressed the key audit matter
Recognition and valuation of the deferred tax asset relating to the Group's future profitability (Holdings Group)	
<p>As at 31 December 2024, the Holdings Group has recorded £197.5m of net deferred tax assets to reflect the extent that the Holdings Group's historic losses could be utilised against future anticipated taxable profits.</p> <p>Deferred tax assets can be recognised to the extent it is probable that there will be sufficient future taxable profits generated over an assessed forecast period to utilise them.</p> <p>Judgement was therefore involved in determining the period of assessment and the underlying forecasts used to value the asset. These forecasts are prepared based on certain macro economic assumptions as well as assumptions around future revenue and costs.</p> <p>The relevant references in the Annual Report are given in Note 28. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty are set out in Note 2.</p>	<p>Our audit procedures comprised the following:</p> <p>We evaluated the design and implementation of key controls but did not test the operating effectiveness of controls as we did not plan to rely on them. We performed a fully substantive audit in this area.</p> <p>We critically assessed the future profit forecasts of the Holdings Group and the underpinning assumptions, testing that the assumptions were reasonable. Additionally, we assessed the consistency of the forecasts used to justify the recognition of deferred tax assets to those used elsewhere in the business, including the going concern assessment and the recognition of expected credit losses. In doing this, we verified that the forecasts did not include taxable profit growth that could not be demonstrated as probable, including critically evaluating risks and contrary evidence around the projected future profits. We also performed sensitivity analysis to understand whether reasonably possible changes to these assumptions could lead to a material change in the recognised asset.</p> <p>We considered the length of the forecasts that it would be appropriate to use in calculating the deferred tax asset, with reference to the Holdings Group's historic performance and levels of forecasting accuracy.</p> <p>With the help of tax specialists, evaluated management's methodology for assessing the recognition of and recoverability of deferred tax assets, including the ability to offset certain deferred tax liabilities and deferred tax assets. Where recognition is supported by the availability of sufficient probable taxable profits in future periods against which brought forward tax losses can be utilised, our evaluation of these future profits considered both the business model and the applicable UK tax legislation.</p> <p>We tested the mathematical accuracy of the calculations used in determination of deferred tax assets.</p>

Key audit matter	How our audit addressed the key audit matter
Valuation of the defined benefit pension obligations (Holdings Group)	
<p>The Holdings Group operates two defined benefit funded pension schemes - the bank section of The Co-operative Pension Scheme ("PACE") and Britannia Pension Scheme ("BPS"). The defined benefit obligations as at 31 December 2024 is £1,208.5m, being £812.7m for PACE and £395.8m for BPS. The net position of both schemes is a surplus of £15.0m for PACE and £17.0m for BPS.</p> <p>The valuation of the defined benefit obligations of the schemes is dependent on a number of forward-looking assumptions, the most sensitive of which are the discount rate, price inflation and life expectancy. These assumptions are unobservable and complex to estimate due to the long duration of the pension obligations. Small changes in these assumptions can have a material impact on the valuation. Management has not made any changes to the underlying valuation methodology however has refreshed the underlying assumptions with the assistance of external experts. The methodology used continues to use section specific discount and inflation rates in order to reflect the duration and profile of each section of each scheme. The valuation of the defined benefit obligation is dependent on assumptions which are unobservable and complex to estimate and therefore was a focus of our audit.</p> <p>The relevant references in the Annual Report are given in Note 29. Management's associated accounting policies are detailed in Note 1. Management's critical accounting judgements and key sources of estimation uncertainty are set out in Note 2.</p>	<p>Our audit procedures comprised the following:</p> <p>We assessed the design and implementation of controls over the determination of the significant actuarial assumptions used in calculating the valuation of defined benefit obligations.</p> <p>We engaged our own actuarial experts to evaluate the estimates made by management in determining the key financial and life expectancy assumptions used in the calculation of the liability.</p> <p>We assessed the reasonableness of the methodologies and assumptions adopted using our knowledge of market practice and industry developments, independently developed benchmarks and external market data.</p> <p>We used sensitivity analysis to determine the impact of alternative assumptions.</p> <p>We considered the objectivity and competence of management's actuarial expert. We reviewed the expert's IAS 19 report and discussed with the expert the methods adopted to determine the valuation of the obligations.</p> <p>We have read and assessed the disclosures made in the financial statements, including the disclosures of the assumptions, and found them to be appropriate.</p>

Key audit matter	How our audit addressed the key audit matter
Assessing the carrying value of investment in subsidiary for impairment (Holding Company)	
<p>As at 31 December 2024, the carrying value of the investment in subsidiary was £333.0m. This amount relates to the investment in The Co-operative Bank Finance p.l.c. This investment is recorded at cost less provision for impairment, if any.</p> <p>Management is required to perform an assessment of whether there is any indication that the asset may be impaired. No impairment indicators were identified.</p> <p>Management's associated accounting policies are detailed in Note 1.11 in the Other Explanatory information. Management's critical accounting judgements are set out in Note 1 of the Holding Company-only financial statements.</p>	<p>We evaluated management's assessment of whether there is any indication of impairment. This included comparing the carrying value of investment in the subsidiary to the net assets of the subsidiary.</p> <p>We evaluated and tested the disclosures made in the Annual Report.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Holdings Group and the Holding Company, the accounting processes and controls, and the industry in which they operate.

We performed a risk assessment, giving consideration to relevant external and internal factors, economic risks, relevant accounting and regulatory developments, as well as the Holdings Group's strategy. We continually assessed the risks and updated the scope of our audit where necessary.

The Holdings Group is formed of The Co-operative Bank Holdings p.l.c., The Co-operative Bank Finance p.l.c., The Co-operative Bank p.l.c. and several other subsidiary companies, which are small in the context of the Holdings Group's overall operations. The Holdings Group also consolidates structured entities which administer the Holdings Group's funding programmes by virtue of the Holdings Group's control over them.

Based on Holdings Group materiality, we performed audit procedures over all material account balances and financial information of the Holdings Group and its subsidiaries. Our audit procedures on the Holdings Group and its subsidiaries provided us with sufficient audit evidence as a basis for our audit opinion on the Holdings Group financial statements as a whole. We perform all of the work to support the Holdings Group and its subsidiaries audit opinion and do not involve any other component audit teams.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Holdings Group and Holding Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Holdings Group and Holding Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Holdings Group	Financial statements – Holding Company
Overall materiality	£12,465,000	£4,460,000
How we determined it	1 % of net assets	1 % of net assets
Rationale for benchmark applied	We set materiality using a benchmark of net assets. The focus of management is to grow the loan portfolio and deposit base through the launch of new products and the allocation of resources and funding plans is driven by these plans. In addition, users of the financial statements are focused on whether the company has sufficient net assets to meet minimum regulatory requirements, fulfil its future market obligations and absorb any future losses should they arise.	We set materiality using a benchmark of net assets as the Holding Company's primary purpose is to act as a holding company with investments in the Holdings Group's subsidiaries, not to generate operating profits.
	We have applied the rule of thumb of 1 % to the benchmark due to the Bank Company being a public interest entity.	

For each component in the scope of our Holdings Group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £431,600 and £11,840,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Holdings Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75 % of overall materiality, amounting to £9,348,750 for the Holdings Group financial statements and £3,345,000 for the Holding Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Joint Audit Committee that we would report to them misstatements identified during our audit above £623,250 (Holdings Group audit) and £223,000 (Holding Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Holdings Group and the Holding Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the going concern assessment process, including the preparation and approval of the budget;
- Performing a risk assessment to identify factors that could impact the going concern basis of accounting including the current and forecast financial performance within the sector in which the Holdings Group and Holding Company operates;
- Obtaining the directors going concern assessment and evaluating the reasonableness of the scenarios applied by management in their going concern assessment;
- Reviewing correspondence between the Holdings Group and Holding Company and its regulators; and
- Reading and evaluating the adequacy of the disclosures made in the Annual Report in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Holdings Group and the Holding Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Holdings Group and the Holding Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Holdings Group and Holding Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Holdings Group and the Holding Company'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 Holdings Group or the Holding Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including the Chief Financial Officer, Internal Audit and those charged with governance, and with management's legal counsel, in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Consideration of whether any transactions appeared unusual or inconsistent with the Holdings Group and Holding Company's normal business operations;
- Reviewing key correspondence with the Financial Conduct Authority and Prudential Regulation Authority and meeting with these regulators during the year;
- Identifying and testing manual journal entries, including those posted to certain account combinations, journals posted late in the migration process and back dated journals;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Challenging and assessing for bias the assumptions and judgements made by management in its significant accounting estimates, in particular in relation to the expected credit loss allowance for loans and advances to customers, recognition and valuation of deferred tax assets relating to the Holdings Group's future profitability, the valuation of the defined benefit pension obligation, and the appropriateness of key judgements and the appropriateness of key estimates used in the accounting for the effective interest rate of the Retail Secured portfolio (see related key audit matters above).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics.

In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Holdings Group and Holding Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Holding Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Holdings Group and Holding Company's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 1 May 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
6 March 2025

Report on the audit of the financial statements

Opinion

In our opinion, The Co-operative Bank Finance p.l.c.'s financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2024; and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including the Chief Financial Officer, Internal Audit and those charged with governance, and with management's legal counsel, in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Consideration of whether any transactions appeared unusual or inconsistent with the company's normal business operations;
- Identifying and testing journal entries, including those posted to certain account combinations, journals posted late in the migration process and back dated journals;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Reviewing key correspondence with the regulators.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

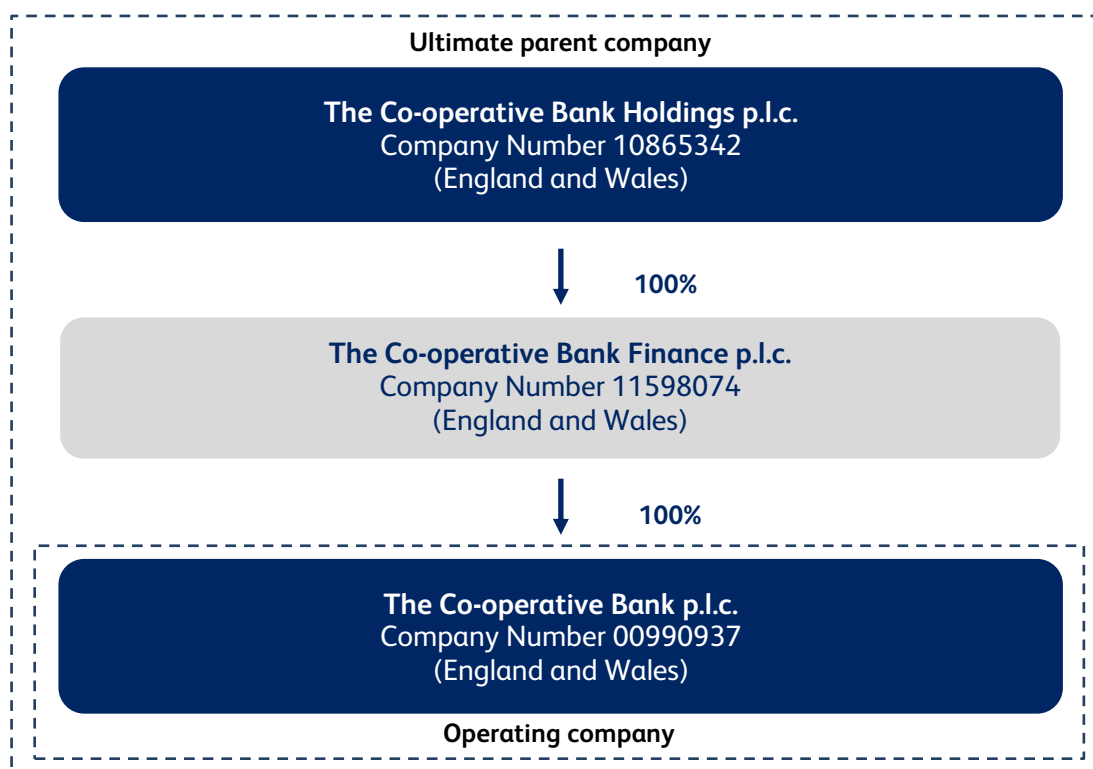
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
6 March 2025

Consolidated Financial Statements of The Co-operative Bank Holdings p.l.c. and The Co-operative Bank p.l.c. (Group and Bank)



THE CO-OPERATIVE BANK HOLDINGS P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (GROUP)
THE CO-OPERATIVE BANK P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (BANK)
CONSOLIDATED INCOME STATEMENT

For year ended 31 December 2024

£million

	Note	Group		Bank	
		2024	Restated ¹ 2023	2024	Restated ¹ 2023
Interest income calculated using the effective interest rate method		1,158.6	1,099.4	1,158.6	1,099.4
Other interest and similar income		22.1	47.8	22.1	47.8
Interest income and similar income	6	1,180.7	1,147.2	1,180.7	1,147.2
Interest expense and similar charges	6	(720.1)	(670.2)	(721.0)	(670.2)
Net interest income		460.6	477.0	459.7	477.0
Fee and commission income	7	67.2	67.4	67.2	67.4
Fee and commission expense	7	(33.8)	(31.0)	(33.8)	(31.0)
Net fee and commission income		33.4	36.4	33.4	36.4
Other operating income (net)	8	15.4	4.1	15.4	4.1
Operating income		509.4	517.5	508.5	517.5
Operating expenses	9	(441.5)	(445.5)	(441.5)	(445.5)
Operating profit before net credit impairment gains/(losses)		67.9	72.0	67.0	72.0
Net credit impairment gains/(losses)	14	5.0	(0.6)	5.0	(0.6)
Profit before tax		72.9	71.4	72.0	71.4
Income tax	11	(25.6)	58.3	(25.4)	58.3
Profit for the financial year		47.3	129.7	46.6	129.7

1. Comparative amounts have been restated to reflect a reclassification of interest on hedging instruments from 'other interest and similar income' to 'interest income calculated using the effective interest rate method' where those instruments are in a designated hedging relationship. Refer to note 36 for further information.

The results above are for the consolidated Group and Bank and wholly relate to continuing activities. More information regarding the basis of preparation can be found in note 1 of the consolidated financial statements.

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

The notes on pages 173 to 218 form part of these consolidated Group and Bank financial statements.

THE CO-OPERATIVE BANK HOLDINGS P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (GROUP)
THE CO-OPERATIVE BANK P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (BANK)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For year ended 31 December 2024

£million

	Group		Bank	
	2024	2023	2024	2023
Profit for the financial year	47.3	129.7	46.6	129.7
Items that may be reclassified to profit or loss:				
Changes in cash flow hedges:				
Transfers from equity to income or expense	(6.2)	(7.2)	(6.2)	(7.2)
Income tax	1.8	2.0	1.8	2.0
Changes in fair value through other comprehensive income:				
Net changes in fair value recognised directly in equity	21.5	(30.2)	21.5	(30.2)
Transfers from equity to income or expense	(21.8)	27.5	(21.8)	27.5
Items that will not be reclassified to profit or loss:				
Changes in net retirement benefit asset:				
Defined benefit plans losses for the year	(117.6)	(16.4)	(117.6)	(16.4)
Income tax	33.1	4.6	33.1	4.6
Other comprehensive expense for the year, net of income tax	(89.2)	(19.7)	(89.2)	(19.7)
Total comprehensive (expense)/income for the year	(41.9)	110.0	(42.6)	110.0

The results above are for the consolidated Group and Bank. More information regarding the basis of preparation can be found in note 1 of the consolidated financial statements.

The notes on pages 173 to 218 form part of these consolidated Group and Bank financial statements.

THE CO-OPERATIVE BANK HOLDINGS P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (GROUP)
THE CO-OPERATIVE BANK P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (BANK)
CONSOLIDATED BALANCE SHEET

At 31 December 2024

£million

million

		Group		Bank	
	Note	2024	2023	2024	2023
Assets					
Cash and balances at central banks	12	2,586.0	2,708.3	2,586.0	2,708.3
Loans and advances to banks	13	173.1	212.6	173.1	212.6
Loans and advances to customers	14	20,372.6	20,149.4	20,372.6	20,149.4
Investment securities	15	1,637.3	2,088.3	1,637.3	2,088.3
Derivative financial instruments	16	216.6	309.1	216.6	309.1
Other assets	17	50.9	47.9	51.1	47.9
Amounts owed by Finance Company	31	-	-	46.4	46.4
Current tax assets		6.7	4.3	6.7	4.3
Property, plant and equipment	18	24.9	23.6	24.9	23.6
Intangible assets	19	109.8	114.0	109.8	114.0
Right-of-use assets	20	26.8	31.4	26.8	31.4
Deferred tax assets	28	243.0	233.9	243.0	233.9
Net retirement benefit asset	29	32.0	148.5	32.0	148.5
Total assets		25,479.7	26,071.3	25,526.3	26,117.7
Liabilities					
Deposits by banks	21	2,717.2	4,288.9	2,717.2	4,288.9
Customer accounts	22	19,950.3	19,215.1	19,950.4	19,215.2
Debt securities in issue	23	499.3	-	499.3	-
Derivative financial instruments	16	47.6	110.3	47.6	110.3
Other liabilities	24	55.3	37.4	55.3	37.4
Accruals and deferred income	25	46.6	22.8	46.6	22.8
Provisions	26	10.4	60.6	10.4	60.6
Other borrowed funds	27	857.0	891.2	857.0	891.2
Amounts owed to Holding Company	31	-	-	40.3	46.4
Lease liabilities	20	26.2	30.1	26.2	30.1
Net retirement benefit liability	29	5.2	5.9	5.2	5.9
Total liabilities		24,215.1	24,662.3	24,255.5	24,708.8
Capital and reserves attributable to the Group's equity holders					
Ordinary share capital	32	0.9	0.9	25.6	25.6
Share premium account	32	313.8	313.8	-	-
Retained earnings		2,042.6	2,097.8	1,326.5	1,375.4
Other reserves	33	(1,092.7)	(1,003.5)	(81.3)	7.9
Total equity		1,264.6	1,409.0	1,270.8	1,408.9
Total liabilities and equity		25,479.7	26,071.3	25,526.3	26,117.7

The financial positions above are for the consolidated Group and Bank. More information regarding the basis of preparation can be found in note 1 of the consolidated financial statements.

The notes on pages 173 to 218 form part of these consolidated Group and Bank financial statements.

Approved by the Board of The Co-operative Bank Holdings p.l.c. on 6 March 2025:

Joanne Kenrick
Chair of the Board

Steve Hughes
Interim Chief Executive Officer

Approved by the Board of The Co-operative Bank p.l.c. on 6 March 2025:

Joanne Kenrick
Chair of the Board

Steve Hughes
Interim Chief Executive Officer

THE CO-OPERATIVE BANK HOLDINGS P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (GROUP)
THE CO-OPERATIVE BANK P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (BANK)
CONSOLIDATED STATEMENT OF CASHFLOWS

For year ended 31 December 2024

£million

		Group		Bank	
	Note	2024	2023	2024	2023
Cash flows from/(used in) operating activities:					
Profit before tax		72.9	71.4	72.0	71.4
Adjustments for non-cash movements:					
Pension scheme adjustments		(0.9)	(3.4)	(0.9)	(3.4)
Net credit impairment (gains)/losses		(5.0)	0.6	(5.0)	0.6
Depreciation, amortisation and impairment		35.3	34.8	35.3	34.8
Other non-cash movements		92.0	90.3	92.0	90.2
Changes in operating assets and liabilities:					
Decrease in deposits by banks		(1,571.7)	(1,394.5)	(1,571.7)	(1,394.5)
Increase in prepayments		(11.6)	(2.7)	(11.6)	(2.7)
Increase/(decrease) in accruals and deferred income		23.8	(9.7)	23.8	(9.7)
Increase/(decrease) in customer accounts		736.3	(874.0)	736.3	(874.0)
Redemption of retail mortgage backed securities		-	(181.9)	-	(181.9)
Decrease in loans and advances to banks		44.1	30.3	44.1	30.3
(Increase)/decrease in loans and advances to customers		(210.6)	590.4	(210.6)	590.4
Net movement of other assets and other liabilities		(17.1)	(52.7)	(23.2)	(52.6)
Income tax paid		(4.0)	(2.7)	(4.0)	(2.7)
Net cash flows used in operating activities		(816.5)	(1,703.8)	(823.5)	(1,703.8)
Cash flows from/(used in) investing activities:					
Purchase and construction of tangible and intangible assets		(27.6)	(55.0)	(27.6)	(55.0)
Purchase of investment securities		(1,096.4)	(1,542.7)	(1,096.4)	(1,542.7)
Proceeds from sale of shares and other interests		13.6	0.2	13.6	0.2
Proceeds from sale and maturity of investment securities		1,552.2	434.9	1,552.2	434.9
Proceeds from sale of investment properties		0.2	0.3	0.2	0.3
Dividends received		0.1	0.1	0.1	0.1
Net cash flows from/(used in) investing activities		442.1	(1,162.2)	442.1	(1,162.2)
Cash flows from/(used in) financing activities:					
Proceeds from issuance of Tier 2 notes and senior unsecured debt		199.1	397.9	199.1	397.9
Redemption of Tier 2 notes and senior unsecured debt		(236.5)	(163.5)	(236.5)	(163.5)
Proceeds from issuance of covered bonds		498.5	-	498.5	-
Interest paid on Tier 2 notes, senior unsecured debt and covered bonds		(88.2)	(62.7)	(88.2)	(62.7)
Lease liability principal payments		(5.6)	(6.6)	(5.6)	(6.6)
Dividends paid		(102.0)	-	(95.0)	-
Net cash flows from financing activities		265.3	165.1	272.3	165.1
Effect of exchange rate changes on cash and cash equivalents					
		(8.6)	(5.4)	(8.6)	(5.4)
Net decrease in cash and cash equivalents		(117.7)	(2,706.3)	(117.7)	(2,706.3)
Cash and cash equivalents at the beginning of the year		2,751.8	5,458.1	2,751.8	5,458.1
Cash and cash equivalents at the end of the year		2,634.1	2,751.8	2,634.1	2,751.8
Comprising of:					
Cash and balances with central banks	12	2,586.0	2,631.7	2,586.0	2,631.7
Loans and advances to banks	13	48.1	120.1	48.1	120.1
		2,634.1	2,751.8	2,634.1	2,751.8

Interest received in the year was £1,145.5m (2023: £1,061.3m). Interest paid in the year was £663.1m (2023: £459.8m).

THE CO-OPERATIVE BANK HOLDINGS P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (GROUP)
THE CO-OPERATIVE BANK P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (BANK)
CONSOLIDATED STATEMENT OF CASHFLOWS – RECONCILIATION OF MOVEMENTS OF LIABILITIES
TO CASHFLOWS ARISING FROM FINANCING ACTIVITIES

For year ended 31 December 2024

£million

	Group and Bank							
	2024				2023			
	Lease liabilities	Other borrowed funds	Debt securities in issue	Total	Lease liabilities	Other borrowed funds	Debt securities in issue	Total
Balance at the beginning of the year	30.1	891.2	-	921.3	31.0	646.9	-	677.9
Changes from financing cashflows								
Proceeds from issuance of Tier 2 notes, senior unsecured debt and covered bonds	-	199.1	498.5	697.6	-	397.9	-	397.9
Redemption of Tier 2 notes and senior unsecured debt	-	(236.5)	-	(236.5)	-	(163.5)	-	(163.5)
Interest paid on Tier 2 notes, senior unsecured debt and covered bonds	-	(74.2)	(14.0)	(88.2)	-	(62.7)	-	(62.7)
Lease liability principal payments	(5.6)	-	-	(5.6)	(6.6)	-	-	(6.6)
Total changes from financing cash flows	24.5	779.6	484.5	1,288.6	24.4	818.6	-	843.0
Other changes								
Unwind of lease discounting	0.9	-	-	0.9	1.0	-	-	1.0
Interest payable on Tier 2 notes, senior unsecured debt and covered bonds	-	75.1	14.0	89.1	-	63.2	-	63.2
Other non-cash movements	-	2.3	0.8	3.1	-	9.4	-	9.4
Remeasurements of lease liabilities	0.8	-	-	0.8	4.7	-	-	4.7
Balance at the end of the year	26.2	857.0	499.3	1,382.5	30.1	891.2	-	921.3

THE CO-OPERATIVE BANK HOLDINGS P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (GROUP)
THE CO-OPERATIVE BANK P.L.C. CONSOLIDATED FINANCIAL STATEMENTS (BANK)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2024

£million

	Attributable to equity holders of the Group							Total equity
	Share capital	Share premium	FVOCI reserve	Cash flow hedging reserve	Capital re-organisation reserve	Defined benefit pension reserve	Retained earnings	
2024								
At 1 January 2024	0.9	313.8	(8.0)	5.4	(1,011.4)	10.5	2,097.8	1,409.0
Total comprehensive (expense)/income for the year	-	-	(0.3)	(4.4)	-	(84.5)	47.3	(41.9)
Other movements	-	-	-	-	-	-	(0.5)	(0.5)
Dividends paid	-	-	-	-	-	-	(102.0)	(102.0)
At 31 December 2024	0.9	313.8	(8.3)	1.0	(1,011.4)	(74.0)	2,042.6	1,264.6

£million

	Attributable to equity holders of the Bank						Total equity
	Share capital	FVOCI reserve	Cash flow hedging reserve	Defined benefit pension reserve	Retained earnings		
2024							
At 1 January 2024	25.6	(8.0)	5.4	10.5	1,375.4		1,408.9
Total comprehensive (expense)/income for the year	-	(0.3)	(4.4)	(84.5)	46.6		(42.6)
Other movements	-	-	-	-	(0.5)		(0.5)
Dividends paid	-	-	-	-	(95.0)		(95.0)
At 31 December 2024	25.6	(8.3)	1.0	(74.0)	1,326.5		1,270.8

£million

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

£million

	Attributable to equity holders of the Bank						Total Equity
	Share capital	FVOCI reserve	Cash flow hedging reserve	Defined benefit pension reserve	Retained earnings		
2023							
At 1 January 2023	25.6	(5.3)	10.6	22.3	1,245.7		1,298.9
Total comprehensive (expense)/income for the year	-	(2.7)	(5.2)	(11.8)	129.7		110.0
At 31 December 2023	25.6	(8.0)	5.4	10.5	1,375.4		1,408.9

The notes on pages 173 to 218 form part of these consolidated Group and Bank financial statements.

All amounts are stated in £m unless otherwise indicated.

1. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

1.1 General information

The Annual Report and Accounts presents information in relation to The Co-operative Bank Holdings p.l.c. (the “Holding Company”), its direct subsidiary, The Co-operative Bank Finance p.l.c. (the “Finance Company”) and its indirect subsidiaries including the main trading company, The Co-operative Bank p.l.c. (the “Bank Company”). Together, these entities are referred to as the “Group”.

The Bank Company is also required to produce its own individual and consolidated financial statements and these are included within this Annual Report and Accounts as referenced below. The Finance Company is required to produce individual financial statements only. In the financial statements of the Bank Company, the Directors refer to disclosures produced in relation to the Group, where there is no difference in the information required to be presented to that disclosed for the Group.

The financial statements presented within the 2024 Annual Report and Accounts comprise:

Pages 165 to 218. The consolidated financial statements and notes of Holding Company and its subsidiaries (the consolidated financial statements of the Group). These are presented together with the consolidated financial statements and notes of the Bank Company and its subsidiaries (the consolidated financial statements of the “Bank”). Unless otherwise stated, references to the Group also apply to the Bank. Where differences arise, this is explicitly stated.

Pages 219 to 242. The individual financial statements and notes of Bank Company.

Pages 243 to 249. The individual financial statements and notes of Holding Company.

Pages 250 to 254. The individual financial statements and notes of Finance Company.

1.2 Basis of preparation

The financial statements of the Group and Bank have been prepared and approved by the Directors of the respective companies in accordance with UK adopted international accounting standards.

Disclosures required by IFRS 7 ‘Financial Instruments: Disclosure’ relating to the nature and extent of risks arising from financial instruments, and IAS 1 ‘Presentation of Financial Statements’ relating to objectives, policies and processes for managing capital, have been included in the Risk Management section of this Annual Report and Accounts. This information forms an integral part of these financial statements by this cross reference, is marked as audited, and is covered by the Independent auditors’ report.

The Holding Company and Bank Company are incorporated in the UK and registered in England and Wales.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of items held at fair value through other comprehensive income (FVOCI), derivative contracts, investment properties and certain other financial assets and financial liabilities held at fair value through profit or loss (FVTPL).

In preparing these financial statements, the Group has incorporated assessment of climate-related risks into judgements associated with recognition, measurement, presentation and disclosure, where so permitted by UK adopted international reporting standards. At 31 December 2024, the Group considers its present financial exposure to climate-related risk to be not material and accordingly has made limited reference to the impacts of climate-related risk in the notes to the financial statements. Where forward-looking information is relied on in preparing the financial statements, the Group has given due consideration, where appropriate and quantifiable, to potential future impacts of climate-related risk, but recognises that governmental and societal responses to climate change risks are still developing and thus their ultimate impacts on the Group are inherently uncertain and cannot be fully known.

1. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

1.3 Going concern

IAS 1 (Presentation of Financial Statements) requires Directors to make an assessment of a company's ability to continue as a going concern, and whether it remains appropriate to adopt the going concern basis of accounting in preparing the entity's financial statements. IAS 1 states that the information should cover at least 12 months from the end of the reporting period but not be limited to that period, and Financial Reporting Council (FRC) guidelines state that the information should consider a period of at least 12 months from the date the financial statements are authorised for issue. This assessment has therefore considered information in respect of the period ending 30 June 2026 (the 'assessment period').

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

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

The Directors have considered the Bank's annual ILAAP and ICAAP processes, which model an extreme but plausible scenario based on the Bank of England's stress scenario, as well as a reverse stress test based on the 31 December 2024 position and latest forecast. The Directors are satisfied that the Group has sufficient regulatory capital and liquidity, alongside an effective range of management actions if required, across the assessment period, for the accounts to be prepared on a going concern basis.

On 1 January 2025 the Group was acquired by The Coventry Building Society (CBS). The Directors have considered the impact of the acquisition of the Group by CBS on the going concern assessment, this includes that:

- CBS has publicly stated that the Group will operate as a separate entity as integration takes place over several years;
- CBS is working with the Group's management to undertake a detailed review of the Group which will include, among other considerations, funding and capital requirements, strategy and overall Group objectives; and
- The Directors expect that CBS will manage any consequential change to Group capital, funding sources, requirements and strategy in a controlled manner which ensures the Bank continues to meet all regulatory capital and liquidity requirements.

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

After considering the matters above, the Directors have a reasonable expectation that the Group will continue as a going concern with no material uncertainties over the assessment period. Accordingly, the accounts for period ended 31 December 2024 have been prepared on a going concern basis.

1.4 Material accounting policies

The accounting policies applied by the Group are set out in the explanatory information on pages 255 to 265.

1.4.1 New accounting policies

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

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

None of these standards or amendments had any significant impact on the Group on adoption. The Group has not early-adopted any further new standards or amendments to UK-adopted international accounting standards.

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. Actual results may differ from these estimates. The critical judgements and estimates are the same for both the Group and Bank.

Assumptions and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The critical judgements and estimates which have a significant impact on the financial statements are described below.

During 2024 the Group concluded that recognition of IAS 19 pension valuation surplus was no longer a critical judgement and that the defined benefit pension valuation was no longer a source of estimation uncertainty. This follows the full “buy-in” transaction completed by the BPS Trustee during 2024 which is reflected in the reduced net retirement benefit asset of £32.0m at 31 December 2024 (2023: £148.5m). Through this “buy-in” transaction and together with pre-existing, similar arrangements in Pace DB, materially all liabilities in respect of pension benefits are matched by insurance assets of equivalent value. As a result, the principal investment and longevity risks associated with the schemes have been substantially mitigated and volatility of the net retirement benefit asset is significantly reduced. Refer to note 29 of the Group and Bank consolidated financial statements for further information.

2.1 Critical judgements

2.1.1 Unconsolidated structured entities

The Group is the sponsor for two unconsolidated structured entities, Warwick Finance Residential Mortgages Number Three p.l.c. and Warwick Finance Residential Mortgages Number Four p.l.c. (the Warwick SPEs), and holds legal title to mortgages in exchange for a fee for a further three unconsolidated structured entities, Avon Finance No. 3 p.l.c., Avon Finance No 4 p.l.c. and Stratton Mortgage Funding 2024-3 p.l.c. (the Avon and Stratton SPEs). The Warwick SPEs were created for the purposes of selling Optimum (The Group’s legacy retail secured mortgage portfolio) in the most capital efficient manner. The Avon SPEs were re-securitisations of former Warwick mortgages following the unwinding of earlier Warwick transactions during 2020. Following the sale of Optimum mortgages to a third party at the end of 2020, the Stratton SPE was established by a third party buyer as an unconsolidated structured entity in 2021 to securitise the mortgages and was re-securitised in 2024. The Group performs a re-assessment of the requirement to consolidate the Warwick, Avon and Stratton SPEs on at least an annual basis, or more frequently as relevant. The Warwick, Avon and Stratton SPEs are not included within the consolidated results of the Group as its ongoing interest represents a less than de minimis variability of return. Further details are disclosed in note 35 of the Group and Bank consolidated financial statements.

2.1.2 Recognition of deferred tax assets in respect of future taxable profits

The Group recognises deferred tax assets to the extent there are sufficient taxable temporary differences and forecast probable future taxable profits against which unutilised capital allowances and historical tax losses can be utilised. The Group considers the likelihood of future taxable profits remains sufficiently probable to warrant continued recognition of these assets, based on a) the continued sustainable profit made by the Group during 2024, and b) the Board-approved Financial Plan anticipating that the Group will continue to be profitable over the five-year plan period.

The value of deferred tax assets recognised by the Group is disclosed in note 28 of the Group and Bank consolidated financial statements.

2.1.3 Identification of significant increases in credit risk and credit impairment financial instruments

The Group considers the criteria by which it identifies financial instruments that have experienced a significant increase in credit risk (stage 2) or have become credit impaired (stage 3) to be an area of significant judgement. These criteria are considered in further detail in the explanatory information section 1.3.j.ii-iii.

2.2 Key sources of estimation uncertainty

2.2.1 Estimation of expected credit losses (ECLs)

The Group’s estimation of provisions for expected credit losses is inherently uncertain and subject to a high degree of expert judgement. Further information on the Group’s credit risk management practices and risk exposures are outlined in the risk management section 3.2, and the policies adopted in quantifying ECLs are outlined in the explanatory information section 1.3.j. The following section considers the key judgemental assumptions used within the estimation process and assessments of their variability.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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. The scenarios and weights used within the Group's ECL modelling process are shown below:

Scenario weights	2024	2023
Upside	20 %	20 %
Base	45 %	45 %
Mild downside	25 %	20 %
Downside	10 %	10 %
Stress downside	-	5 %

In 2024, the Group has reduced the number of scenarios from five to four, removing the stress downside scenario on the basis that two downside scenarios were considered to adequately capture the range of potential downside risks. The severity of the downside scenario remains in line with the previous stress downside. The Group has reallocated the weight previously assigned to the stress downside to the mild downside scenario.

If the 2023 weightings were applied to the 2024 modelled ECL, it would increase by £0.3m.

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

2024	% applied in model	Core		SME	Legacy & central items	Total
		Retail secured	Retail unsecured			
Upside	20 %	0.9	6.9	1.1	1.4	10.3
Base	45 %	1.1	7.0	1.2	1.5	10.8
Mild downside	25 %	2.3	7.5	1.5	1.6	12.9
Downside	10 %	6.1	7.9	1.8	1.8	17.6
Weighted average	100 %	2.0	7.3	1.2	1.4	11.9

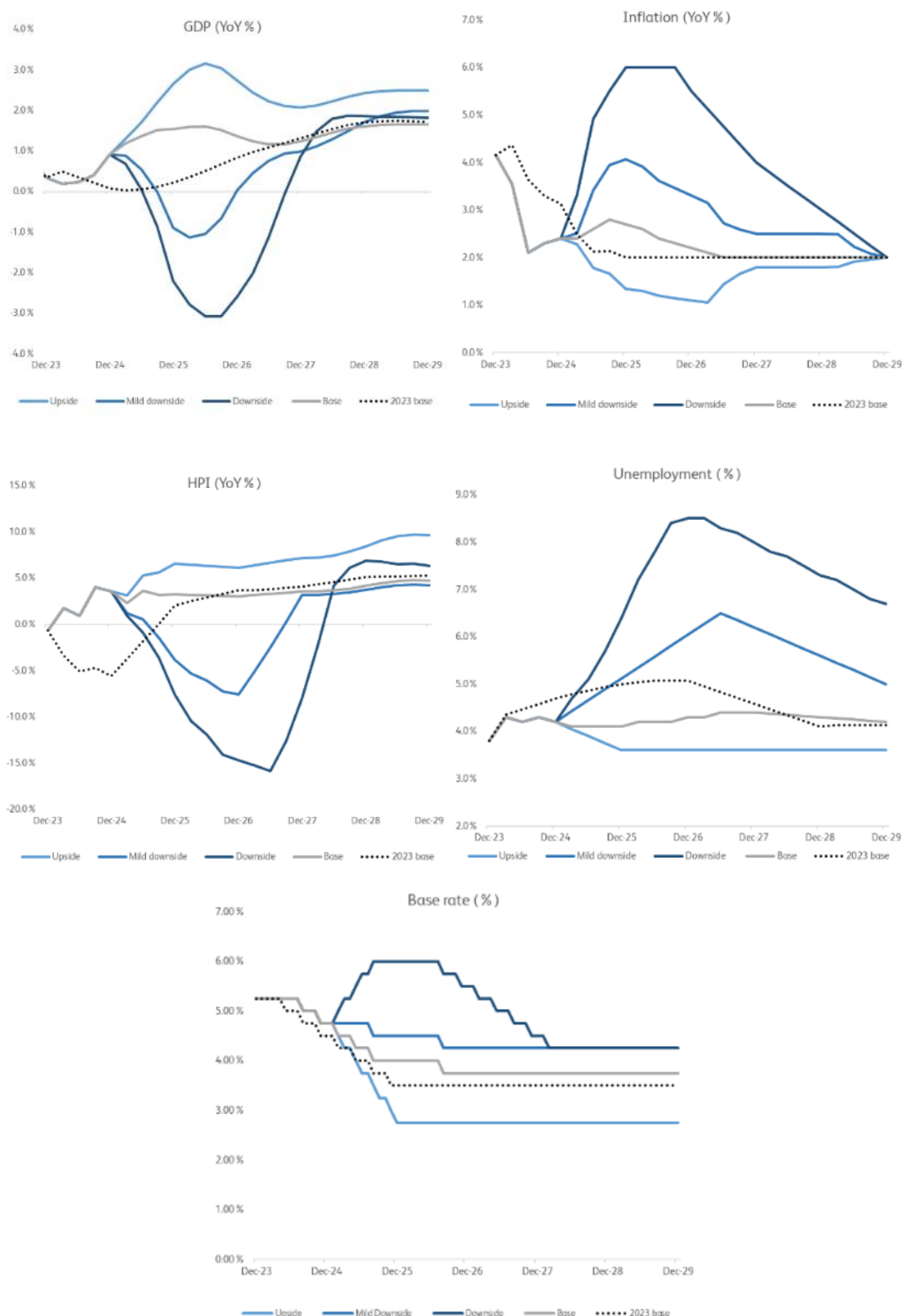
2023	% applied in model	Core		SME	Legacy & central items	Total
		Retail secured	Retail unsecured			
Upside	20 %	1.3	7.1	1.6	1.7	11.7
Base	45 %	2.5	7.3	1.8	1.7	13.3
Mild downside	20 %	4.3	7.6	2.0	1.9	15.8
Downside	10 %	6.1	7.9	2.2	2.0	18.2
Stress downside	5 %	15.4	8.4	2.5	2.1	28.4
Weighted average	100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

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

b) Collective impairment provisions – macroeconomic variables and sensitivities

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)



After the initial scenario deviation, GDP and HPI growth rates converge towards the long run growth rates. Levels remain representative of upside/downside outcomes that result from initial differences in growth rates in the early years of the scenarios.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2024	2025	2026	2027	2028	2029	5 year average ⁵	Dec-24 to peak	Dec-24 to trough
GDP¹								
Upside	2.7%	2.7%	2.1%	2.4%	2.5%	2.4%	13.5%	-
Base	1.5%	1.4%	1.2%	1.6%	1.7%	1.5%	7.8%	-
Mild downside	(0.9%)	-	1.0%	1.7%	2.0%	0.7%	4.2%	(1.9%)
Downside	(2.2%)	(2.6%)	0.9%	1.9%	1.8%	(0.1%)	-	(5.6%)
Inflation²								
Upside	1.3%	1.1%	1.8%	1.8%	2.0%	1.6%	8.3%	-
Base	2.7%	2.2%	2.0%	2.0%	2.0%	2.2%	11.4%	-
Mild downside	4.1%	3.3%	2.5%	2.5%	2.0%	2.9%	15.2%	-
Downside	6.0%	5.5%	4.0%	3.0%	2.0%	4.2%	22.6%	-
HPI²								
Upside	6.6%	6.1%	7.2%	8.4%	9.6%	7.1%	44.1%	-
Base	3.2%	3.0%	3.5%	4.2%	4.7%	3.6%	20.1%	-
Mild downside	(3.8%)	(7.6%)	3.2%	3.7%	4.2%	(0.2%)	-	(11.1%)
Downside	(7.6%)	(14.7%)	(8.0%)	6.9%	6.3%	(3.6%)	-	(28.1%)
Unemployment³								
Upside	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	-	(0.6%)
Base	4.1%	4.3%	4.4%	4.3%	4.2%	4.3%	0.2%	(0.1%)
Mild downside	5.1%	6.0%	6.2%	5.6%	5.0%	5.6%	2.3%	-
Downside	6.4%	8.5%	8.0%	7.3%	6.7%	7.2%	4.3%	-
Base rate⁴								
Upside	2.75%	2.75%	2.75%	2.75%	2.75%	2.95%	-	(2.00%)
Base	4.00%	3.75%	3.75%	3.75%	3.75%	3.88%	-	(1.00%)
Mild downside	4.50%	4.25%	4.25%	4.25%	4.25%	4.36%	-	(0.50%)
Downside	6.00%	5.50%	4.50%	4.25%	4.25%	4.99%	1.25%	(0.50%)

1. Annual average YoY %

2. Q4 YoY %

3. Q4 %

4. Year-end %

5. 20 quarter average

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2023	2024	2025	2026	2027	2028	5 year average ⁵	Dec-23 to peak	Dec-23 to trough
GDP¹								
Upside	1.2%	1.9%	2.0%	2.6%	3.4%	2.0%	13.1%	-
Base	0.1%	0.2%	0.8%	1.3%	1.7%	0.7%	4.8%	-
Mild downside	(1.2%)	(0.4%)	0.9%	1.0%	1.4%	0.3%	2.2%	(2.1%)
Downside	(1.9%)	(1.3%)	1.0%	1.3%	1.6%	-	1.1%	(3.6%)
Stress downside	(2.7%)	(2.0%)	1.0%	1.2%	1.2%	(0.3%)	-	(5.0%)
Inflation²								
Upside	2.5%	1.6%	1.8%	1.8%	2.0%	2.1%	10.1%	-
Base	3.1%	2.0%	2.0%	2.0%	2.0%	2.4%	11.6%	-
Mild downside	4.7%	3.0%	2.5%	2.5%	2.0%	3.1%	15.6%	-
Downside	7.8%	5.2%	3.0%	3.0%	2.0%	4.3%	22.7%	-
Stress downside	11.2%	5.8%	1.8%	1.5%	1.3%	4.5%	23.6%	-
HPI²								
Upside	3.0%	5.1%	5.5%	6.1%	7.7%	4.7%	30.7%	-
Base	(5.6%)	2.0%	3.7%	4.1%	5.1%	1.2%	9.2%	(5.6%)
Mild downside	(7.2%)	(3.7%)	1.8%	2.0%	2.5%	(1.3%)	-	(10.6%)
Downside	(9.6%)	(9.7%)	0.0%	2.4%	3.0%	(3.3%)	-	(18.3%)
Stress downside	(13.5%)	(15.8%)	(2.3%)	7.1%	6.4%	(4.3%)	-	(30.7%)
Unemployment³								
Upside	3.6%	3.6%	3.6%	3.6%	3.6%	3.7%	-	(0.7%)
Base	4.7%	5.0%	5.1%	4.6%	4.1%	4.7%	0.8%	(0.2%)
Mild downside	5.1%	6.0%	6.2%	5.6%	5.0%	5.6%	2.2%	-
Downside	5.4%	6.8%	7.1%	6.3%	5.5%	6.2%	3.2%	-
Stress downside	7.6%	8.3%	7.7%	7.1%	6.5%	7.3%	4.2%	-
Base rate⁴								
Upside	4.00%	3.00%	3.00%	3.00%	3.00%	3.39%	-	(2.25%)
Base	4.50%	3.50%	3.50%	3.50%	3.50%	3.88%	-	(1.75%)
Mild downside	5.00%	4.00%	4.00%	4.00%	4.00%	4.37%	0.50%	(1.25%)
Downside	3.25%	2.00%	2.00%	2.00%	2.00%	2.50%	-	(3.25%)
Stress downside	6.00%	5.75%	4.75%	3.75%	3.50%	4.95%	0.75%	(1.75%)

1. Annual average YoY %

2. Q4 YoY %

3. Q4 %

4. Year-end %

5. 20 quarter average

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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

	GDP	Inflation	HPI	Unemployment	Base rate
Upside	Annual GDP growth increases by 2.7 % in 2025 and 2026. Positive growth throughout the forecast, with levels increasing 13.5 % from Q4 2024.	Inflation declines quicker than in the base, falling below the 2 % target to 1.3 % by Q4 2025, and reaching low point of 1.1 % in Q4 2026. Inflation increases to 1.8 % by Q4 2028 and back to 2 % target by Q4 2029.	House price quarterly growth positive across the period. Prices increase 6.6 % in 2025 and 6.1 % in 2026. Prices exit 2029 44.1 % higher than Q4 2024.	Unemployment improves to 3.6 % by Q4 2025. Level remains flat over the remainder of the forecast period.	Base rate cut 25bps at each meeting in 2025 reaching 2.75 % by Q4 2025, 125bps below the base at this time. Base rate remains at this level across the forecast period, 100bps lower than the base.
Base	Annual GDP growth increases by 1.5 % in 2025 and 1.4 % in 2026. Positive quarterly growth throughout the forecast, with levels increasing 7.8 % from Q4 2024 to Q4 2029.	Inflation increases to peak of 2.8 % in Q3 2025. Inflation then falls to 2.7 % in Q4 2025 and falls back to the BoE's 2 % target in Q2 2027.	House prices quarterly growth positive across the forecast, with prices increasing by 3.2 % in 2025 and 3.0 % in 2026. Prices exit 2029 c.20 % higher than Q4 2024.	Unemployment stable at 4.1 % across 2025, increasing from 2026 to peak of 4.4 % in Q2 2027. Unemployment improves from Q3 2027 to 4.2 % by the end of the forecast period.	Base rate next cut 25bps in Q1 2025, 75bps cuts in 2025 to 4.0 % by Q3. One further 25bps cut to 3.75 % in Q3 2026.
Mild downside	Economy enters into four quarter recession from Q1 2025, with peak to trough fall of 1.9 % by Q4 2025. Positive quarterly growth returns in Q1 2026 with levels exiting 2029 4.2 % higher than Q4 2024.	Inflation rises above the base, to peak of 4.1 % in Q4 2025. Inflation remains above target throughout, falling to 2 % in Q4 2029, 10 quarters after the base.	House price growth turns negative in Q1 2025, with a peak to trough fall of 11.1 % by Q4 2026. Quarterly growth returns in Q1 2027, however prices exit 2029 lower than Q4 2024.	Unemployment deteriorates to 5.1 % in Q4 2025, and peaks at 6.5 % in Q2 2027, timing in line with the base but 2.1pp higher, improving to 5.0 % by Q4 2029.	Base rate remains at current level of 4.75 % until next 25bps cut in Q3 2025. 25bps cut each quarter thereafter to terminal rate of 4.25 % in Q3 2026, 50bps higher than the base.
Downside	GDP declines by 2.2 % in 2025 as the economy enters into a seven quarter recession with peak to trough fall of 5.6 % . Positive quarterly growth returns in Q4 2026, however GDP levels exit 2029 broadly in line with Q4 2024.	Inflation rises above the base and peaks at 6.0 % in Q4 2025. Inflation remains at this level until Q4 2026 where it begins to reduce and reaches the 2 % target in Q4 2029.	House prices decline 7.6 % in 2025 and 14.7 % in 2026 with a peak to trough fall of 28.1 % by Q3 2027. Quarterly growth returns in Q4 2027. Prices exit 2028 17.6 % lower than Q4 2024.	Unemployment rises to 6.4 % in Q4 2025, and peaks at 8.5 % in Q4 2026, c.4.0pp above the base, improving to 6.7 % by 2029.	Base rate increases 25bps each meeting in 2025 to peak of 6.0 % in Q3 2025. Base rate remains at this level until 25bps cut in Q3 2026. Base rate is then cut 25bps each quarter to terminal level of 4.25 % by Q2 2028.

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

- **GDP** – annual growth is improved in the short term compared to previously due to the impact of the measures announced in the Autumn Budget.
- **Inflation** – higher in short term as a result of measures announced in the Autumn Budget with 2 % target reached in 2027 compared to 2025 previously.
- **HPI** – house price growth remains positive across the scenario as consumer confidence improves, compared to peak to trough fall in house prices of 10.0 % previously.
- **Unemployment** – lower levels across the forecast with a peak of 4.4 % in 2027, compared to peak of 5.1 %.
- **Base rate** – fewer base rate cuts assumed to a higher terminal rate of 3.75 % compared to a 3.50 % terminal rate previously based upon latest market expectations.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Sensitivities

The table below illustrates the changes to the ECL that would result from reasonably possible variations in the macroeconomic variables to which the modelled ECL is most sensitive. This is applied on a single-factor basis as an absolute percentage increase to that variable within the base ECL, with all other non-illustrated variables remaining constant, and includes the impact of consequent transitions between stage 1 and 2.

2024	Core			Legacy & central	Total
	Retail secured	Retail unsecured	SME		
HPI +15 %	(1.2)	-	-	-	(1.2)
HPI -15 %	2.5	-	-	0.1	2.6
Unemployment rate +2 %	-	0.2	-	-	0.2
Unemployment rate -2 %	-	(0.2)	-	-	(0.2)
GDP growth +2 %	-	-	(0.2)	-	(0.2)
GDP growth -2 %	-	-	0.2	-	0.2

2023	Core			Legacy & central	Total
	Retail secured	Retail unsecured	SME		
HPI +15 %	(0.3)	-	-	-	(0.3)
HPI -15 %	16.2	-	-	-	16.2
Unemployment rate +2 %	-	0.2	-	-	0.2
Unemployment rate -2 %	-	(0.2)	-	-	(0.2)
GDP growth +2 %	-	-	(0.4)	-	(0.4)
GDP growth -2 %	-	-	0.4	-	0.4

The sensitivities on the above parameters should be considered in isolation; aggregation of the results for different parameters would not produce meaningful information, and these sensitivities should not be extrapolated due to the non-linearities of their interactions with the ECL models.

c) Collective impairment provisions – judgemental adjustments

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

2024	Core			Legacy & unallocated	Total
	Retail secured	Retail unsecured	SME		
Model assumption related PMAs	9.4	-	-	0.1	9.5
Affordability PMAs	0.7	1.2	2.0	-	3.9
Other PMAs	0.7	-	1.0	-	1.7
Total judgemental adjustments¹	10.8	1.2	3.0	0.1	15.1

1. Judgemental adjustments exclude operational model adjustments of £0.5m (2023: £1.3m) in respect of individually insignificant model corrections where management judgement does not have a substantial impact on the quantification of the adjustment.

2023	Core			Legacy & unallocated	Total
	Retail secured	Retail unsecured	SME		
Model assumption related PMAs	10.4	0.6	-	0.1	11.1
Affordability PMAs	1.9	1.0	3.0	-	5.9
Other PMAs	1.1	-	1.5	0.1	2.7
Total judgemental adjustments¹	13.4	1.6	4.5	0.2	19.7

1. Judgemental adjustments exclude operational model adjustments of £1.3m (2022: £1.6m) in respect of individually insignificant model corrections where management judgement does not have a substantial impact on the quantification of the adjustment.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key features of the judgemental adjustments are summarised in the table below:

	Nature of judgement	Application within ECL calculation	Criteria for removal
Model assumption related PMAs	Primarily that secured model understates risk due to book's relative immaturity and limited default experience	Stress factors are applied to modelled PDs and LTVs and additional stage 2 triggers based on consumer indebtedness levels are applied to uplift certain stage 1 customers to stage 2. As a measure of one of the key sensitivities within the PMA, if the 5 % HPI stress factor applied in the PMA was reduced to nil, the PMA would decrease by £2.6m	PMA to remain long term as removal is dependent on the Group observing sufficient default and loss data points, through a full economic cycle
Affordability PMAs	All models considered to understate cost of living impacts on customer credit risk	Customers identified as being at a higher vulnerability to cost of living impacts based on a combination of stressed affordability tests (secured), consumer indebtedness levels (unsecured) and sector (SME) are uplifted from stage 1 to stage 2	Evidence of real wage growth and reduced level of inflation with stable arrears position
Other PMAs	There are certain other areas where models do not adequately capture certain identified risk factors, such as the potential exposure to reductions in value of flat properties, and EPC remediation. No PMA is individually significant	Various, depending on the nature of the PMA	Various, depending on the nature of the PMA

The key changes in judgemental adjustments during the year were primarily reductions in affordability PMAs due to SICR thresholds being met and impacted customers being moved to stage 2 in the Group's ECL models without the need for management adjustments, as well as a reduction in model assumption related PMAs following a reduction in discount rates used to discount LGDs.

d) Individual impairment provisions

Individually assessed provisions are made for loans that are considered to be individually significant (typically corporate loans). At 31 December 2024, ECLs of £2.2m (2023: £3.0m) were recognised in respect of individually assessed exposures. Such provisions are not sensitive to changes in macroeconomic variables but would instead typically be most sensitive to changes in underlying collateral values. However, given the prevalence of fully provided unsecured loans and low LTV exposures within a small population of individually assessed exposures, the provision is not particularly sensitive to movements in collateral value. A 20 % decrease in collateral values associated with individually assessed exposures would give rise to a £0.1m increase in ECLs (2023: £0.2m).

2.2.2 Effective interest rate (EIR)

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

At 31 December 2024, the Group recognised an EIR adjustment of £55.5m (2023: £63.3m) in respect of its fixed rate mortgage portfolio. Of this adjustment, £29.5m (2023: £37.3m) is attributable to fees charged and received in the mortgage origination process, and £26.0m (2023: £26.0m) is attributable to expectations of increased future income from those customers who revert to the Group's standard variable rate (SVR). The element of the adjustment attributable to fees is neither significantly judgemental nor sensitive. However, the element of the adjustment attributable to future SVR income is subject to estimation uncertainty, with the two most sensitive variables being as follows:

a) Standard variable rate

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

As a measure of the sensitivity of these models, a 50bp increase or decrease to the forecast SVR (currently 7.62 % (2023: 8.12 %) with rises tracking the base rate assumptions used within the Group's central base rate forecast) following the expiry of the fixed rate period would result in a £2.7m (2023: £2.4m) increase or decrease respectively in the EIR asset within the loans and advances to customers balance as at 31 December 2024.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**b) Timing of redemptions (behavioural lives)**

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

The Group typically expects all fixed rate mortgages to spend a weighted average of 0.55 months (2023: 0.48 months) on SVR. This is driven by an expectation of a weighted average of 11 % (2023: 8 %) of fixed rate mortgages to become chargeable for at least one month of SVR, and then remain on the SVR for a weighted average of 5 months (2023: 6 months). As a measure of the sensitivity of this variable, if the average time spent on SVR for those customers who spend at least 1 month on SVR increases or decreases by 1 month, the EIR asset would increase or decrease by £5.2m (2023: £4.4m) respectively, and if the proportion of balances reverting to SVR increases or decreases by 1 %, the EIR asset would increase or decrease by £2.3m (2023: £3.3m).

2.2.3 Measurement of deferred tax assets in respect of future taxable profits

As described in section 2.1.2, the Group continues to recognise a deferred tax asset in respect of future taxable profits. The Group has limited the recognition of deferred taxes to £197.5m (2023: £197.5m) in respect of historical tax losses that it expects to utilise to reduce future tax charges.

The Group has not fully recognised a deferred tax asset in respect of historical tax losses due to the inherent risks in estimating future profitability and the time horizon over which the losses may be utilised. The Group does not yet have a long track record of profitability and basing the quantum of the deferred tax asset on a single forecast introduces volatility which does not reflect the underlying value of the losses. Therefore, the Group's current approach is to determine an appropriate range for the deferred tax asset valuation based on a number of forecast scenarios. The deferred tax asset valuation will be reviewed on a regular basis for appropriateness in the context of that range and only where the deferred asset is outside of the range will the value be adjusted.

The Group has considered a number of plausible scenarios, based on the most recent Board approved 5 year financial plan. These scenarios adopt both different levels of future profitability and outlook periods and have been used to estimate the utilisation of historical tax losses to determine a range of deferred tax asset values. As a measure of sensitivity, the Group estimates that under this approach, projected profitability could decline by 9 % without resulting in a reduction to the recognised deferred tax asset, and a further absolute 6 % reduction in projected profitability would be required to result in a material (£11.8m) write-down of the deferred tax asset. The Group anticipates that the current recognised deferred tax asset will be fully utilised within 6 years. The Group has also recognised £45.5m (2023: £36.4m) of deferred tax assets in respect of capital allowances on fixed assets that it expects to utilise to reduce future tax charges.

The Bank's profitability is inherently sensitive to a range of factors, including macroeconomic conditions (such as changes to interest rates, future tax rates, the rate of inflation and geopolitical crises) and more idiosyncratic elements (such as the Group's ability to meet cost targets and successfully execute its strategy).

The Group has a further £412.0m (2023: £413.4m) of unrecognised deferred tax assets associated with historical trading losses. Whilst there is no expiry date for the utilisation of tax losses, the utilisation of losses is restricted to 50 % or 25 % of taxable profits depending upon when those tax losses were incurred.

As noted above, the Group has recognised a deferred tax asset in respect of future taxable profits based on the latest Board approved plan. The acquisition of the Group by Coventry Building Society on 1st January 2025 may impact that plan and hence future profitability. However the transaction is a non-adjusting post balance sheet event under IAS10. Therefore, the deferred tax asset recognised does not reflect any impact on future profitability of the sale of the Group to Coventry Building Society and it is not currently possible to estimate the future effect on deferred tax asset recognition.

3. SEGMENTAL INFORMATION

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

2024	Group and Bank				
	Core			Legacy & unallocated	Total
	Retail	SME	Total		
Net interest income	353.6	105.3	458.9	1.7	460.6
Other operating income	24.0	16.3	40.3	1.0	41.3
Operating income	377.6	121.6	499.2	2.7	501.9
Operating expenses	(320.1)	(67.0)	(387.1)	(54.4)	(441.5)
Net credit impairment gains	2.1	1.2	3.3	1.7	5.0
Non-operating income	-	-	-	7.5	7.5
Profit/(loss) before tax	59.6	55.8	115.4	(42.5)	72.9

2023	Group and Bank				
	Core			Legacy & unallocated	Total
	Retail	SME	Total		
Net interest income	377.3	97.7	475.0	2.0	477.0
Other operating income	21.8	15.8	37.6	0.6	38.2
Operating income	399.1	113.5	512.6	2.6	515.2
Operating expenses	(320.3)	(67.7)	(388.0)	(57.5)	(445.5)
Net credit impairment (losses)/gains	(0.7)	(1.3)	(2.0)	1.4	(0.6)
Non-operating income	-	-	-	2.3	2.3
Profit/(loss) before tax	78.1	44.5	122.6	(51.2)	71.4

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. All reconciling items are included within the legacy & unallocated segment in calculating statutory profit before tax.

2024	Group and Bank				
	Removal of:				Underlying basis
	IFRS statutory	Volatile items ¹	Exceptional projects	Non recurring ²	
Net interest income	460.6	-	-	-	460.6
Other operating income	48.8	(7.5)	-	-	41.3
Operating income	509.4	(7.5)	-	-	501.9
Operating expenses	(441.5)	-	8.9	41.9	(390.7)
Net credit impairment gain	5.0	-	-	-	5.0
Profit before tax	72.9	(7.5)	8.9	41.9	116.2
Cost:income ratio³	87%				78%

1. In the period ended 31 December 2024, this mainly comprises gain on shares revaluation and the sale of Visa shares.

2. In the period ended 31 December 2024, this comprises other exceptional costs, predominantly relating to transaction costs associated with the sale of the Group to Coventry Building Society (£34.0m) and restructuring costs.

3. Cost:income ratio is calculated as (operating expenses)/(operating income).

3. SEGMENTAL INFORMATION (continued)

	Group and Bank				
	Removal of:				Underlying basis
2023	IFRS statutory	Volatile items ¹	Exceptional projects	Non recurring ²	
Net interest income	477.0	-	-	-	477.0
Other operating income	40.5	(2.3)	-	-	38.2
Operating income	517.5	(2.3)	-	-	515.2
Operating expenses	(445.5)	-	12.2	39.6	(393.7)
Net credit impairment losses	(0.6)	-	-	-	(0.6)
Profit before tax	71.4	(2.3)	12.2	39.6	120.9
Cost:income ratio ³	86 %				76 %

1. In the period ended 31 December 2023, this mainly comprises gain on shares revaluation.

2. In the period ended 31 December 2023, this comprises customer redress costs and other exceptional costs.

3. Cost:income ratio is calculated as (operating expenses)/(operating income).

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

	Group and Bank				
	Core			Legacy & unallocated	Total
2024	Retail	SME	Total		
Segment assets	19,457.6	419.0	19,876.6	5,603.1	25,479.7
Segment liabilities	16,435.8	3,241.6	19,677.4	4,537.7	24,215.1

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

4. AUDITOR'S REMUNERATION

	Group and Bank	
	2024 £'000	2023 £'000
Fees payable to the auditor of the Group and Bank for the audit of the annual accounts ¹	2,750	2,645
Audit of the accounts of group undertakings	150	98
Audit expenses	30	50
Fees payable to the Group's auditor for other services:		
Audit-related assurance services ²	200	237
Other assurance services ³	135	192
Total audit fees and expenses for the financial year	3,265	3,222
All other services provided by the auditor	-	-
Total auditor's remuneration	3,265	3,222

1. The fee for the year ended 31 December 2024 for the audit of the company accounts of the Holding Company was £100,000. The fee for the Finance Company was £35,000. The fee for Bank Company was £2,615,000.

2. Of which £25,000 relates to services performed for the Bank and £175,000 for the Group for the year ended 31 December 2024.

3. Of which £70,000 relates to services performed for the Bank and £65,000 for the Group for the year ended 31 December 2024.

On 1 May 2024, PricewaterhouseCoopers LLP was appointed as auditor of the Group and its subsidiaries for the year ended 31 December 2024.

The Group's previous auditor, Ernst & Young LLP, incurred fees relating to other assurance services of £65,000 for the year ended 31 December 2024, which is not included in the 2024 amounts above.

All amounts are presented exclusive of VAT.

5. DIRECTORS' EMOLUMENTS

	Group and Bank	
	2024	2023
Aggregate emoluments	7.8	4.1
Aggregate amounts receivable under long-term incentive schemes	0.1	0.6
Company contributions to defined contribution pension scheme	0.1	0.1
Compensation to Directors for loss of office ¹	1.5	-
Total remuneration receivable by Directors	9.5	4.8

1. Compensation to Directors for loss of office relates solely to payment in lieu of notice.

No retirement benefits are accruing to Directors under defined benefit schemes. No Directors received shares under long term incentive schemes or exercised any share options.

The aggregate of emoluments and amounts receivable under incentive schemes of the highest paid Director was £4.8m (2023: £2.4m).

6. NET INTEREST INCOME

Interest income and similar income

	Group		Bank	
	2024	Restated 2023	2024	Restated 2023
On financial assets at amortised cost:				
Loans and advances to customers	905.4	842.2	905.4	842.2
Loans and advances to banks and cash and balances at central banks	142.4	178.3	142.4	178.3
Investment securities	3.2	3.1	3.2	3.1
On financial assets at FVOCI:				
Investment securities	107.6	75.8	107.6	75.8
Total interest income calculated using the effective interest rate method	1,158.6	1,099.4	1,158.6	1,099.4
Other similar income:				
Interest income on financial assets designated at FVTPL	4.9	5.5	4.9	5.5
Interest income on derivatives not in a designated hedging relationship	10.3	34.4	10.3	34.4
Interest income on net defined benefit pension asset	6.9	7.9	6.9	7.9
Total interest income and similar income	1,180.7	1,147.2	1,180.7	1,147.2

Interest expense and similar charges

	Group		Bank	
	2024	Restated 2023	2024	Restated 2023
On financial liabilities at amortised cost:				
Customer accounts	(414.7)	(311.9)	(414.7)	(311.9)
Subordinated liabilities, debt securities in issue and other deposits	(295.9)	(323.7)	(296.8)	(323.7)
Total interest expense calculated using the effective interest rate method	(710.6)	(635.6)	(711.5)	(635.6)
Other similar charges:				
Interest expense on derivatives not in a designated hedging relationship	(8.3)	(33.3)	(8.3)	(33.3)
Interest expense on unfunded defined benefit pension liabilities	(0.3)	(0.3)	(0.3)	(0.3)
Interest expense on lease liabilities	(0.9)	(1.0)	(0.9)	(1.0)
Total interest expense and similar charges	(720.1)	(670.2)	(721.0)	(670.2)

The prior year net interest income note has been restated for change in presentation of interest income/expense on financial instruments in designated hedging relationships. Please refer to note 36 for further information.

7. NET FEE AND COMMISSION INCOME

	Group and Bank	
	2024	2023
Fee and commission income		
Current accounts	54.1	54.4
Unsecured assets	7.9	8.1
Mortgage fees	3.1	2.8
Non-banking and other fees	2.1	2.1
Total fee and commission income	67.2	67.4
Total fee and commission expense	(33.8)	(31.0)
Net fee and commission income	33.4	36.4

The net fee and commission income for the Group and Bank relates to items not at fair value through profit or loss.

8. OTHER OPERATING INCOME/(EXPENSE) (NET)

	Group and Bank	
	2024	2023
Gain on sale of investment securities	0.7	0.3
Gain on sale of loans and advances to customers	-	0.4
Fair value movement on loans and advances to customers designated at fair value	(2.4)	2.5
Income/(expense) from derivatives and hedge accounting ¹	1.8	(3.5)
Net fair value gains on assets held at FVTPL ²	7.0	2.0
Foreign currency transactions	8.6	5.4
Loss on redemption of other borrowed funds	(1.3)	(3.2)
Other operating income	1.0	0.2
	15.4	4.1

1. In 2024 hedge ineffectiveness generated a loss of £3.5m (2023: £2.4m) in relation to fair value hedging programmes.

2. Net fair value gains on assets held at FVTPL of £7.0m (2023: £2.0m) includes a £7.4m gain on revaluation of equity shares (2023: £1.7m gain).

9. OPERATING EXPENSES

	Group and Bank	
	2024	2023
Staff costs	166.7	153.7
Depreciation, amortisation and impairment ¹	35.3	34.8
Technology costs	57.1	48.9
Outsourced operations	42.1	51.8
Professional services and IT consultancy costs	52.8	44.7
Marketing, subscriptions and communication	22.0	20.3
Property costs	8.8	11.9
Credit checking and screening	5.8	8.4
Regulatory levies	3.6	3.6
Customer redress charges	0.7	28.9
Other expenses	46.6	38.5
Total operating expenses	441.5	445.5

1. Mainly comprises amortisation of intangible assets of £24.8m (2023: £22.7m).

10. STAFF COSTS

	Group and Bank	
	2024	2023
Wages and salaries	130.3	105.3
Social security costs	11.6	13.9
Pension costs - Defined contribution plans	9.6	9.0
Other staff costs ¹	15.2	25.5
Total staff costs	166.7	153.7

1. Other staff costs mainly comprises costs paid to temporary contractors and severance costs.

10. STAFF COSTS (continued)

Average number of employees

The average headcount of people employed during the year is as follows:

	No of employees	
	2024	2023
Full time	2,554	2,656
Part time	669	649
	3,223	3,305

The headcount above includes executive directors.

11. INCOME TAX

	Group		Bank	
	2024	2023	2024	2023
Current tax				
Current year	3.4	1.4	3.2	1.4
Adjustments in respect of prior years	(3.6)	0.2	(3.6)	0.2
Total current tax (credit)/charge	(0.2)	1.6	(0.4)	1.6
Deferred tax				
Current year	17.3	(58.3)	17.3	(58.3)
Adjustments in respect of prior years	8.5	0.6	8.5	0.6
Impact of rate changes	-	(2.2)	-	(2.2)
Total deferred tax charge/(credit)	25.8	(59.9)	25.8	(59.9)
Total tax charge/(credit)	25.6	(58.3)	25.4	(58.3)

In addition to the above, included within the statement of other comprehensive income is a deferred tax credit of £34.9m (2023: £6.6m credit).

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

	Group		Bank	
	2024	2023	2024	2023
Profit before tax	72.9	71.4	72.0	71.4
Tax charge calculated at a rate of 25 % (2023: 23.5 %)	18.2	16.8	18.0	16.8
Effects of:				
Expenses not deductible for tax purposes	6.6	1.7	6.6	1.7
Movement in unrecognised deferred tax	(5.4)	(68.4)	(5.4)	(68.4)
Adjustments in respect of prior years	4.9	0.8	4.9	0.8
Impact of banking surcharge on deferred tax	1.2	(6.8)	1.2	(6.8)
Depreciation of expenditure not qualifying for capital allowances	0.1	0.1	0.1	0.1
Impact of tax rate changes on deferred tax	-	(2.2)	-	(2.2)
Non-taxable income	-	(0.3)	-	(0.3)
Total tax charge/(credit)	25.6	(58.3)	25.4	(58.3)

The expenses not deductible for tax purposes predominantly comprise transaction costs associated with the sale of the Group to Coventry Building Society. The movement in unrecognised deferred tax represents the recognition of additional historical tax losses that have been brought onto the balance sheet reflecting their expected utilisation against future probable taxable profits.

The UK corporation tax rate increased from 19 % to 25 % effective from 1 April 2023. The banking surcharge also applies to Bank Company. A reduction of the banking surcharge from 8 % to 3 % and an increase of the surcharge allowance from £25.0m to £100.0m was effective from 1 April 2023, and therefore, the combined rate of tax on banking profits in excess of £100.0m is 28 % from that date. 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. Further detail on deferred tax is provided in note 2 and in note 28 of the Group and Bank consolidated financial statements.

12. CASH AND BALANCES AT CENTRAL BANKS

	Group and Bank	
	2024	2023
Cash in hand/(items in transit)	8.3	0.6
Balances with the Bank of England other than mandatory reserve deposits	2,577.7	2,631.1
Included in cash and cash equivalents	2,586.0	2,631.7
Mandatory reserve deposits with the Bank of England	-	76.6
Total cash and balances at central banks	2,586.0	2,708.3

Mandatory reserve deposits are not available for use in day-to-day operations, are non-interest bearing and are not included in cash and cash equivalents. An expected credit loss of £nil was recorded as at 31 December 2024 (2023: £nil) in relation to cash and balances at central banks.

13. LOANS AND ADVANCES TO BANKS

	Group and Bank	
	2024	2023
Placements with other banks ¹ (included in cash and cash equivalents)	48.1	120.1
Other loans and advances to banks	125.0	92.5
Total loans and advances to banks	173.1	212.6

1. The Bank currently holds no repo and reverse repo transactions that are subject to obligatory netting arrangements.

An expected credit loss of £nil was recorded as at 31 December 2024 (2023: £nil) in relation to loans and advances to banks. For further details on pledged and transferred assets, refer to note 30 of the Group and Bank consolidated financial statements. This reflects that the Bank is lending to highly rated banks from a credit perspective.

14. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis of the balance sheet

	Group and Bank	
	2024	2023
Gross loans and advances	20,541.7	20,354.3
Less: allowance for losses	(29.3)	(37.4)
Fair value adjustment for hedged risk	(139.8)	(167.5)
Total loans and advances to customers net of allowance for losses	20,372.6	20,149.4

Loans and advances to customers include £71.7m (2023: £89.0m) of financial assets designated at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency; of these, £37.5m (2023: £50.1m) are secured by real estate collateral.

For further details on pledged and transferred assets, refer to note 30 of the Group and Bank consolidated financial statements. For stage allocation and analysis, refer to credit risk section of the risk management report.

b) Concentration of exposure

Exposure is only within the UK. Further information on the concentration of exposure is included within section 3.2 of the risk management disclosures.

14. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Analysis of allowance for impairment losses

	Group and Bank			Total
	Retail	SME	Legacy & unallocated	
At 1 January 2024	26.1	8.5	2.8	37.4
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2 or 3)	4.4	0.5	-	4.9
To credit impaired (stage 1 or 2 to 3)	2.6	0.6	-	3.2
To 12 month ECL (stage 2 or 3 to 1)	(7.1)	(0.5)	-	(7.6)
From credit impaired (stage 3 to 2)	(0.2)	(0.1)	(0.6)	(0.9)
Net changes arising from stage transfers	(0.3)	0.5	(0.6)	(0.4)
Other charges/(releases):				
New assets originated or purchased	2.5	0.7	-	3.2
Other changes to risk parameters	(0.3)	0.4	(0.5)	(0.4)
Redemptions and repayments	(3.0)	(2.5)	(0.2)	(5.7)
Net other releases	(1.1)	(0.9)	(1.3)	(3.3)
Assets written off	(3.7)	(1.1)	-	(4.8)
At 31 December 2024	21.3	6.5	1.5	29.3

	Group and Bank			Total
	Retail	SME	Legacy & unallocated	
At 1 January 2023	28.1	7.9	4.3	40.3
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2 or 3)	6.0	0.5	0.4	6.9
To credit impaired (stage 1 or 2 to 3)	2.1	1.4	-	3.5
To 12 month ECL (stage 2 or 3 to 1)	(4.5)	(0.1)	-	(4.6)
From credit impaired (stage 3 to 2)	(0.2)	0.1	-	(0.1)
Net changes arising from stage transfers	3.4	1.9	0.4	5.7
Other charges/(releases):				
New assets originated or purchased	1.8	0.8	-	2.6
Other changes to risk parameters	(0.9)	(0.1)	(1.6)	(2.6)
Redemptions and repayments	(2.7)	(1.0)	(0.2)	(3.9)
Net other charges/(releases)	1.6	1.6	(1.4)	1.8
Assets written off	(3.6)	(1.0)	(0.1)	(4.7)
At 31 December 2023	26.1	8.5	2.8	37.4

d) Analysis of income statement

	Group and Bank	
	2024	2023
Net other releases/(charges)	3.3	(1.8)
Amounts recovered against amounts previously written off	0.7	0.2
Adjustment to recognise interest on stage 3 assets based on their net carrying value	1.0	1.0
Net credit impairment gains/(losses) for the year as shown in the income statement	5.0	(0.6)

15. INVESTMENT SECURITIES

Analysis of investment securities

	Group and Bank							
	2024				2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
Investment securities (listed)	47.2	1,587.2	2.9	1,637.3	47.2	2,037.8	3.3	2,088.3

An expected credit loss of £nil was recorded as at 31 December 2024 (2023: £nil) in relation to investment securities.

Movement in investment securities

	Group and Bank							
	2024				2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
At the beginning of the year	47.2	2,037.8	3.3	2,088.3	56.4	883.3	3.0	942.7
Acquisitions	23.0	1,049.4	24.0	1,096.4	-	1,542.7	-	1,542.7
Disposals and maturities	(23.0)	(1,504.5)	(24.0)	(1,551.5)	(9.2)	(425.4)	-	(434.6)
Fair value (losses)/gains	-	(12.1)	(0.4)	(12.5)	-	24.8	0.3	25.1
Amortisation of discount and premium	-	15.5	-	15.5	-	4.3	-	4.3
Movement in interest accrual	-	1.1	-	1.1	-	8.1	-	8.1
At the end of the year	47.2	1,587.2	2.9	1,637.3	47.2	2,037.8	3.3	2,088.3

The Group's hedge accounting activities are disclosed in further detail within section 4.3 of the risk management disclosures.

Certain investment securities have been pledged by the Group, refer to note 30 of the Group and Bank consolidated financial statements for further details on encumbered and pledged assets.

The ECL in relation to investment securities measured at amortised cost and fair value through other comprehensive income is £nil (2023: £nil). This reflects the high credit quality of these investment securities and the Bank's current list of Treasury counterparties. The Group applies the 'low credit risk exemption' to investment securities as detailed further in explanatory information 1.3.j.ii.

Analysis of investment securities by issuer

	Group and Bank	
	2024	2023
Investment securities issued by public bodies:		
Government securities	410.1	527.5
Other public sector securities	404.3	319.4
Total investment securities issued by public bodies	814.4	846.9
Other debt securities:		
Other floating rate notes	759.6	1,124.9
Mortgage backed securities	63.3	116.5
Total other debt securities	822.9	1,241.4
Total investment securities	1,637.3	2,088.3

Other floating rate notes (FRNs) are sterling denominated, with contractual maturities ranging from less than one month to up to five years from the balance sheet date.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Various derivatives have been entered into to manage interest rate risk, some of which are held in a qualifying hedge accounting relationship (see the risk management section 4.3 for more details on interest rate risk management strategies). Positive and negative fair values have not been netted off as there is no legal right of offset.

Non-trading derivatives

Non-trading transactions comprise derivatives held for hedging purposes to manage the asset and liability positions of the Group. Derivatives used to manage interest rate related positions include interest rate swaps and caps. The positions are managed using foreign exchange forward and swap transactions.

	Group and Bank			
	Fair value			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for non-trading purposes				
Derivatives designated as fair value hedges:				
Interest rate swaps	203.2	(38.5)	279.5	(83.3)
Derivatives held for non-trading purposes for which hedge accounting has not been applied:				
Interest rate swaps	13.4	(8.9)	29.2	(27.0)
Forward currency transactions	-	(0.2)	0.4	-
Total derivative assets/(liabilities) held for non-trading purposes	216.6	(47.6)	309.1	(110.3)
Total recognised derivative assets/(liabilities)	216.6	(47.6)	309.1	(110.3)

Detailed hedge accounting disclosures are covered within section 4.3 of the risk management disclosures.

17. OTHER ASSETS

	Group		Bank	
	2024	2023	2024	2023
Equity shares - Unlisted¹	6.4	12.6	6.4	12.6
Other assets (amounts recoverable within one year)	8.8	11.2	9.0	11.2
Prepayments				
Amounts amortised within one year	26.9	23.0	26.9	23.0
Amounts amortised after more than one year	8.8	1.1	8.8	1.1
	35.7	24.1	35.7	24.1
Total	50.9	47.9	51.1	47.9

1. Unlisted equity share investments include holdings of shares in Bankifi Technology Limited, Zellar Holdings Limited and Visa Inc. Series B Preferred Stock.

18. PROPERTY, PLANT AND EQUIPMENT

	Group and Bank					
	Land and buildings	Leasehold improvements	Computers and other equipment	Assets in the course of construction	Investment properties	Total
2024						
Cost						
At 1 January 2024	5.0	9.4	33.8	4.1	1.7	54.0
Additions	-	-	0.5	4.9	-	5.4
Disposals	(0.2)	-	(10.8)	-	(0.2)	(11.2)
Impairment	-	-	-	(0.1)	-	(0.1)
Remeasurements	-	-	-	-	0.3	0.3
Transfer between categories	0.1	-	5.2	(5.3)	-	-
At 31 December 2024	4.9	9.4	28.7	3.6	1.8	48.4
Accumulated depreciation						
At 1 January 2024	1.1	4.3	25.0	-	-	30.4
Charge for the year	0.1	0.6	3.1	-	-	3.8
Disposals	(0.2)	-	(10.8)	-	-	(11.0)
Impairment	-	-	0.3	-	-	0.3
At 31 December 2024	1.0	4.9	17.6	-	-	23.5
Net book value						
At 31 December 2024	3.9	4.5	11.1	3.6	1.8	24.9
At 1 January 2024	3.9	5.1	8.8	4.1	1.7	23.6

	Group and Bank					
	Land and buildings	Leasehold improvements	Computers and other equipment	Assets in the course of construction	Investment properties	Total
2023						
Cost						
At 1 January 2023	5.0	9.4	49.6	2.4	2.1	68.5
Additions	-	-	0.7	5.2	-	5.9
Disposals	-	-	(19.8)	-	(0.3)	(20.1)
Impairment	-	-	-	(0.2)	-	(0.2)
Remeasurements	-	-	-	-	(0.1)	(0.1)
Transfer between categories	-	-	3.3	(3.3)	-	-
At 31 December 2023	5.0	9.4	33.8	4.1	1.7	54.0
Accumulated depreciation						
At 1 January 2023	1.0	3.7	41.0	-	-	45.7
Charge for the year	0.1	0.6	3.6	-	-	4.3
Disposals	-	-	(19.8)	-	-	(19.8)
Impairment	-	-	0.2	-	-	0.2
At 31 December 2023	1.1	4.3	25.0	-	-	30.4
Net book value						
At 31 December 2023	3.9	5.1	8.8	4.1	1.7	23.6
At 1 January 2023	4.0	5.7	8.6	2.4	2.1	22.8

The net book value of land and buildings comprises freehold properties of £3.8m (2023: £3.8m).

19. INTANGIBLE ASSETS

	Group and Bank							
	2024				2023			
	Internally generated assets	Other intangible assets	Assets in the course of construction	Total	Internally generated assets	Other intangible assets	Assets in the course of construction	Total
Cost								
At 1 January	201.2	12.3	82.8	296.3	232.5	30.3	48.9	311.7
Additions	-	-	22.2	22.2	-	-	49.1	49.1
Disposals	(27.4)	(2.0)	-	(29.4)	(46.5)	(15.6)	-	(62.1)
Conversion to prepayment	-	(1.5)	-	(1.5)	-	(2.4)	-	(2.4)
Impairment	-	-	(0.1)	(0.1)	-	-	-	-
Transfer between categories	80.4	-	(80.4)	-	15.2	-	(15.2)	-
At 31 December	254.2	8.8	24.5	287.5	201.2	12.3	82.8	296.3
Accumulated amortisation								
At 1 January	173.7	8.6	-	182.3	200.3	21.4	-	221.7
Charge for the year	23.7	1.1	-	24.8	19.9	2.8	-	22.7
Disposals	(27.4)	(2.0)	-	(29.4)	(46.5)	(15.6)	-	(62.1)
At 31 December	170.0	7.7	-	177.7	173.7	8.6	-	182.3
Net book value								
At 31 December	84.2	1.1	24.5	109.8	27.5	3.7	82.8	114.0
At 1 January	27.5	3.7	82.8	114.0	32.2	8.9	48.9	90.0

Assets in the course of construction include £15.5m (2023: £76.4m) of IT and technology project-related spend.

Other intangible assets are predominantly comprised of purchased software licenses.

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Group and Bank	
	2024	2023
Cost		
At 1 January	57.3	56.7
Additions	2.4	6.4
Disposals	(6.0)	(5.8)
At 31 December	53.7	57.3
Accumulated depreciation		
At 1 January	25.9	23.7
Charge for the year	6.2	7.4
Disposals	(5.2)	(5.2)
At 31 December	26.9	25.9
Net book value		
At 31 December	26.8	31.4
At 1 January	31.4	33.0

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities

The undiscounted maturity analysis of lease liabilities future cash flows is included in the table below and relates mainly to land and building leases for branches and office spaces.

	Group and Bank	
	2024	2023
Amounts falling due:		
Within one year	5.1	5.6
One to two years	4.2	4.7
Two to five years	9.6	10.7
Over five years	15.7	18.5
	34.6	39.5

The discounted lease liability as at 31 December 2024 was £26.2m (2023: £30.1m) and the interest expense on lease liabilities for the year was £0.9m (2023: £1.0m). The weighted average incremental borrowing rate applied to lease liabilities during the year was 3.3 % (2023: 3.2 %). There are no committed leases which have not yet commenced.

Cash outflow

The total cash outflow in respect of leases for the year was £5.6m (2023: £6.6m).

Other lease related income and expenses

The expense related to short-term leases (less than 12 months) and low-value assets for the year was £nil (2023: £nil) and £nil (2023: £nil), respectively. The expense for the year relating to variable lease payments not included in the lease liability was £nil (2023: £nil).

Subleases

During 2024, £0.3m (2023: £0.4m) was received from subleasing right-of-use assets. Future undiscounted minimum payments receivable in respect of subleased assets classified as operating leases at 31 December 2024 is £0.5m (2023: £0.4m).

21. DEPOSITS BY BANKS

	Group and Bank	
	2024	2023
Deposits from other banks ¹	2,717.2	4,288.9

1. Obligatory netting arrangements are in place for repo and reverse repo transactions. The amount reduced by netting is £nil (2023: £nil).

Included within deposits by banks are liabilities to third parties where the Group has transferred certain assets but has not divested itself of the risks and rewards of ownership and has therefore retained those assets on its balance sheet. Further details on these arrangements, including carrying amounts are disclosed in note 30 of the Group and Bank consolidated financial statements.

Included within deposits by banks are drawings of £2.5bn (2023: £4.0bn) from the Bank of England's Term Funding Scheme (TFSME) (interest charged at base rate to maturity, longest deposit has an original maturity of over 5 years), of which £2.2bn matures in less than one year.

22. CUSTOMER ACCOUNTS

	Group		Bank	
	2024	2023	2024	2023
Customer accounts	19,971.3	19,233.8	19,971.4	19,233.9
Fair value adjustment for hedged risk	(21.0)	(18.7)	(21.0)	(18.7)
	19,950.3	19,215.1	19,950.4	19,215.2

23. DEBT SECURITIES IN ISSUE

	Issue date	Maturity date	Optional maturity extension	Group and Bank	
				2024	2023
Covered bonds					
SONIA + 53bps Series 2024-1 Floating Rate	June 2024	June 2027	June 2028	500.0	-
Issue costs and accrued interest				(0.7)	-
				499.3	-

Debt securities in issue is comprised of a single secured covered bond issued in June 2024 to meet Group liquidity needs. All instruments are listed on the London Stock Exchange. Refer to note 30 for details of assets pledged.

24. OTHER LIABILITIES

	Group and Bank			
	Share based payments ¹	Amounts due to beneficiary banks	Other creditors	Total
2024				
Amounts falling due within one year	3.6	24.3	15.4	43.3
Amounts falling due after one year	12.0	-	-	12.0
Total other liabilities	15.6	24.3	15.4	55.3

1. During the year the Group reclassified share based payment liabilities as other liabilities as opposed to provisions.

	Group and Bank		
	Amounts due to beneficiary banks	Other creditors	Total
2023			
Amounts falling due within one year	22.5	14.9	37.4
Total other liabilities	22.5	14.9	37.4

The Group has a number of share based payment arrangements for the benefit of senior employees. The main such arrangements are:

- **Long Term Incentive Plans (LTIP)** – cash-settled share-based payment arrangement for certain senior roles including Material Risk Takers, which vests over at least 5 years from grant date. Payment would be deferred for up to 7 years from the grant date for certain senior roles, and awards may be subject to additional retention periods to align with applicable remuneration regulations. As a consequence of the acquisition of the Group by Coventry Building Society on 1st January 2025, all performance conditions were considered to be met and the awards have thus been valued as having vested in full at 31 December 2024. The incremental cost of this accelerated vesting was £3.3m.
- **Deferred Bonus Plan** – cash-settled deferred share-based awards for certain senior roles including Material Risk Takers. Payment would be deferred for up to 7 years from the grant date for certain senior roles, and awards may be subject to additional retention periods to align with applicable remuneration regulations.
- **Management Incentive Plan (MIP)** – cash-settled share-based payment arrangement for certain Material Risk Takers, which crystallises as a consequence of the sale of the Group to Coventry Building Society.

The fair value of these schemes are linked to the share price of the Holding Company (in the case of MIP, specifically the price paid for purchase of the Holding Company's share capital), which was previously based on estimates provided by a range of third-party valuers, but has now been based on the expected price to be paid by Coventry Building Society for their acquisition of the Group. No share options are granted under these schemes. The income statement impact of share-based payment arrangements during the year was £6.7m (2023: £2.2m).

25. ACCRUALS AND DEFERRED INCOME

	Group and Bank	
	2024	2023
Amounts falling due within one year		
Accruals	43.5	21.2
Deferred income	0.1	0.1
	43.6	21.3
Amounts falling due after one year		
Accruals	2.5	1.0
Deferred income	0.5	0.5
	3.0	1.5
	46.6	22.8

26. PROVISIONS

2024	Group and Bank				
	Property	Employee pay	Conduct/legal	Other	Total
At 1 January 2024	7.4	20.7	29.4	3.1	60.6
Provided/(released) in the year:					
Right-of-use asset	0.6	-	-	-	0.6
Operating expenses	(1.0)	-	0.7	10.0	9.7
Utilised during the year	(1.5)	-	(29.4)	(8.9)	(39.8)
Reclassification ¹	-	(20.7)	-	-	(20.7)
At 31 December 2024	5.5	-	0.7	4.2	10.4
Amounts falling due within one year	2.3	-	0.7	4.2	7.2
Amounts falling due after one year	3.2	-	-	-	3.2
Total provisions	5.5	-	0.7	4.2	10.4

1. During the year the Group reclassified share based payments as other liabilities (£9.8m) and accrued bonuses as accruals (£10.9m).

2023	Group and Bank				
	Property	Employee pay	Conduct/legal	Other	Total
At 1 January 2023	8.5	22.9	1.1	0.7	33.2
(Released)/provided in the year:					
Net interest income	-	-	(0.5)	-	(0.5)
Right-of-use asset	1.0	-	-	-	1.0
Operating expenses	(0.2)	13.1	28.8	2.9	44.6
Utilised during the year	(1.9)	(15.3)	-	(0.5)	(17.7)
At 31 December 2023	7.4	20.7	29.4	3.1	60.6
Amounts falling due within one year	4.3	15.2	29.4	3.1	52.0
Amounts falling due after one year	3.1	5.5	-	-	8.6
Total provisions	7.4	20.7	29.4	3.1	60.6

Property

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

26. PROVISIONS (continued)

Conduct/legal provisions

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

In addition, there are a number of individually insignificant matters for which provisions totaling £0.4m have been recognised whilst the Group completes remediation activity.

Other provisions

Provisions are recognised in respect of a small number of further obligations. The majority of new provisions recognised and utilised within the period related primarily to severance costs incurred as a result of restructuring activity.

27. OTHER BORROWED FUNDS

	Group and Bank				
	Issue date	Call date	Maturity date	2024	2023
Tier 2 qualifying liabilities					
9.5 % fixed rate reset callable subordinated notes	Apr 2019	Apr 2024	Apr 2029	-	36.5
11.75 % fixed rate reset callable subordinated notes	Nov 2023	May 2029	May 2034	200.0	200.0
MREL-qualifying liabilities					
9.0 % fixed rate reset callable senior unsecured notes	Nov 2020	Nov 2024	Nov 2025	-	200.0
6.0 % fixed rate reset callable notes	Apr 2022	Apr 2026	Apr 2027	250.0	250.0
9.5 % fixed rate reset callable senior unsecured notes	May 2023	May 2027	May 2028	200.0	200.0
5.6 % fixed rate reset callable senior unsecured notes	Sep 2024	Sep 2027	Sep 2028	200.0	-
Fixed rate subordinated notes				850.0	886.5
Issue costs, discounts and accrued interest				7.0	5.2
Fair value hedge accounting adjustment				-	(0.5)
				857.0	891.2

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

28. DEFERRED TAX

Deferred taxes are calculated using the appropriate tax rate in respect of each temporary difference. The UK corporation tax rate increased from 19 % to 25 % effective from 1 April 2023. The banking surcharge also applies to Bank Company. A reduction of the banking surcharge from 8 % to 3 % and an increase of the surcharge allowance from £25.0m to £100.0m was effective from 1 April 2023, and therefore, the combined rate of tax on banking profits in excess of £100.0m is 28 % from that date. The deferred tax assets and liabilities at 31 December 2024 have been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

	Group and Bank					
	Losses	Capital allowances on fixed assets	Retirement benefits	Cash flow hedges	Unrealised appreciation on investments	Other temporary differences
2024						
At 1 January 2024	197.5	83.8	(41.5)	(2.3)	(3.6)	-
(Charged)/credited to income statement	-	(26.8)	(0.4)	-	1.8	(0.4)
Credited to other comprehensive income	-	-	33.1	1.8	-	-
At 31 December 2024	197.5	57.0	(8.8)	(0.5)	(1.8)	(0.4)

28. DEFERRED TAX (continued)

2023	Group and Bank						Total
	Losses	Capital allowances on fixed assets	Retirement benefits	Cash flow hedges	Unrealised appreciation on investments	Other temporary differences	
At 1 January 2023	120.6	99.0	(44.7)	(4.5)	(3.0)	-	167.4
Credited/(charged) to income statement	76.9	(15.2)	(1.4)	0.2	(0.6)	-	59.9
Credited to other comprehensive income	-	-	4.6	2.0	-	-	6.6
At 31 December 2023	197.5	83.8	(41.5)	(2.3)	(3.6)	-	233.9

The deferred tax asset above includes an offset for those deferred tax liabilities where permissible. The deferred tax charge to the income statement of £25.8m predominantly represents the utilisation of capital allowances to reduce taxable profits in the year.

Deferred tax assets totalling £424.8m (2023: £424.5m) have not been recognised where doubt exists over the availability of sufficient future taxable profits. Deferred tax assets of £412.0m (2023: £413.4m) and £12.8m (2023: £11.1m) have not been recognised in respect of trading losses of £1,648.1m (2023: £1,653.4m) and other temporary differences of £45.6m (2023: £39.7m) respectively.

Whilst there is no expiry date for the utilisation of tax losses, the utilisation of losses is restricted to 50 % or 25 % of taxable profits depending upon when those tax losses were incurred.

In the prior year, the Group adopted the Pillar Two Model Rules: Amendments to IAS 12. This amendment introduced a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the OECD Pillar Two model rules. The Group is now in scope of the enacted legislation that affects UK groups, has performed an assessment of the Group's exposure to Pillar Two and does not expect an exposure to Pillar Two top-up taxes or any impact on current or deferred tax.

Further detail on deferred tax is provided in note 2 of the Group and Bank consolidated financial statements.

29. RETIREMENT BENEFITS

The Group is the Principal Employer of the Bank section of The Co-operative Pension Scheme (Pace), a hybrid scheme, consisting of a closed defined benefit element (Pace DB) and a defined contribution element (Pace DC). In addition, the Group is the Principal Employer of the Britannia Pension Scheme (BPS, via a wholly-owned subsidiary of the Bank) which is a defined benefit scheme, closed to new entrants and to future accrual. The Group operates two unfunded defined benefit pension schemes, the Britannia Supplementary Pension and Life Assurance Plan (BSPLAP) and the Pension Promise. The relevant disclosures have been aggregated with the disclosures of the main schemes unless otherwise stated.

The amounts recognised in the income statement are as follows:

	Note	Group and Bank	
		2024	2023
Interest expense on defined benefit obligation		(61.8)	(64.8)
Interest income on plan assets		68.7	72.7
Total net interest income on net defined benefit pension asset	6	6.9	7.9
Net interest expense on unfunded schemes	6	(0.3)	(0.3)
Administrative expenses included in operating expenses		(5.7)	(4.2)
Net credit to the income statement – DB		0.9	3.4
Net charge to the income statement – DC	10	(9.6)	(9.0)
Total pension charge included in the income statement		(8.7)	(5.6)

29. RETIREMENT BENEFITS (continued)

The amounts recognised in other comprehensive income are as follows:

	Group and Bank	
	2024	2023
Return on scheme assets ¹	(252.6)	4.4
Gain/(loss) arising from changes in financial assumptions	148.5	(23.3)
Gain arising from changes in demographic assumptions	8.7	24.1
Experience loss	(22.7)	(21.4)
Actuarial gain/(loss) on unfunded schemes	0.5	(0.2)
Charge recorded in other comprehensive income	(117.6)	(16.4)

1. 2024 includes the accounting loss on completion of the full "buy-in" transaction. Refer to "Characteristics of the defined benefit plans and risks associated with them" below.

The amounts recognised in the balance sheet are as follows:

	Group and Bank	
	2024	2023
Retirement benefit net surplus	32.0	148.5
Retirement benefit liabilities	(5.2)	(5.9)
Total amounts recognised in the balance sheet	26.8	142.6
Represented by:		
Funded DB schemes (Pace DB and BPS)	32.0	148.5
Unfunded DB schemes	(5.2)	(5.9)
Total amounts recognised in the balance sheet	26.8	142.6

Defined benefit schemes

a) Characteristics of the defined benefit plans and risks associated with them

Both the Pace DB and the BPS defined benefit schemes are based in the UK. Pace DB closed to new entrants and to future accrual in October 2015. The benefits that had accrued until that point were on a career average revalued earnings basis, meaning that benefits earned by a member were dependent on the length of service and the average earnings over the length of service. BPS closed to new entrants in 2001 and to future accrual on 6 October 2012. Annual increases on pensions in payment for both Pace DB and BPS are applied in line with their respective scheme rules.

Pension liabilities are valued separately for accounting and funding purposes. The accounting valuation of liabilities is prepared biannually for the Group's reporting purposes by a qualified actuary, in accordance with accounting standards. This accounting valuation of pension obligations is compared with the fair value of plan assets, giving rise to a net asset or liability in respect of DB pensions at the balance sheet date for the Group's financial reporting purposes.

The funding valuation is conducted by the trustees, in consultation with the Group, prepared by the appointed Scheme Actuary at least once every three years and is updated for monitoring purposes on an annual basis. The latest concluded actuarial funding valuations were conducted in respect of Pace DB as at April 2022 (concluded in 2023) and for BPS as at April 2023 (concluded in 2024). The purpose of the funding valuation is to determine the amount of cash an employer needs to contribute to the scheme to repair any deficit. The funding valuation will generally be different to the accounting valuation, not only because of the different measurement dates, but also because accounting standards require that companies employ best estimate assumptions. Therefore the accounting surplus will generally be higher than that reported in the more prudent funding valuation.

In 2022, the Pace Trustee completed a full "buy-in" transaction to insure scheme benefits through purchase of a bulk annuity insurance policy from scheme assets, having previously completed a partial "buy-in" transaction in April 2020. The BPS Trustee completed a similar full "buy-in" transaction in December 2024. Through these "buy-in" transactions materially all Pace DB and BPS liabilities in respect of pension benefits are matched by insurance assets of equivalent value. As a result, the principal investment and longevity risks associated with the schemes have been substantially mitigated, and there is the potential to complete a full "buy-out" of both schemes in the future, through issuance of individual annuity policies to members, and subsequent wind-up of the schemes.

The Group has recognised a net pension asset of £17.0m in respect of BPS for the year ended 31 December 2024 (2023: £130.3m), and £15.0m in respect of Pace DB (2023: £18.2m). The premium paid by BPS to purchase the insurance policy exceeded the accounting value of pension benefits insured, resulting in an accounting loss which is recorded in other comprehensive income. Refer to the Statement of comprehensive income of the Group and Bank consolidated financial statements.

29. RETIREMENT BENEFITS (continued)

Funding position of Pace DB

As at 5 April 2022, the date of the most recent triennial funding valuation, the surplus for Pace DB (the Bank Section of the Co-operative Pension Scheme) was £232.0m and subsequently the full “buy-in” with Rothesay was completed, which insured scheme benefits through a residual risk, bulk annuity insurance policy. The annual funding update as at 5 April 2024 indicated a £27.0m surplus, with the reduction relative to the 5 April 2022 valuation including the premium paid by the Pace Trustee in the “buy-in” transaction. No deficit recovery contributions are in place, but the Pace Trustee retains a security interest in £25.0m of cash in an escrow arrangement under the terms of a Payment Agreement in the event of Bank insolvency and in limited other circumstances.

Contributions are also paid in respect of employed members of Pace DC. Members can choose to pay up to a maximum core contribution of 8% of salary ‘double-matched’ up to a maximum member contribution of 5%. Therefore, for members paying 5% or more, an employer contribution of 10% of salary is paid into the Scheme.

Funding position of BPS

The actuarial valuation of BPS as at 5 April 2023, completed by the Scheme Actuary in accordance with the scheme specific funding requirements of the Pensions Act 2004, showed BPS had a surplus of £65.6m and no deficit recovery or other contributions are required.

In December 2024, in light of the risk mitigation delivered by the full “buy-in” transaction, the Group and the BPS Trustee agreed that the scheme’s secured interest in £46.4m of investment securities (reduced from a requirement of £175.6m at 31 December 2023) via a contingent asset arrangement, would fall to zero. As a result, the related assets on the Bank’s balance sheet are no longer encumbered.

Governance

The responsibility for the governance of the schemes lies with their respective trustees; Pace Trustees Limited is the corporate body that acts as trustee of the Pace scheme, including Pace DB and Pace DC, whilst Britannia Pension Trustees Limited is the corporate body that acts as trustee of the Britannia scheme. The main risks impacting the defined benefit pension obligations are inflation risk, interest rate risk and mortality (or longevity) risk, all of which have been substantially mitigated through the bulk annuity insurance policies as described above.

The actuary considers two aspects in respect of mortality rates; firstly, the level of mortality actually experienced by each scheme, and secondly, the future improvement expected in mortality rates. Both aspects may differ between males and females. The assumptions used by the actuary are set out in section b) below.

Investment strategy

The performance of plan assets is also a risk managed by the trustees (described as investment risk) and documented in the Statement of Investment Principles, maintained by each scheme. The investment strategies are now simplified and the plan assets of both schemes predominantly comprise the bulk annuity policies (which are assigned a valuation that is equal and opposite to the corresponding liabilities) and residual cash holdings. The weighted average duration of the defined benefit obligation of BPS is 13 years and Pace DB is 14 years.

b) Summary of scheme assets and liabilities, key assumptions and sensitivities

The pension assets and liabilities for DB schemes in the balance sheet comprise:

Schemes	Group and Bank					
	2024			2023		
	Asset	Liability	Net	Asset	Liability	Net
Pace DB	827.7	(812.7)	15.0	939.9	(921.7)	18.2
Britannia Pension Scheme	412.8	(395.8)	17.0	556.3	(426.0)	130.3
Total schemes	1,240.5	(1,208.5)	32.0	1,496.2	(1,347.7)	148.5

Changes in the present value of the defined benefit obligation are as follows:

	Group and Bank	
	2024	2023
Defined benefit obligation at the beginning of the year	1,347.7	1,327.9
Interest expense	61.8	64.8
Benefits paid	(66.5)	(65.6)
Remeasurements:		
Effect of changes in demographic assumptions	(8.7)	(24.1)
Effect of changes in financial assumptions	(148.5)	23.3
Effect of other experience items	22.7	21.4
Defined benefit obligation at the end of the year	1,208.5	1,347.7

29. RETIREMENT BENEFITS (continued)

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

	Group and Bank	
	2024	2023
Discount rate	5.60%	4.70%
Revaluation in deferment (CPI) - BPS	2.70%	2.50%
Revaluation in deferment (CPI) - Pace DB	2.60%	2.40%
Future pension increases where capped at 5.0 % per annum (CPI)	2.70%	2.50%
Future pension increases where capped at 5.0 % per annum, minimum 3.0 % (CPI)	3.40%	3.40%
Future pension increases where capped at 6.0 % per annum (RPI)	3.10%	3.00%
Future pension increases where capped at 5.0 % per annum (RPI)	3.00%	2.90%
Future pension increases where capped at 2.5 % per annum (RPI)	2.20%	2.10%

The average life expectancy (in years) for mortality tables used to determine defined benefit schemes liabilities at the 2024 year end is:

	Group and Bank			
	2024		2023	
	Male	Female	Male	Female
Life expectancy (BPS)				
Member retiring today (member age 60)	84.7	87.6	84.4	87.6
Member retiring in 20 years (member age 40 today)	85.9	88.7	86.0	88.8
Life expectancy (Pace)				
Member retiring today (member age 60)	85.0	87.7	85.2	87.7
Member retiring in 20 years (member age 40 today)	85.8	88.8	85.9	88.8

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

Discount rate	This has been selected following actuarial advice received by the Group, taking into account the duration of the liabilities. An increase in the discount assumption of 0.5 % would result in a £78.0m decrease (2023: £94.9m decrease) in the present value of the defined benefit obligation. A decrease in the discount assumption of 0.5 % would result in a £86.5m increase (2023: £106.1m increase) in the present value of the defined benefit obligation.
Inflation	Inflation is a significant assumption as it is used to determine salary-related benefits and pension increases before and after retirement. A decrease in the inflation assumption of 0.5 % would result in a £56.9m decrease (2023: £69.7m decrease) in the present value of the defined benefit obligation. An increase in the inflation assumption of 0.5 % would result in a £59.6m increase (2023: £76.5m increase) in the present value of the defined benefit obligation.
Mortality rates	The mortality assumptions adopted are based on those recommended by the actuary that advises management and reflect the most recent information as appropriate. The impact on the liability if members were assumed to live for one year longer against the current mortality assumption would increase the present value of the defined benefit obligation by £34.3m (2023: £41.7m).

Changes in the fair value of the defined benefit plan assets are as follows:

	Group and Bank	
	2024	2023
Fair value of plan assets at the beginning of the year	1,496.2	1,487.6
Interest income	68.7	72.7
Employer contributions	0.4	1.3
Benefit payments from plan assets	(66.5)	(65.6)
Administrative expenses paid from plan assets	(5.7)	(4.2)
Return on plan assets (excluding interest income)	(252.6)	4.4
Fair value of plan assets at the end of the year	1,240.5	1,496.2

29. RETIREMENT BENEFITS (continued)

c) Investment strategy for the DB schemes

The investment strategy is controlled by the trustee of each scheme in consultation with the Group. The investment objective is to invest each scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the trustees have agreed objectives to help guide in the strategic management of the assets and control of the various risks to which each scheme is exposed. The primary objective for both schemes is to use insurance policies to match member benefits and substantially mitigate the primary funding risks faced by the scheme.

The fair value of the DB schemes' assets is analysed as follows:

	Group and Bank			
	2024	% of total	2023	% of total
Government bonds	-	-	355.5	24 %
Derivatives	-	-	(1.6)	-
Cash and similar	-	-	50.9	3 %
Other ¹	-	-	(213.7)	(14 %)
Total liability-driven investment (LDI) portfolios	-	-	191.1	13 %
Debt instruments	19.4	2%	295.1	20 %
Asset backed securities	-	-	32.1	2 %
Annuities ²	1,197.3	96%	917.2	61 %
Property funds (UK)	-	-	29.9	2 %
Cash and other	23.8	2%	30.8	2 %
Total assets	1,240.5	100%	1,496.2	100 %

1. Other in 2023 comprises liabilities under repo contracts.

2. Annuities comprise the bulk annuity insurance policies with specialist insurers purchased through "buy-in" transactions.

The table below shows the value of the assets in each category which have a quoted market price:

	Group and Bank	
	2024	2023
Liability-driven investments	-	191.0
Debt instruments	-	194.3
Other	-	32.0
Total	-	417.3
Total %	0%	28 %

The scheme assets do not directly include any of the Group's own assets, nor any property occupied, or other assets used by the Group.

30. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES

a) Contingent liabilities and other commitments arising from customer transactions

The table below provides 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.

The contingent liabilities, as detailed below, arise in the normal course of banking business and it is not practical to quantify their future financial effect.

	Group and Bank	
	2024	2023
	Contractual amount	Contractual amount
Contingent liabilities arising from customer transactions		
Guarantees and irrecoverable letters of credit	2.3	2.4
Other commitments arising from customer transactions		
Undrawn formal standby facilities, credit lines and other commitments to lend (includes revocable and irrevocable commitments) ¹	1,479.7	1,559.8
	1,482.0	1,562.2

1. Undrawn loan commitments include revocable commitments which represent unused credit card limits of £779.3m (2023: £810.3m).

30. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES (continued)**b) Conduct risk matters**

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historical business, including, amongst other things, mortgages and relationship banking, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

There may be regulatory investigations and action in the future in relation to conduct and other issues that the Group is not presently aware of, including investigations and actions against it resulting from alleged mis-selling of financial products or the ongoing servicing of those financial products. Beyond those matters for which provisions have been recognised, as disclosed in note 26, the outcome of any ongoing disputes and legal, regulatory or other investigations or proceedings is currently uncertain. The Group is currently investigating a small number of matters that may give rise to a requirement to remediate affected customers, but considers the possibility of future economic outflow to be either remote, not yet able to be reliably estimated, or immaterial.

c) Legal proceedings

Various other legal proceedings exist involving claims by and against the Bank, which arise in the ordinary course of business, including debt collection, mortgage enforcement, consumer claims and contractual disputes. It is not expected that the ultimate resolution of any of these proceedings will have a material adverse effect on the operating results, cash flows or the financial position and as such contingent liabilities have not been disclosed for these claims. Provisions have been recognised for those cases where there is an ability to reliably estimate the probable loss where the probable loss is not de minimis.

In July 2024, the UK High Court upheld a decision on appeal that, in the case of Virgin Media Ltd vs. NTL Pension Trustees II Ltd which concerned the validity of amendments made to pension schemes that were contracted-out of the state pension system in the period from 6 April 1997 until 6 April 2016, such amendments were invalid where they lacked a confirmation under section 37 of the Pension Act 1993. Whilst this case has the potential to have application to other schemes where instances of non-compliance to be identified, no such instances have been identified in relation to the Bank's defined benefit pension schemes, whilst the impacts on the wider industry remain unclear. Accordingly, it is not currently possible to assess with any certainty whether there could be potential financial impact arising and, if there was to be a financial impact, what that impact could amount to.

d) Mortgage securitisation representations and warranties

In connection with the mortgage securitisations (the Warwick, Avon and Stratton SPEs, refer to note 35 for further information), various representations and warranties relating to the mortgage loans are made, including in relation to ownership, compliance with legislation and origination procedures. If the representations and warranties are breached subject to any applicable materiality determination, repurchase of the affected mortgage loans or in some circumstances compensation to the securitisation vehicle may be required.

There is a risk that a number of the underlying matters that would give rise to conduct and legal provisions could result in breaches of such representations and warranties. Accordingly, there is a risk that compensation or repurchasing affected mortgage loans may be required in amounts that may reduce liquidity. The Group considers this risk to be remote.

The extent cannot be estimated to which the matters described above will be impacted, or how future developments may have a material adverse impact on the Group's net assets, operating results or cash flows in any particular period.

e) Unconsolidated structured entities

Details of the interests in unconsolidated structured entities are disclosed in note 35. There has been no significant change in the nature of the transactions in these entities during the year.

f) Encumbered and pledged assets

The Group pledges certain assets as collateral to third parties as part of its day to day activities. Where assets are pledged, their use is typically restricted and they cannot be sold, or pledged under other arrangements, however the Group retains risk and reward of the underlying assets and therefore these are not considered for derecognition. The carrying value of amounts pledged to each counterparty type, as well as a high level summary of the terms of the arrangements are provided below.

30. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES (continued)

2024	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	3,214.6	-	3,214.6
Covered bond	-	23.8	1,381.8	-	1,405.6
Pension scheme contingent security	-	25.2	-	-	25.2
Payment scheme collateral	280.0	9.2	-	-	289.2
Interest rate swap collateral	-	-	-	104.0	104.0
Other	-	29.4	-	149.9	179.3
Total assets pledged	280.0	87.6	4,596.4	253.9	5,217.9

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

- **TFSME** – residential mortgages pledged as collateral against the Group's drawings from the Bank of England's Term Funding Scheme.
- **Covered bond** – the Group has pledged residential mortgages as collateral against a £500.0m covered bond issuance. The covered bonds are heavily over collateralised, allowing a large pool of mortgages to cover prioritised interest payments on the smaller notional of bonds in issue, and so allows a higher credit rating for the notes to be achieved. The pool of mortgages is periodically 'topped up' as the underlying mortgages are paid down so as to ensure the high level of overcollateralisation continues.
- **Pension scheme contingent security** – contingent security provided by the Group to its defined benefit pension schemes. At 31 December 2024, this comprised of £25.2m (2023: £38.0m) cash held in the Pace escrow account, including £0.2m (2023: £0.5m) of interest which the Bank has the right to withdraw. This cash can only be accessed by the Pace Trustee in the event that the Group was unable to meet future contribution obligations, as may be agreed in the future (but no such obligations exist presently), insolvency or the failure to adhere to the terms of the security deed. At 31 December 2023, additional security was pledged to the Britannia Pension Scheme (BPS) primarily in the form of retained securitisation notes (which did not appear on the Group's consolidated balance sheet) and cash generated from the amortisation of the notes; this requirement was removed in December 2024 following agreement with the BPS Trustee. Refer to note 29 of the Group and Bank consolidated financial statements.
- **Payment scheme collateral** – collateral posted as part of the Group's involvement in transactional payment schemes, including Visa and BACS.
- **Interest rate swap collateral** – collateral posted by the Group against derivative contract exposures as part of its interest rate risk hedging activities.
- **Securitisations** – residential mortgages pledged as collateral against investment securities issued by Group securitisation subsidiaries. Noteholders would have recourse to the underlying assets in the event of the Group's default. The Group may issue investment securities from the securitisations externally to investors for liquidity purposes, or may retain these internally to be used as collateral in other arrangements. Where such securities are retained internally, they are eliminated on consolidation and do not appear on the Group's balance sheet. The Group redeemed all outstanding securitisation securities during 2023.
- **Other** – primarily relates to investment securities pledged to cover essential operational continuity costs that would be incurred if the Group was put into resolution.

g) 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 the amount due under the arrangement. These primarily relate to repurchase agreements (repos), where the Group retains the market risk on the investment security throughout the transaction, and are quantified below:

30. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES (continued)

	2024		2023	
	Assets not derecognised	Associated liabilities	Assets not derecognised	Associated liabilities
Repurchase agreements				
Investment securities	11.9		54.9	
Deposits by banks		10.2		53.4
Total	11.9	10.2	54.9	53.4

Assets transferred under these arrangements are restricted in use and are unable to be sold in other transactions.

The financial instruments disclosed in the above table are measured at amortised cost. For the fair values of transferred assets and liabilities, refer to note 34.

31. RELATED PARTY TRANSACTIONS

Parent, subsidiary and ultimate controlling party

As at 31 December 2024, the Group had one significant shareholder, SP Coop Investments Ltd, holding over 20 % of the B shares of the Holding Company, and therefore a related party.

In 2024 and the comparative year, SP Coop Investments Ltd did not have any holdings in the Tier 2 and senior unsecured debt issued by The Co-operative Bank Holding p.l.c./The Co-operative Bank Finance p.l.c. and hence did not receive any interest payments in this respect.

Refer to note 37 for details of changes to related parties that occurred subsequent to the balance sheet date.

An internal loan is recognised by Holding Company and Bank to achieve structural subordination of the MREL-qualifying debt (the “internal MREL”). The terms of the internal MREL are the same as those of the external MREL-qualifying debt, refer to note 27 of the Group and Bank consolidated financial statements. The total amount due from Bank to Holding Company at 31 December 2024 in this regard was £857.0m (2023: £891.2m) including accrued interest. The interest paid by Bank to Holding Company on the internal MREL instrument was £74.2m (2023: £62.7m). Other intercompany funding arrangements with Bank comprise £46.4m (2023: £46.4m) owed by Finance Company and £40.3m (2023: £46.4m) owed to Holding Company. The loans are not secured and are payable on demand; the latter arrangement earns interest at a rate derived from the Bank’s on and off-sale corporate savings accounts products, whereas the former arrangement is non-interest bearing.

Transactions with other related parties

Key management personnel are defined as the Board of Directors and Executive Committee members who were employed by the Group in the year ended 31 December 2024. The related party transactions with key management are disclosed below:

	Group and Bank	
	2024	2023
Deposits and investments at the beginning of the year	0.5	2.5
Net movement	2.7	(2.0)
Deposits and investments at the end of the year	3.2	0.5

In addition, there were £nil (2023: £0.4m) relating to loans to key management personnel, arising in the normal course of business.

Key management personnel

The remuneration for the services of Directors and Executive Committee members are captured at Group level and are disclosed in the table below:

	Group and Bank	
	2024	2023
Short term employee benefits	6.9	6.0
Post-employment benefits	0.4	0.4
Other long term awards	5.4	1.0
Share based payments	3.7	1.1
Termination benefits ¹	1.5	0.2
Total remuneration receivable by key management personnel	17.9	8.7

1. Termination benefits in 2024 relates solely to payments in lieu of notice.

31. RELATED PARTY TRANSACTIONS (continued)

In 2024, the total number of key management personnel was 18 (2023: 20). Remuneration arrangements for Directors only are disclosed in note 5.

32. SHARE CAPITAL

	Group			
	2024		2023	
	No. of shares authorised (millions)	Value	No. of shares authorised (millions)	Value
Share capital allotted, called up and fully paid				
At the beginning and at the end of the year	9,029.1	0.9	9,029.1	0.9
Share premium account				
At the beginning and at the end of the year		313.8		313.8

The issued share capital of The Co-operative Bank Holdings p.l.c. comprises 9,029,130,200 A shares (2023: 9,029,130,200) with a nominal value of £0.0001 per share and 83 B shares (2023: 83) with a nominal value of £0.01 per share. 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 shares entitle shareholders to one vote for every share held and also to 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.

No final dividend in respect of the year ended 31 December 2024 is recommended by the directors of The Co-operative Bank Holdings p.l.c. During the year, a final dividend in respect of the year ended 31 December 2023 of £12.0m was paid, equating to 0.13 pence per ordinary A share in The Co-operative Bank Holdings p.l.c.

An interim dividend of £90.0m was paid in 2024, equating to 1.00 pence per ordinary A share in The Co-operative Bank Holdings p.l.c. (2023: £nil).

	Bank			
	2024		2023	
	No. of shares authorised (millions)	Value	No. of shares authorised (millions)	Value
Share capital allotted, called up and fully paid				
At the beginning and at the end of the year	511.5	25.6	511.5	25.6

The number of ordinary shares in issue in the Bank Company at 31 December 2024 was 511,456,510 (2023: 511,456,510) with a nominal value of £0.05 per share. The ordinary shareholders have one vote for every share held. The Bank Company does not have any share premium accounts.

During the year, the Bank Company paid an interim dividend of £95.0m (2023: £nil) to the Finance Company, equating to 18.57 pence per ordinary share.

Refer to note 37 for details of changes to share capital that occurred subsequent to the balance sheet date.

33. OTHER RESERVES

	Group		Bank	
	2024	2023	2024	2023
Fair value through other comprehensive income reserve	(8.3)	(8.0)	(8.3)	(8.0)
Cash flow hedging reserve	1.0	5.4	1.0	5.4
Capital re-organisation reserve	(1,011.4)	(1,011.4)	-	-
Defined benefit pension reserve	(74.0)	10.5	(74.0)	10.5
	(1,092.7)	(1,003.5)	(81.3)	7.9

Descriptions of the nature and purpose of each reserve are summarised below:

- **Fair value through other comprehensive income reserve** - represents the unrealised gains and losses arising from changes in the fair value of financial assets classified as FVOCI.
- **Cash flow hedging reserve** - originally represented the effective portion of gains and losses on designated cash flow hedging instruments that would have been recycled to the income statement when the hedged items affect profit or loss. The Group's cash flow hedge was retired during 2021 as disclosed in the risk management section 4.3 and the reserve is gradually being unwound.
- **Capital re-organisation reserve** - a reserve created as a consolidation consequence of restructuring activity in 2017, primarily reflecting the difference between the Holding Company's investment in subsidiary and the Bank's share capital and share premium at the time of the restructure.
- **Defined benefit pension reserve** - a reserve representing the cumulative OCI movements associated with retirement benefit assets since those assets were initially recognised on the balance sheet. The reserve is for presentational purposes only and is used to separate the impacts of pension-related OCI movements from the Group's wider retained earnings.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values in this note are stated at the balance sheet date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. The tables below analyse the balance sheet carrying values of financial assets and liabilities by classification.

Fair value disclosures throughout this note have been calculated in accordance with IFRS 13, which values assets individually rather than as a portfolio or as part of a business combination.

2024	Group					Total
	Amortised cost	Measured at fair value			Derivatives in a hedging relationship	
		FVOCI	FVTPL – designated	FVTPL – mandatorily measured		
Financial assets						
Cash and balances at central banks	2,586.0	-	-	-	-	2,586.0
Loans and advances to banks	173.1	-	-	-	-	173.1
Loans and advances to customers ¹	20,300.3	-	71.7	0.6	-	20,372.6
Investment securities	47.2	1,587.2	-	2.9	-	1,637.3
Derivative financial instruments	-	-	-	13.4	203.2	216.6
Equity shares ²	-	-	-	6.4	-	6.4
Other assets	7.6	-	-	-	-	7.6
Total financial assets	23,114.2	1,587.2	71.7	23.3	203.2	24,999.6
Financial liabilities						
Deposits by banks	2,717.2	-	-	-	-	2,717.2
Customer accounts ¹	19,950.3	-	-	-	-	19,950.3
Debt securities in issue	499.3	-	-	-	-	499.3
Derivative financial instruments	-	-	-	9.1	38.5	47.6
Other borrowed funds	857.0	-	-	-	-	857.0
Other liabilities	36.6	-	-	-	-	36.6
Total financial liabilities	24,060.4	-	-	9.1	38.5	24,108.0

1. Net of Fair value adjustment for hedged risk.

2. Equity shares are included in other assets in the consolidated balance sheet.

2023	Group					Total
	Amortised cost	Measured at fair value			Derivatives in a hedging relationship	
		FVOCI	FVTPL – designated	FVTPL – mandatorily measured		
Financial assets						
Cash and balances at central banks	2,708.3	-	-	-	-	2,708.3
Loans and advances to banks	212.6	-	-	-	-	212.6
Loans and advances to customers	20,059.7	-	89.0	0.7	-	20,149.4
Investment securities	47.2	2,037.8	-	3.3	-	2,088.3
Derivative financial instruments	-	-	-	29.6	279.5	309.1
Equity shares	-	-	-	12.6	-	12.6
Other assets	9.8	-	-	-	-	9.8
Total financial assets	23,037.6	2,037.8	89.0	46.2	279.5	25,490.1
Financial liabilities						
Deposits by banks	4,288.9	-	-	-	-	4,288.9
Customer accounts	19,215.1	-	-	-	-	19,215.1
Debt securities in issue	-	-	-	-	-	-
Derivative financial instruments	-	-	-	26.9	83.4	110.3
Other borrowed funds	891.2	-	-	-	-	891.2
Other liabilities	33.6	-	-	-	-	33.6
Total financial liabilities	24,428.8	-	-	26.9	83.4	24,539.1

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

2024	Bank					Total
	Amortised cost	Measured at fair value			Derivatives in a hedging relationship	
		FVOCI	FVTPL – designated	FVTPL – mandatorily measured		
Financial assets						
Cash and balances at central banks	2,586.0	-	-	-	-	2,586.0
Loans and advances to banks	173.1	-	-	-	-	173.1
Loans and advances to customers ¹	20,300.3	-	71.7	0.6	-	20,372.6
Investment securities	47.2	1,587.2	-	2.9	-	1,637.3
Derivative financial instruments	-	-	-	13.4	203.2	216.6
Equity shares ²	-	-	-	6.4	-	6.4
Amounts owed by parent undertakings	46.4	-	-	-	-	46.4
Other assets	7.8	-	-	-	-	7.8
Total financial assets	23,160.8	1,587.2	71.7	23.3	203.2	25,046.2
Financial liabilities						
Deposits by banks	2,717.2	-	-	-	-	2,717.2
Customer accounts ¹	19,950.4	-	-	-	-	19,950.4
Debt securities in issue	499.3	-	-	-	-	499.3
Derivative financial instruments	-	-	-	9.1	38.5	47.6
Amounts owed to parent undertakings	897.3	-	-	-	-	897.3
Other liabilities	36.6	-	-	-	-	36.6
Total financial liabilities	24,100.8	-	-	9.1	38.5	24,148.4

1. Net of Fair value adjustment for hedged risk.

2. Equity shares are included in other assets in the consolidated balance sheet.

2023	Bank					Total
	Amortised cost	Measured at fair value			Derivatives in a hedging relationship	
		FVOCI	FVTPL – designated	FVTPL – mandatorily measured		
Financial assets						
Cash and balances at central banks	2,708.3	-	-	-	-	2,708.3
Loans and advances to banks	212.6	-	-	-	-	212.6
Loans and advances to customers	20,059.7	-	89.0	0.7	-	20,149.4
Investment securities	47.2	2,037.8	-	3.3	-	2,088.3
Derivative financial instruments	-	-	-	29.6	279.5	309.1
Equity shares	-	-	-	12.6	-	12.6
Amounts owed by parent undertakings	46.4	-	-	-	-	46.4
Other assets	9.8	-	-	-	-	9.8
Total financial assets	23,084.0	2,037.8	89.0	46.2	279.5	25,536.5
Financial liabilities						
Deposits by banks	4,288.9	-	-	-	-	4,288.9
Customer accounts	19,215.2	-	-	-	-	19,215.2
Debt securities in issue	-	-	-	-	-	-
Derivative financial instruments	-	-	-	26.9	83.4	110.3
Amounts owed to parent undertakings	937.6	-	-	-	-	937.6
Other liabilities	33.6	-	-	-	-	33.6
Total financial liabilities	24,475.3	-	-	26.9	83.4	24,585.6

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**a) Use of financial assets and liabilities**

The use of financial instruments is essential to the Group's and Bank's business activities, and financial instruments constitute a significant proportion of the balance sheet. The main financial instruments used and the purposes for which they are held, are outlined below:

- **Loans and advances to customers and Customer accounts**

The provision of banking facilities to customers is the primary activity of the Group and Bank, and loans and advances to customers and customer accounts are major constituents of the balance sheet. Loans and advances to customers include retail mortgages, corporate loans, credit cards, unsecured retail lending and overdrafts. Customer accounts include retail and corporate current and savings accounts.

- **Loans and advances to banks and Investment securities**

Loans and advances to banks and investment securities underpin liquidity requirements and generate incremental net interest income.

- **Deposits by banks**

Deposits include the drawdown of Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME).

- **Debt securities in issue**

Notes secured by mortgage assets have been issued externally through a covered bond programme.

- **Derivatives**

A derivative is a financial instrument that derives its value from an underlying rate or price such as interest rates, exchange rates and other market prices. Derivatives are an efficient means of managing market risk and limiting counterparty exposure, and are used mainly for hedging purposes and to meet the needs of customers.

The most frequently used derivative contracts are interest rate swaps. Terms and conditions of such contracts are determined mainly by standard industry documentation. Derivatives are subject to the same market and credit risk control procedures as are applied to other wholesale market instruments and are aggregated with other exposures to monitor total counterparty exposure, which is managed within approved limits for each counterparty.

- **Other borrowed funds**

Other borrowed funds comprise MREL-qualifying Tier 2 and senior unsecured debt. Amounts owed to parent undertakings include the related internal MREL debt, achieving structural subordination of the external debt. The features of the instruments are explained in note 27. The external and internal debt was issued to meet MREL requirements.

b) Valuation of financial assets and liabilities measured at fair value

The carrying value of financial assets and liabilities measured at fair value are determined in compliance with the accounting policies set out in the explanatory information and 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.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

2024	Category	Group and Bank			
		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	-	-	71.7	71.7
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.6	0.6
Investment securities	FVOCI	1,576.0	-	11.2	1,587.2
Investment securities	FVTPL – mandatorily measured	-	-	2.9	2.9
Equity shares	FVTPL – mandatorily measured	-	-	6.4	6.4
Derivative financial assets		-	216.6	-	216.6
Non-financial assets:					
Investment properties		-	-	1.8	1.8
Total assets carried at fair value		1,576.0	216.6	94.6	1,887.2
Derivative financial liabilities					
		-	47.6	-	47.6
Total liabilities carried at fair value		-	47.6	-	47.6

2023 Restated ¹	Category	Group and Bank			
		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	-	-	89.0	89.0
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.7	0.7
Investment securities	FVOCI	2,019.7	-	18.1	2,037.8
Investment securities	FVTPL – mandatorily measured	-	-	3.3	3.3
Equity shares	FVTPL – mandatorily measured	-	-	12.6	12.6
Derivative financial assets		-	309.1	-	309.1
Non-financial assets:					
Investment properties		-	-	1.7	1.7
Total assets carried at fair value		2,019.7	309.1	125.4	2,454.2
Derivative financial liabilities					
		-	110.3	-	110.3
Total liabilities carried at fair value		-	110.3	-	110.3

1. A book of corporate loans of £70.9m measured at fair value through profit or loss had been previously classified as Level 2 in the fair value hierarchy. During the year, this book has been reclassified as Level 3 to better reflect the methodology employed to derive fair value, which includes the use of unobservable inputs. The 2023 comparative of £87.9m has been restated.

Key considerations in the calculation of fair values for financial assets and liabilities measured at fair value are as follows:

Level 1 – Quoted market prices in active markets

Financial instruments with quoted prices for identical instruments in active markets. The best evidence of fair value is a quoted market price in an actively traded market.

Level 2 – Valuation techniques using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

The valuation techniques used to value these instruments employ only observable market data and relate to the following assets and liabilities:

- 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 and Bank enter 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.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Level 3 – Valuation techniques using unobservable inputs

This is used for financial instruments valued using models where one or more significant inputs are not observable.

The proportion of financial assets valued based on significant unobservable inputs are analysed as follows:

- **Loans and advances to customers**

Loans and advances to customers primarily comprise of corporate loans of £68.7m (2023: £85.0m) which are fair valued through profit or loss using unobservable 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. The assumptions around the timing of the cash flows make these unobservable inputs which give rise to the level 3 classification. The amount of the change in the fair value of loans and advances to customers carried at FVTPL – designated attributable to changes in credit risk is £nil (2023: £nil).

- **Investment securities**

Investment securities comprise of RMBS of £11.2m (FVOCI) and £2.9m (FVTPL – mandatorily measured) (2023: FVOCI £18.1m and FVTPL £3.3m). An independent third party valuation agent is used to provide prices for the rated RMBS. These prices are indicative values only and do not represent an offer to purchase the securities.

- **Equity shares**

Equity shares primarily comprise of US Dollar-denominated convertible preference shares in Visa Inc., with any movements in fair value being recognised through profit or loss. The fair value of the Visa Inc. shares has been calculated by taking the period end NYSE share price and discounting for illiquidity and clawback. If the illiquidity premium to the discount rate was increased by an absolute 10 %, it would result in a reduction in the overall fair value of the equity shares of £0.7m (2023: £1.5m).

- **Investment properties**

Investment properties within level 3 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 where appropriate.

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

	Fair value at the beginning of the year	Group and Bank				Fair value at the end of the year
		Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	
2024						
Loans and advances to customers	89.7	-	(15.0)	-	(2.4)	72.3
Investment securities	21.4	-	(6.9)	-	(0.4)	14.1
Equity shares	12.6	-	(13.6)	-	7.4	6.4
Investment properties	1.7	-	(0.2)	-	0.3	1.8
	125.4	-	(35.7)	-	4.9	94.6

	Fair value at the beginning of the year	Group and Bank				Fair value at the end of the year
		Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	
2023 Restated¹						
Loans and advances to customers	94.0	-	(6.7)	-	2.4	89.7
Investment securities	27.9	-	(7.0)	0.2	0.3	21.4
Equity shares	10.9	-	(0.2)	-	1.9	12.6
Investment properties	2.1	-	(0.3)	-	(0.1)	1.7
	134.9	-	(14.2)	0.2	4.5	125.4

1. A book of corporate loans of £70.9m measured at fair value through profit or loss had been previously classified as Level 2 in the fair value hierarchy. During the year, this book has been reclassified as Level 3 to better reflect the methodology employed to derive fair value, which includes the use of unobservable inputs. The 2023 comparative of £87.9m has been restated.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

c) 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 determined in compliance with the accounting policies in the explanatory information to the consolidated financial statements and their fair values are analysed in the following tables by the three level fair value hierarchy set out above.

There were no transfers between levels during the year ended 31 December 2024.

	Group					
	Fair value					Total
	Total carrying value	Level 1	Level 2	Level 3	Items where fair value approximates carrying value	
2024						
Financial assets						
Cash and balances at central banks	2,586.0	-	-	-	2,586.0	2,586.0
Loans and advances to banks	173.1	-	99.7	-	73.4	173.1
Loans and advances to customers ¹	20,300.3	-	-	19,278.8	627.1	19,905.9
Investment securities	47.2	7.9	-	40.0	-	47.9
Other assets	7.6	-	-	-	7.6	7.6
Financial liabilities						
Deposits by banks	2,717.2	-	2,537.3	-	179.9	2,717.2
Customer accounts ¹	19,950.4	-	-	2,332.8	17,634.5	19,967.3
Debt securities in issue	499.3	501.1	-	-	-	501.1
Other borrowed funds	857.0	921.5	-	-	-	921.5
Other liabilities	36.6	-	-	-	36.6	36.6

1. Net of Fair value adjustment for hedged risk.

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

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

2024	Bank					
	Fair value					Total
	Total carrying value	Level 1	Level 2	Level 3	Items where fair value approximates carrying value	
Financial assets						
Cash and balances at central banks	2,586.0	-	-	-	2,586.0	2,586.0
Loans and advances to banks	173.1	-	99.7	-	73.4	173.1
Loans and advances to customers ¹	20,300.3	-	-	19,278.8	627.1	19,905.9
Investment securities	47.2	7.9	-	40.0	-	47.9
Amounts owed by parent undertakings	46.4	-	-	-	46.4	46.4
Other assets	7.8	-	-	-	7.8	7.8
Financial liabilities						
Deposits by banks	2,717.2	-	2,537.3	-	179.9	2,717.2
Customer accounts ¹	19,950.4	-	-	2,332.8	17,634.5	19,967.3
Debt securities in issue	499.3	501.1	-	-	-	501.1
Amounts owed to parent undertakings	897.3	-	921.5	-	40.3	961.8
Other liabilities	36.6	-	-	-	36.6	36.6

1. Net of Fair value adjustment for hedged risk.

2023	Bank					
	Fair value					Total
	Total carrying value	Level 1	Level 2	Level 3	Items where fair value approximates carrying value	
Financial assets						
Cash and balances at central banks	2,708.3	-	-	-	2,708.3	2,708.3
Loans and advances to banks	212.6	-	36.2	-	176.4	212.6
Loans and advances to customers	20,059.7	-	0.1	18,699.9	728.5	19,428.5
Investment securities	47.2	-	-	47.8	-	47.8
Amounts owed by parent undertakings	46.4	-	-	-	46.4	46.4
Other assets	9.8	-	-	-	9.8	9.8
Financial liabilities						
Deposits by banks	4,288.9	-	4,104.4	-	184.5	4,288.9
Customer accounts	19,215.2	-	-	1,749.1	17,467.9	19,217.0
Debt securities in issue	-	-	-	-	-	-
Amounts owed to parent undertakings	937.6	-	925.2	-	46.4	971.6
Other liabilities	33.6	-	-	-	33.6	33.6

Key considerations in the calculation of fair values of financial instruments measured at amortised cost are as follows:

Level 1 – Quoted market prices in active markets

Financial instruments with quoted prices for identical instruments in active markets. The best evidence of fair value is a quoted market price in an actively traded market.

Level 2 – Valuation techniques using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

The valuation techniques used to value these instruments employ only observable market data and relate to the following assets and liabilities:

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

- **Loans and advances to banks/deposits by banks**

Loans and advances to banks comprise of interbank placements and items in the course of collection.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. The amortised cost value of all other loans and advances to banks and deposits by banks are deemed to be a close approximation of their fair value due to their short maturity.

- **Other Borrowed funds and amounts owed to parent undertakings**

The Group issued Tier 2 and senior unsecured notes which are recognised in other borrowed funds as detailed in note 27 of the Group and Bank consolidated financial statements. The internal MREL is recognised by Bank Company as amounts owed to parent undertakings. The fair value of the notes is based on quoted market prices.

Level 3 – Valuation techniques using unobservable inputs

This is used for financial instruments valued using models where one or more significant inputs are not observable.

The proportion of financial assets valued based on significant unobservable inputs are analysed as follows:

- **Loans and advances to customers**

The fair value of loans and advances to customers in total is 98.1 % of the carrying value as at 31 December 2024 (2023: 96.9 %).

Fair values of fixed rate loans and advances to customers are based on future interest cash flows (at funding rates) and principal cash flows discounted using an appropriate market rate. The market rate applied in the calculation is the average market rate for new originations of loans with similar characteristics to the book of loans being valued, and reflects the higher interest rate environment. This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from a book of loan assets.

Forecast principal repayments are based on redemption at the earlier of maturity or re-pricing date with some overlay for historical behavioural experience where relevant. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour. It is assumed that there would be no other factors which market participants would take into account when assessing the fair value of the loan assets. It is assumed that there is no fair value adjustment required in respect of interest rate movement on standard variable rate loan assets, as the interest rate being charged is assumed to be equal to the market rate for those loan assets. The assumptions around the timing of the cash flows make these unobservable inputs which give rise to the level 3 classification.

- **Investment securities**

Investment securities comprise of RMBS measured at amortised cost of £40.0m (2023: £47.2m), being a 5 % regulatory holding of the rated notes of the Warwick SPEs unconsolidated structured entities. The remaining 95 % is privately held, therefore there are no available market prices. An in-house model is used that sources independent market data for disclosure purposes only.

- **Customer accounts**

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on future interest cash flows (at funding rates) and principal cash flows, discounted using an appropriate market rate.

d) Fair value of transferred assets and associated liabilities

For more information on the nature of transferred assets and associated liabilities, including the nature of risk and rewards to which the Group is exposed, refer to note 30 of the Group and Bank consolidated financial statements.

The fair value of transferred assets and their associated liabilities is equivalent to their carrying value.

35. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is the sponsor for two unconsolidated structured entities (the Warwick SPEs), and holds legal title to the mortgages in exchange for a fee for a further three unconsolidated structured entities (the Avon and Stratton SPEs). The Warwick SPEs were created for the purposes of selling Optimum (the Group's legacy retail secured mortgage portfolio) in the most capital efficient manner. The Avon SPEs were re-securitisations of former Warwick mortgages following the unwinding of earlier Warwick transactions during 2020. Following the sale of Optimum mortgages to a third party at the end of 2020, the Stratton SPE was established by a third party buyer as an unconsolidated structured entity in 2021 to securitise the mortgages. The Stratton SPE was re-securitised by a third party during 2024.

The tables below represent the continuing involvement in these securitisations in which Group assets have been transferred to the SPEs. The Group holds both notes issued by and a residual interest in the Warwick SPEs, and receives a fee for its holding of legal title for assets in Avon and Stratton SPEs. The notes and residual interests are reported as investment securities and the fee is accounted for as fee income. Rated notes in Warwick SPEs have been classified as amortised cost and the residual interest in Warwick SPEs has been classified as fair value through profit or loss. The maximum exposure to loss is the carrying value of these instruments.

	Group and Bank	
	2024	2023
Carrying amount of continuing involvement in statement of financial position (assets)	42.1	50.4
Fair value of continuing involvement (assets)	42.8	51.1
Maximum exposure to loss	42.1	50.4

	Group and Bank	
	2024	2023
Income recognised in the year	3.9	5.0

36. RESTATEMENTS OF PRIMARY FINANCIAL STATEMENTS AND ASSOCIATED DISCLOSURES

Change in presentation of interest income/expense on financial instruments in designated hedging relationships

In prior periods the Group and Bank have presented interest income and expense on derivatives in designated hedging relationships separately to interest income and expense on the underlying hedged instruments. During the year, the Group and Bank amended their accounting policy to present these items together within 'total interest income calculated using the effective interest rate method', as the Group and Bank consider this more reflective of the substance of their hedging arrangements.

The split between interest income calculated using the effective interest method and other interest and similar income in the consolidated income statement has been updated to reflect this change with 2023 comparative amounts restated. The interest income disclosure note has also been restated and represented with the impacts set out as below:

Interest income and similar income

	Group and Bank		
	As reported 2023	Impact of restatement	Restated 2023
On financial assets at amortised cost:			
Loans and advances to customers	638.6	203.6	842.2
Loans and advances to banks and cash and balances at central banks	178.3	-	178.3
Investment securities	3.1	-	3.1
On financial assets at FVOCI:			
Investment securities	63.8	12.0	75.8
Total interest income calculated using the effective interest rate method	883.8	215.6	1,099.4
Other similar income:			
Interest income on financial assets designated at FVTPL	4.9	0.6	5.5
Interest income on derivatives hedging assets	208.3	(208.3)	-
Interest income on derivatives not in a designated hedging relationship	42.3	(7.9)	34.4
Interest income on net defined benefit pension asset	7.9	-	7.9
Total interest income and similar income	1,147.2	-	1,147.2

36. RESTATEMENTS OF PRIMARY FINANCIAL STATEMENTS AND ASSOCIATED DISCLOSURES (continued)

Interest expense and similar charges

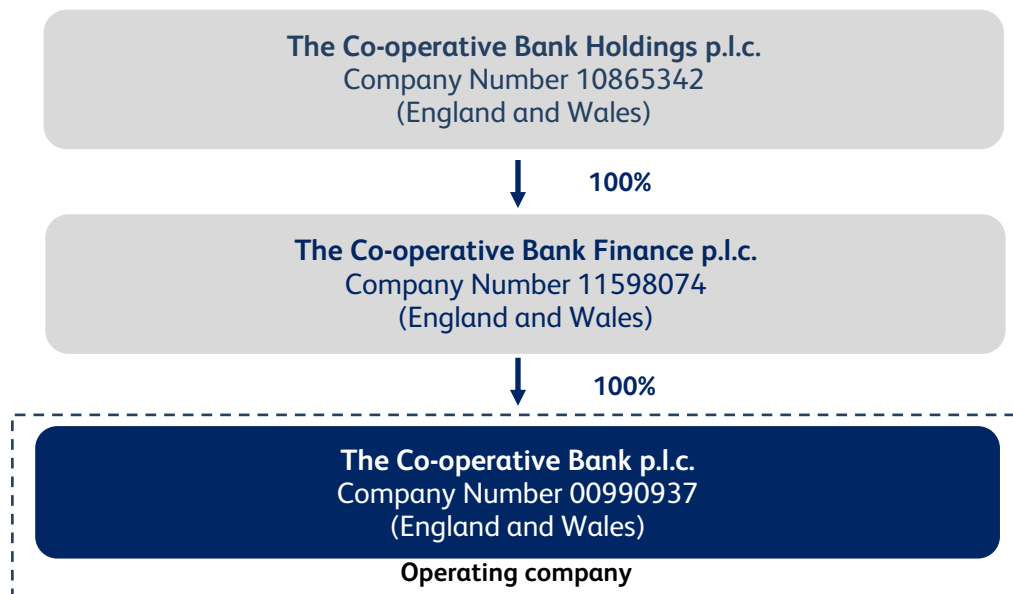
	Group and Bank		
	As reported 2023	Impact of restatement	Restated 2023
On financial liabilities at amortised cost:			
Customer accounts	(299.0)	(12.9)	(311.9)
Subordinated liabilities, debt securities in issue and other deposits	(317.3)	(6.4)	(323.7)
Total interest expense calculated using the effective interest rate method	(616.3)	(19.3)	(635.6)
Other similar charges:			
Interest expense on derivatives hedging liabilities	(19.3)	19.3	-
Interest expense on derivatives not in a designated hedging relationship	(33.3)	-	(33.3)
Interest expense on unfunded defined benefit pension liabilities	(0.3)	-	(0.3)
Interest expense on lease liabilities	(1.0)	-	(1.0)
Total interest expense and similar charges	(670.2)	-	(670.2)

37. EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2025, following the granting of regulatory approval on 28 November 2024, the entire issued class A ordinary share capital of The Co-operative Bank Holdings p.l.c. was acquired by the Coventry Building Society, and the issued class B redeemable preference share capital of The Co-operative Bank Holdings p.l.c. was fully redeemed at nominal value.

The acquisition of the Group by the Coventry Building Society has had no impact on the Group's accounting reference date. All expenses or liabilities of the Group contingent on the acquisition, including advisor success fees and transaction-contingent variable pay awards, have been recognised in these financial statements. Future possible impacts of the acquisition effective from 1 January 2025, which may include alignment of accounting policies and consideration of significant judgements in the context of the wider group, will be considered during the 2025 reporting period.

Financial Statements of The Co-operative Bank p.l.c. (Bank Company)



THE CO-OPERATIVE BANK P.L.C. FINANCIAL STATEMENTS (BANK COMPANY-ONLY)
BALANCE SHEET

At 31 December 2024

£million

	Note	2024	2023
Assets			
Cash and balances at central banks	3	2,586.0	2,708.3
Loans and advances to banks	4	173.1	193.7
Loans and advances to customers	5	20,370.8	20,147.5
Investment securities	6	1,637.3	2,509.4
Derivative financial instruments	7	216.6	301.0
Investments in subsidiaries/group undertakings	22	22.8	14.9
Other assets	8	51.0	47.9
Amounts owed by group undertakings	24	552.1	70.6
Current tax assets		6.7	4.3
Property, plant and equipment	9	24.9	23.6
Intangible assets	10	109.8	114.0
Right-of-use assets	11	26.8	31.4
Deferred tax assets	18	243.0	233.9
Net retirement benefit asset	19	32.0	148.5
Total assets		26,052.9	26,549.0
Liabilities			
Deposits by banks	12	2,717.2	4,288.9
Customer accounts	13	19,974.2	19,215.8
Debt securities in issue	14	499.3	-
Derivative financial instruments	7	47.6	110.3
Amounts owed to Co-operative Bank undertakings	24	501.0	430.2
Other liabilities	15	55.3	44.1
Accruals and deferred income	16	46.6	22.7
Provisions	17	10.1	31.7
Amounts owed to parent undertakings	24	897.3	937.6
Lease liabilities	11	26.2	30.1
Net retirement benefit liability	19	5.2	5.9
Total liabilities		24,780.0	25,117.3
Capital and reserves attributable to the Bank Company's equity holders			
Ordinary share capital	20	25.6	25.6
Retained earnings		1,328.6	1,398.2
Other reserves	21	(81.3)	7.9
Total equity		1,272.9	1,431.7
Total liabilities and equity		26,052.9	26,549.0

Net profit attributable to equity shareholders was £25.4m (2023: £157.1m profit).

The notes on pages 225 to 242 form part of the Bank Company financial statements.

Approved by the Board of The Co-operative Bank p.l.c. on 6 March 2025:

Joanne Kenrick
Chair of the Board

Steve Hughes
Interim Chief Executive Officer

THE CO-OPERATIVE BANK P.L.C. FINANCIAL STATEMENTS (BANK COMPANY-ONLY)
STATEMENT OF CASHFLOWS

For year ended 31 December 2024

£million

	Note	2024	2023
Cash flows from/(used in) operating activities:			
Profit before tax		50.9	105.6
Adjustments for non-cash movements:			
Pension scheme adjustments		(0.9)	(3.4)
Net credit impairment (gains)/losses		(5.0)	0.6
Depreciation, amortisation and impairment		35.3	34.8
Impairment of investment in subsidiaries		21.0	0.1
Other non-cash movements		53.2	54.9
Changes in operating assets and liabilities:			
Decrease in deposits by banks		(1,571.7)	(1,394.5)
Increase in prepayments		(11.6)	(2.7)
Increase/(decrease) in accruals and deferred income		23.9	(9.7)
Increase/(decrease) in customer accounts		759.5	(873.9)
Decrease/(increase) in loans and advances to banks		25.7	(18.7)
(Increase)/decrease in loans and advances to customers		(210.7)	578.5
Increase in amounts owed by Co-operative Bank undertakings		(481.5)	(5.5)
Increase/(decrease) in amounts owed to Co-operative Bank undertakings		70.8	(564.5)
Net movement of other assets and other liabilities		1.6	(64.5)
Income tax paid		(4.0)	(2.7)
Net cash flows (used in) operating activities		(1,243.5)	(2,165.6)
Cash flows from/(used in) investing activities:			
Purchase and construction of tangible and intangible assets		(27.6)	(55.0)
Purchase of investment securities		(1,096.4)	(1,544.9)
Proceeds from sale of shares and other interests		13.6	0.2
Proceeds from sale and maturity of investment securities		1,972.6	899.0
Proceeds from sale of investment properties		0.2	0.3
Dividends received		0.2	6.8
Net cash flows from/(used in) investing activities		862.6	(693.6)
Cash flows from/(used in) financing activities:			
Proceeds from issuance of Tier 2 notes and senior unsecured debt		199.1	397.9
Redemption of Tier 2 notes and senior unsecured debt		(236.5)	(163.5)
Proceeds from issuance of covered bonds		498.5	-
Interest paid on Tier 2 notes, senior unsecured debt and covered bonds		(88.2)	(62.7)
Lease liability principal payments		(5.6)	(6.6)
Dividends paid		(95.0)	-
Net cash flows from financing activities		272.3	165.1
Effect of exchange rate changes on cash and cash equivalents		(8.6)	(5.5)
Net decrease in cash and cash equivalents		(117.2)	(2,699.6)
Cash and cash equivalents at the beginning of the year		2,751.3	5,450.9
Cash and cash equivalents at the end of the year		2,634.1	2,751.3
Comprising of:			
Cash and balances with central banks	3	2,586.0	2,631.7
Loans and advances to banks	4	48.1	119.6
		2,634.1	2,751.3

Interest received in the year was £1,171.5m (2023: £1,069.5m). Interest paid in the year was £689.9m (2023: £470.0m).

THE CO-OPERATIVE BANK P.L.C. FINANCIAL STATEMENTS (BANK COMPANY-ONLY)
STATEMENT OF CASHFLOWS – RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASHFLOWS
ARISING FROM FINANCING ACTIVITIES

For year ended 31 December 2024

£million

	2024				2023			
	Lease liabilities	Amounts due to parent undertakings	Debt securities in issue	Total	Lease liabilities	Amounts due to parent undertakings	Debt securities in issue	Total
Balance at the beginning of the year	30.1	891.2	-	921.3	31.0	646.9	-	677.9
Changes from financing cashflows								
Proceeds from issuance of Tier 2 notes, senior unsecured debt and covered bonds	-	199.1	498.5	697.6	-	397.9	-	397.9
Redemption of Tier 2 notes and senior unsecured debt	-	(236.5)	-	(236.5)	-	(163.5)	-	(163.5)
Interest paid on Tier 2 notes, senior unsecured debt and covered bonds	-	(74.2)	(14.0)	(88.2)	-	(62.7)	-	(62.7)
Lease liability principal payments	(5.6)	-	-	(5.6)	(6.6)	-	-	(6.6)
Total changes from financing cash flows	24.5	779.6	484.5	1,288.6	24.4	818.6	-	843.0
Other changes								
Unwind of lease discounting	0.9	-	-	0.9	1.0	-	-	1.0
Interest payable on Tier 2 notes, senior unsecured debt and covered bonds	-	75.1	14.0	89.1	-	63.2	-	63.2
Other non-cash movements	-	2.3	0.8	3.1	-	9.4	-	9.4
Remeasurements of lease liabilities	0.8	-	-	0.8	4.7	-	-	4.7
Balance at the end of the year	26.2	857.0	499.3	1,382.5	30.1	891.2	-	921.3

THE CO-OPERATIVE BANK P.L.C. FINANCIAL STATEMENTS (BANK COMPANY-ONLY)
STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2024

£million

	Attributable to equity holders of the Bank Company					
	Share capital	FVOCI reserve	Cash flow hedging reserve	Defined benefit pension reserve	Retained earnings	Total equity
2024						
At 1 January 2024	25.6	(8.0)	5.4	10.5	1,398.2	1,431.7
Total comprehensive (expense)/income for the year	-	(0.3)	(4.4)	(84.5)	25.4	(63.8)
Dividends paid	-	-	-	-	(95.0)	(95.0)
At 31 December 2024	25.6	(8.3)	1.0	(74.0)	1,328.6	1,272.9

£million

	Attributable to equity holders of the Bank Company					
	Share capital	FVOCI reserve	Cash flow hedging reserve	Defined benefit pension reserve	Retained earnings	Total equity
2023						
At 1 January 2023	25.6	(5.3)	10.6	22.3	1,241.1	1,294.3
Total comprehensive (expense)/income for the year	-	(2.7)	(5.2)	(11.8)	157.1	137.4
At 31 December 2023	25.6	(8.0)	5.4	10.5	1,398.2	1,431.7

The notes on pages 225 to 242 form part of the Bank Company financial statements.

All amounts are stated in £m unless otherwise indicated.

1. BASIS OF PREPARATION

The Co-operative Bank p.l.c. (Bank Company), registration number 00990937, was incorporated in the UK and is a public limited company registered in England and Wales. The registered office address of the Bank Company is 1 Balloon Street, Manchester, M4 4BE.

The Bank Company financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value, and approved by the Directors in accordance with UK adopted international accounting standards and the provisions of the Companies Act 2006.

Accounting policies outlined in note 1 of the Group and Bank consolidated financial statements and the explanatory information on pages 255 to 265 also apply to the Bank Company. 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. Actual results may differ from these estimates. The critical judgements and estimates for the Bank Company are the same as those set out in note 2 of the Group and Bank consolidated financial statements.

2. NET PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK COMPANY

By including the Bank Company financial statements here together with the consolidated Bank financial statements, the Bank Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

	2024	2023
Net profit attributable to equity shareholders of the Bank Company	25.4	157.1

3. CASH AND BALANCES AT CENTRAL BANKS

	2024	2023
Cash in hand/(items in transit)	8.3	0.6
Balances with the Bank of England other than mandatory reserve deposits	2,577.7	2,631.1
Included in cash and cash equivalents	2,586.0	2,631.7
Mandatory reserve deposits with the Bank of England	-	76.6
Total cash and balances at central banks	2,586.0	2,708.3

Mandatory reserve deposits are not available for use in day-to-day operations, are non-interest bearing and are not included in cash and cash equivalents. An expected credit loss of £nil was recorded as at 31 December 2024 (2023: £nil) in relation to cash and balances at central banks.

4. LOANS AND ADVANCES TO BANKS

	2024	2023
Placements with other banks ¹ (included in cash and cash equivalents)	48.1	119.6
Other loans and advances to banks	125.0	74.1
Total loans and advances to bank	173.1	193.7

1. The Bank currently holds no repo and reverse repo transactions that are subject to obligatory netting arrangements.

An expected credit loss of £nil was recorded as at 31 December 2024 (2023: £nil) in relation to loans and advances to banks. For further details on pledged and transferred assets, refer to note 30 of the Group and Bank consolidated financial statements. This reflects that the Bank is lending to highly rated banks from a credit perspective.

5. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis of the balance sheet

	2024	2023
Gross loans and advances	20,539.9	20,352.4
Less: allowance for losses	(29.3)	(37.4)
Fair value adjustments for hedged risk	(139.8)	(167.5)
Total loans and advances to customers net of allowance for losses	20,370.8	20,147.5

Loans and advances to customers include £71.7m (2023: £89.0m) of financial assets at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency. Of these, £37.5m (2023: £50.1m) are secured by real estate collateral.

For further details on transferred assets, refer to note 23 of the Bank Company financial statements. Further details of the exposure and ECL are set out in note 26 of the Bank Company financial statements.

b) Concentration of exposure

Exposure is only within the UK. Further information on the concentration of exposure is included within section 3.2 of the risk management disclosures.

c) Analysis of allowance for impairment losses

	Retail	SME	Legacy & unallocated	Total
At 1 January 2024	26.1	8.5	2.8	37.4
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2 or 3)	4.4	0.5	-	4.9
To credit impaired (stage 1 or 2 to 3)	2.6	0.6	-	3.2
To 12 month ECL (stage 2 or 3 to 1)	(7.1)	(0.5)	-	(7.6)
From credit impaired (stage 3 to 2)	(0.2)	(0.1)	(0.6)	(0.9)
Net changes arising from stage transfers	(0.3)	0.5	(0.6)	(0.4)
Other charges/(releases):				
New assets originated or purchased	2.5	0.7	-	3.2
Other changes to risk parameters	(0.3)	0.4	(0.5)	(0.4)
Redemptions and repayments	(3.0)	(2.5)	(0.2)	(5.7)
Net other releases	(1.1)	(0.9)	(1.3)	(3.3)
Assets written off	(3.7)	(1.1)	-	(4.8)
At 31 December 2024	21.3	6.5	1.5	29.3

	Retail	SME	Legacy & unallocated	Total
At 1 January 2023	28.1	7.9	4.4	40.4
Changes arising from stage transfers:				
To lifetime ECL (stage 1 to 2 or 3)	6.0	0.5	0.4	6.9
To credit impaired (stage 1 or 2 to 3)	2.1	1.4	-	3.5
To 12 month ECL (stage 2 or 3 to 1)	(4.5)	(0.1)	-	(4.6)
From credit impaired (stage 3 to 2)	(0.2)	0.1	-	(0.1)
Net changes arising from stage transfers	3.4	1.9	0.4	5.7
Other charges/(releases):				
New assets originated or purchased	1.8	0.8	-	2.6
Other changes to risk parameters	(0.9)	(0.1)	(1.6)	(2.6)
Redemptions and repayments	(2.7)	(1.0)	(0.2)	(3.9)
Net other charges/(releases)	1.6	1.6	(1.4)	1.8
Assets written off	(3.6)	(1.0)	(0.2)	(4.8)
At 31 December 2023	26.1	8.5	2.8	37.4

5. LOANS AND ADVANCES TO CUSTOMERS (continued)

d) Analysis of income statement

	2024	2023
Net other releases/(charges)	3.3	(1.8)
Amounts recovered against amounts previously written off	0.7	0.2
Adjustment to recognise interest on stage 3 assets based on their net carrying value	1.0	1.0
Net credit impairment gains/(losses) for the year as shown in the income statement	5.0	(0.6)

Provisions are analysed by segment in the risk management disclosures.

6. INVESTMENT SECURITIES

Analysis of investment securities

	2024				2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
Listed	47.2	1,587.2	2.9	1,637.3	385.4	2,037.8	3.3	2,426.5
Unlisted	-	-	-	-	82.9	-	-	82.9
Gross and net investment securities	47.2	1,587.2	2.9	1,637.3	468.3	2,037.8	3.3	2,509.4

Movement in investment securities

	2024				2023			
	Amortised cost	FVOCI	FVTPL	Total	Amortised cost	FVOCI	FVTPL	Total
At the beginning of the year	468.3	2,037.8	3.3	2,509.4	939.7	883.3	3.0	1,826.0
Acquisitions	23.0	1,049.4	24.0	1,096.4	2.2	1,542.7	-	1,544.9
Disposals and maturities	(443.4)	(1,504.5)	(24.0)	(1,971.9)	(473.3)	(425.4)	-	(898.7)
Fair value (losses)/gains	-	(12.1)	(0.4)	(12.5)	-	24.8	0.3	25.1
Amortisation of discount and premium	-	15.5	-	15.5	-	4.3	-	4.3
Movement in interest accrual	(0.7)	1.1	-	0.4	(0.3)	8.1	-	7.8
At the end of the year	47.2	1,587.2	2.9	1,637.3	468.3	2,037.8	3.3	2,509.4

The Group's hedge accounting activities are disclosed in further detail within section 4.3 of the risk management disclosures.

Certain investment securities have been pledged by the Bank Company, refer to note 23 of the Bank Company financial statements for further details on encumbered and pledged assets.

The ECL in relation to investment securities measured at amortised cost and fair value through other comprehensive income is £nil (2023: £nil). This reflects the high credit quality of these investment securities and the Bank's current list of Treasury counterparties. The Group applies the 'low credit risk exemption' to investment securities as detailed further in explanatory information 1.3.j.ii.

Analysis of investment securities by issuer

	2024	2023
Investment securities issued by public bodies:		
Government securities	410.1	527.5
Other public sector securities	404.3	319.4
Total investment securities issued by public bodies	814.4	846.9
Other debt securities:		
Other floating rate notes	759.7	1,124.9
Mortgage backed securities	63.2	537.6
Total other debt securities	822.9	1,662.5
Total investment securities	1,637.3	2,509.4

Other floating rate notes (FRNs) are sterling denominated, with contractual maturities ranging from less than one month to up to five years from the balance sheet date.

7. DERIVATIVE FINANCIAL INSTRUMENTS

Various derivatives have been entered into to manage interest rate risk, some of which are held in a qualifying hedge accounting relationship (see the risk management section for more details on interest rate risk management strategies). Positive and negative fair values have not been netted off, as there is no legal right of offset.

Non-trading derivatives

Non-trading transactions comprise derivatives held for hedging purposes to manage the asset and liability positions of the Group. Derivatives used to manage interest rate related positions include interest rate swaps and caps. The foreign exchange rate positions are managed using foreign exchange forward and swap transactions.

	Fair value			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for non-trading purposes				
Derivatives designated as fair value hedges:				
Interest rate swaps	203.2	(38.5)	279.5	(83.3)
Derivatives held for non-trading purposes for which hedge accounting has not been applied:				
Interest rate swaps	13.4	(8.9)	21.1	(27.0)
Forward currency transactions	-	(0.2)	0.4	-
Total derivative assets/(liabilities) held for non-trading purposes	216.6	(47.6)	301.0	(110.3)
Total recognised derivative assets/(liabilities)	216.6	(47.6)	301.0	(110.3)

Detailed hedge accounting disclosures are covered within section 4.3 of the risk management disclosures.

8. OTHER ASSETS

	2024	2023
Equity shares - Unlisted¹	6.4	12.6
Other assets (amounts recoverable within one year)	8.9	11.2
Prepayments		
Amounts amortised within one year	26.9	23.0
Amounts amortised after more than one year	8.8	1.1
	35.7	24.1
Total	51.0	47.9

1. Unlisted equity share investments include holdings of shares in Bankifi Technology Limited, Zellar Holdings Limited and Visa Inc. Series B Preferred Stock.

9. PROPERTY, PLANT AND EQUIPMENT

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 18 of the Group and Bank consolidated financial statements.

10. INTANGIBLE ASSETS

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 19 of the Group and Bank consolidated financial statements.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 20 of the Group and Bank consolidated financial statements.

12. DEPOSITS BY BANKS

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 21 of the Group and Bank consolidated financial statements.

13. CUSTOMER ACCOUNTS

	2024	2023
Customer accounts	19,995.2	19,234.5
Fair value adjustment for hedged risk	(21.0)	(18.7)
	19,974.2	19,215.8

14. DEBT SECURITIES IN ISSUE

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 23 of the Group and Bank consolidated financial statements.

15. OTHER LIABILITIES

2024	Share based payments ¹	Amounts due to beneficiary banks	Other creditors	Total
Amounts falling due within one year	3.6	24.3	15.4	43.3
Amounts falling due after one year	12.0	-	-	12.0
Total other liabilities	15.6	24.3	15.4	55.3

1. During the year the Group reclassified share based payment liabilities as other liabilities as opposed to provisions.

2023	Amounts due to beneficiary banks	Other creditors	Total
Amounts falling due within one year	22.5	21.6	44.1
Total other liabilities	22.5	21.6	44.1

The nature of the share based payment arrangements for the Bank Company are the same as those disclosed in note 24 of the Group and Bank consolidated financial statements.

16. ACCRUALS AND DEFERRED INCOME

	2024	2023
Amounts falling due within one year		
Accruals	43.5	21.1
Deferred income	0.1	0.1
	43.6	21.2
Amounts falling due after one year		
Accruals	2.5	1.0
Deferred income	0.5	0.5
	3.0	1.5
	46.6	22.7

17. PROVISIONS

2024	Property	Employee pay	Conduct/legal	Other	Total
At 1 January 2024	7.4	20.7	0.5	3.1	31.7
Provided/(released) in the year:					
Right-of-use asset	0.6	-	-	-	0.6
Operating expenses	(1.0)	-	0.2	10.0	9.2
Utilised during the year	(1.5)	-	(0.3)	(8.9)	(10.7)
Reclassification ¹	-	(20.7)	-	-	(20.7)
At 31 December 2024	5.5	-	0.4	4.2	10.1
Amounts falling due within one year	2.3	-	0.4	4.2	6.9
Amounts falling due after one year	3.2	-	-	-	3.2
Total provisions	5.5	-	0.4	4.2	10.1

1. During the year the Group reclassified share based payments as other liabilities (£9.8m) and accrued bonuses as accruals (£10.9m).

2023	Property	Employee pay	Conduct/legal	Other	Total
At 1 January 2023	8.5	22.9	1.1	0.6	33.1
(Released)/provided in the year:					
Net interest income	-	-	(0.5)	-	(0.5)
Right-of-use asset	1.0	-	-	-	1.0
Operating expenses	(0.2)	13.1	(0.1)	3.0	15.8
Utilised during the year	(1.9)	(15.3)	-	(0.5)	(17.7)
At 31 December 2023	7.4	20.7	0.5	3.1	31.7
Amounts falling due within one year	4.3	15.2	0.5	3.1	23.1
Amounts falling due after one year	3.1	5.5	-	-	8.6
Total provisions	7.4	20.7	0.5	3.1	31.7

In respect of conduct/legal provisions, the provisions recognised in the Bank Company are lower than those recognised in note 26 of the Group and Bank consolidated statements, on account of £0.3m of provisions recognised by subsidiaries of the Bank Company.

With the exception of the above, the Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company apart from the specific item referenced above, we refer to the disclosures in note 26 of the Group and Bank consolidated financial statements.

18. DEFERRED TAX

Deferred taxes are calculated using the appropriate tax rate in respect of each temporary difference.

The UK corporation tax rate increased from 19 % to 25 % effective from 1 April 2023. The banking surcharge also applies to Bank Company. A reduction of the banking surcharge from 8 % to 3 % and an increase of the surcharge allowance from £25.0m to £100.0m was effective from 1 April 2023, and therefore, the combined rate of tax on banking profits in excess of £100.0m is 28 % from that date. The deferred tax assets and liabilities at 31 December 2024 have been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

	Losses	Capital allowances on fixed assets	Retirement benefits	Cash flow hedges	Unrealised appreciation on investments	Other temporary differences	Total
2024							
At 1 January 2024	197.5	83.8	(41.5)	(2.3)	(3.6)	-	233.9
(Charged)\credited to income statement	-	(26.8)	(0.4)	-	1.8	(0.4)	(25.8)
Credited to other comprehensive income	-	-	33.1	1.8	-	-	34.9
At 31 December 2024	197.5	57.0	(8.8)	(0.5)	(1.8)	(0.4)	243.0

	Losses	Capital allowances on fixed assets	Retirement benefits	Cash flow hedges	Unrealised appreciation on investments	Other temporary differences	Total
2023							
At 1 January 2023	120.6	99.1	(44.7)	(4.5)	(3.0)	-	167.5
Credited\charged to income statement	76.9	(15.3)	(1.4)	0.2	(0.6)	-	59.8
Credited to other comprehensive income	-	-	4.6	2.0	-	-	6.6
At 31 December 2023	197.5	83.8	(41.5)	(2.3)	(3.6)	-	233.9

The deferred tax asset above includes an offset for those deferred tax liabilities where permissible. The deferred tax credit to the income statement of £25.8m predominantly represents the utilisation of capital allowances to reduce taxable profits in the year.

Deferred tax assets totalling £420.9m (2023: £420.5m) have not been recognised where doubt exists over the availability of sufficient future taxable profits. Deferred tax assets of £408.1m (2023: £409.4m) and £12.8m (2023: £11.1m) have not been recognised in respect of trading losses of £1,632.7m (2023: £1,637.6m) and other temporary differences of £45.6m (2023: £39.7m) respectively.

Whilst there is no expiry date for the utilisation of tax losses, the utilisation of losses is restricted to 50 % or 25 % of taxable profits depending upon when those tax losses were incurred.

Further detail on deferred tax is provided in note 2 of the Group and Bank consolidated financial statements.

19. RETIREMENT BENEFITS

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 29 of the Group and Bank consolidated financial statements.

20. SHARE CAPITAL

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, since there is no difference in relation to the Bank and Bank Company, we refer to the disclosures in note 32 of the Group and Bank consolidated financial statements.

21. OTHER RESERVES

	2024	2023
Fair value through other comprehensive income reserve	(8.3)	(8.0)
Cash flow hedging reserve	1.0	5.4
Defined benefit pension reserve	(74.0)	10.5
	(81.3)	7.9

The Directors have considered the information disclosed in the consolidated financial statements of the Bank and consider the same information to be relevant for the Bank Company. Accordingly, for descriptions of the nature and purpose of each reserve, we refer to the disclosures in note 33 of the Group and Bank consolidated financial statements.

22. INVESTMENTS IN SUBSIDIARIES/GROUP UNDERTAKINGS

	2024	2023
At the beginning of the year	14.9	15.0
Additions	28.9	-
Impairment charge	(21.0)	(0.1)
At the end of the year	22.8	14.9

During the year, the Bank Company subscribed to share capital issuances made by three subsidiaries, Mortgage Agency Services Number Two Limited, Mortgage Agency Services Number Four Limited and Mortgage Agency Services Number Five Limited in order that they could continue to meet regulatory capital minimums following recognition of remediation provisions in those subsidiaries during 2023. As these entities are no longer capable of independently generating their own cash flows, the additional investments in these subsidiaries were impaired with the losses reflected within operating expenses. The recoverable amount of the assets was determined to be the net assets of those entities, as the best estimate of the value in use of these investments.

Subsidiary undertakings

Subsidiary undertakings which are registered in England and operating in the UK are as follows:

Subsidiary's name	Address reference	Type of activity	Shareholding	
			2024	2023
Second Roodhill Leasing Limited	1	Inactive	100%	100%
Third Roodhill Leasing Limited	1	Inactive	100%	100%
Fourth Roodhill Leasing Limited	1	Inactive	100%	100%
Moorland Covered Bonds LLP	1	Guarantor of covered bonds	100%	100%
Co-operative Bank Financial Advisers Limited	1	Inactive	100%	100%
Mortgage Agency Services Number One Limited	1	Mortgage and former syndicated lending	100%	100%
Mortgage Agency Services Number Two Limited	1	Mortgage lending	100%	100%
Mortgage Agency Services Number Four Limited	1	Mortgage lending	100%	100%
Mortgage Agency Services Number Five Limited	1	Mortgage lending	100%	100%
Mortgage Agency Services Number Six Limited	1	Mortgage lending	100%	100%
Platform Funding Limited	1	Mortgage lending	100%	100%

Securitisation vehicles

The results of the following securitisation vehicles are consolidated into the results of the Bank as they are controlled by Bank Company.

Subsidiary's name	Address reference	Type of activity	% consolidated	
			2024	2023
Silk Road Finance Number Five plc	2	Securitisation company	100%	100%
Silk Road Finance Number Six plc	2	Securitisation company	100%	100%

Securitisation vehicles are registered in England and previously operated in the UK but have now both ceased to trade.

All of the above companies are related parties to the Bank Company, refer to note 24 of the Bank Company financial statements for the related party disclosures.

22. INVESTMENTS IN SUBSIDIARIES/GROUP UNDERTAKINGS (continued)**Joint ventures**

The Bank Company has investments in the following joint ventures:

Subsidiary's name	Ownership	
	2024	2023
Britannia New Homes (Scotland) Limited (Dormant)	50%	50 %

Britannia New Homes (Scotland) Limited has its registered office at Blairton House, Old Aberdeen Road, Balmedie, Aberdeenshire, AB23 8SH.

Dormant companies

The Bank Company has investments in the following dormant subsidiaries, all of which are registered in England:

Subsidiary's name	Address reference	Type of activity	Shareholding	
			2024	2023
Britannia Pension Trustees Limited	1	Pension scheme participant	100%	100 %
BPS Principal Employer Limited	1	Holding company	100%	100 %
The Co-operative Bank Pension Trust Limited	1	Former pension scheme participant	100%	100 %

Address

reference Registered office at:

- | | |
|---|---|
| 1 | 1 Balloon Street, Manchester, M4 4BE |
| 2 | Duo, Level 6, 280 Bishopsgate, London, EC2M 4RB |

The following subsidiaries benefit from an audit exemption according to section 479A of the Companies Act 2006:

- Second Roodhill Leasing Limited;
- Third Roodhill Leasing Limited;
- Fourth Roodhill Leasing Limited; and
- Co-operative Bank Financial Advisers Limited.

23. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES

The Directors have considered the information disclosed in the consolidated financial statements of the Group and Bank and consider the same information to be relevant for the Bank Company in relation to the following contingent liabilities referred to in note 30 of the Group and Bank consolidated financial statements:

- Contingent liabilities and other commitments arising from customer transactions;
- Conduct risk matters;
- Legal proceedings; and
- Mortgage securitisation representations and warranties.

a) Commitments to financially support subsidiary undertakings

Bank Company has committed to financially support the subsidiary undertakings including the subsidiaries benefiting from an audit exemption according to section 479A of the Companies Act 2006 listed in note 22 of the Bank Company financial statements.

23. CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS AND GUARANTEES (continued)

b) Encumbered and pledged assets

The Bank Company 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 type are provided below. The terms of the arrangements are the same as those disclosed in note 30 of the Group and Bank consolidated financial statements.

2024	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	3,214.6	-	3,214.6
Pension scheme contingent security	-	25.2	-	-	25.2
Payment scheme collateral	280.0	9.2	-	-	289.2
Interest rate swap collateral	-	-	-	104.0	104.0
Other	-	29.4	-	149.9	179.3
Total assets pledged	280.0	63.8	3,214.6	253.9	3,812.3

2023	Cash and balances at central banks	Loans and advances to banks	Loans and advances to customers	Investment securities	Total
TFSME	-	-	5,170.2	-	5,170.2
Pension scheme contingent security	-	37.8	-	172.1	209.9
Payment scheme collateral	280.0	49.5	-	-	329.5
Interest rate swap collateral	-	27.8	-	167.1	194.9
Other	-	22.2	-	137.2	159.4
Total assets pledged	280.0	137.3	5,170.2	476.4	6,063.9

c) Transferred assets not derecognised

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

	2024		2023	
	Assets not derecognised	Associated liabilities	Assets not derecognised	Associated liabilities
Repurchase agreements				
Investment securities	11.9		54.9	
Deposits by banks		10.2		53.4
Securitisations and covered bonds				
Loans and advances to customers	1,381.8		416.4	
Amounts owed to Co-operative Bank undertakings		479.8		416.4
Total	1,393.7	490.0	471.3	469.8

For the year ended 31 December 2024, the large difference between the transferred assets and the associated liabilities is driven by the overcollateralised nature of the relationship between the Bank Company and its connected undertaking Moorland Covered Bonds LLP ('the LLP'). Whilst £1.4bn of mortgages have been sold to the LLP, only £500.0m of notes have been issued, and the LLP is required to return all cashflows not used in settling its obligations to the Bank Company through deferred consideration. Therefore the intercompany loan payable by the Bank Company is only partially reflective of the sold mortgage assets.

Assets transferred under these arrangements are restricted in use and are unable to be sold in other transactions.

The financial instruments disclosed in the above table are measured at amortised cost.

24. RELATED PARTY TRANSACTIONS

The ultimate parent undertaking of the Bank Company as at 31 December 2024 was The Co-operative Bank Holdings p.l.c.

24. RELATED PARTY TRANSACTIONS (continued)

At 31 December 2024, the Group had one significant shareholder, SP Coop Investments Ltd, holding over 20 % of the B shares of the Holding Company. Refer to note 37 of the Group and Bank consolidated financial statements for details of changes to related parties that occurred subsequent to the balance sheet date and to note 22 for details of further investments in subsidiary undertakings during the year.

The following tables show the balances with The Co-operative Bank p.l.c. undertakings, Finance Company and Holding Company at the end of the year. All balances are current, with the exception of internal MREL balance, which is non-current.

Amounts owed by Co-operative Bank undertakings	2024	2023
Amounts owed by Co-operative Bank subsidiaries (excluding special purpose entities)	2.1	2.3
Amounts owed by Co-operative Bank subsidiaries (special purpose entities)	503.6	21.9
Amounts owed by Finance Company (parent company)	46.4	46.4
	552.1	70.6
Investment securities held by Co-operative Bank in subsidiaries (special purpose entities)	-	421.2
	552.1	491.8

Amounts owed to Holding Company, Finance Company and Co-operative Bank undertakings	2024	2023
Amounts owed to Co-operative Bank subsidiaries (excluding special purpose entities)	21.2	13.8
Amounts owed to Co-operative Bank subsidiaries (special purpose entities)	479.8	416.4
Amount owed to Holding Company (related to internal MREL)	857.0	891.2
Amount owed to Holding Company (related to other internal loans)	40.3	46.4
	1,398.3	1,367.8
Cash balances deposited with the Bank Company by Co-operative Bank subsidiaries (excluding special purpose entities)	0.5	0.5
Cash balances deposited with the Bank Company by the Holding Company	0.2	0.2
	1,399.0	1,368.5

Details of the amount owed to Holding Company are given in note 6 of the Holding Company financial statements. Amounts owed by related party undertakings are deemed to have no ECL on the grounds that whilst the Group remains a going concern, funds could be moved within the group to meet any financial obligations and therefore the loss given default associated with the exposure would be nil.

The following tables show the value of transactions with The Co-operative Bank p.l.c. undertakings and Holding Company/Finance Company during the year:

	Interest and fees income for Bank Company	Interest and fees expense for Bank Company
2024		
Transactions with Co-operative Bank subsidiaries (excluding special purpose entities)	-	0.4
Transactions with Co-operative Bank subsidiaries (special purpose entities)	35.2	26.6
Transactions with Holding Company	-	76.0
	35.2	103.0

	Interest and fees income for Bank Company	Interest and fees expense for Bank Company
2023		
Transactions with Co-operative Bank subsidiaries (excluding special purpose entities)	-	0.5
Transactions with Co-operative Bank subsidiaries (special purpose entities)	43.0	15.5
Transactions with Finance Company (parent company)	-	52.9
Transactions with Holding Company	-	11.4
	43.0	80.3

The terms and conditions of the loan agreements concluded between the Bank Company and its subsidiaries stipulate that the loans are not secured and are repayable on demand. Details of the Bank Company's transactions with Directors, key management personnel and close family are as set out in note 31 of the Group and Bank consolidated financial statements.

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values in this note are stated at the balance sheet date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. The tables below analyse the balance sheet carrying values of financial assets and liabilities by classification.

2024	Amortised cost	Measured at fair value			Derivatives in a hedging relationship	Total
		FVOCI	FVTPL – designated	FVTPL – mandatorily measured		
Financial assets						
Cash and balances at central banks	2,586.0	-	-	-	-	2,586.0
Loans and advances to banks	173.1	-	-	-	-	173.1
Loans and advances to customers ¹	20,298.5	-	71.7	0.6	-	20,370.8
Investment securities	47.2	1,587.2	-	2.9	-	1,637.3
Derivative financial instruments	-	-	-	13.4	203.2	216.6
Equity shares ²	-	-	-	6.4	-	6.4
Amounts owed by Co-operative Bank undertakings	512.7	-	-	-	-	512.7
Amounts owed by parent undertakings	39.4	-	-	-	-	39.4
Other assets	7.7	-	-	-	-	7.7
Total financial assets	23,664.6	1,587.2	71.7	23.3	203.2	25,550.0
Financial liabilities						
Deposits by banks	2,717.2	-	-	-	-	2,717.2
Customer accounts ¹	19,974.2	-	-	-	-	19,974.2
Derivative financial instruments	-	-	-	9.1	38.5	47.6
Amounts owed to Co-operative Bank undertakings	501.0	-	-	-	-	501.0
Other liabilities	36.6	-	-	-	-	36.6
Amounts due to parent undertakings	897.3	-	-	-	-	897.3
Total financial liabilities	24,126.3	-	-	9.1	38.5	24,173.9

1. Net of Fair value adjustment for hedged risk.

2. Equity shares are included within other assets in the balance sheet.

2023	Amortised cost	Measured at fair value			Derivatives in a hedging relationship	Total
		FVOCI	FVTPL – designated	FVTPL – mandatorily measured		
Financial assets						
Cash and balances at central banks	2,708.3	-	-	-	-	2,708.3
Loans and advances to banks	193.7	-	-	-	-	193.7
Loans and advances to customers	20,057.8	-	89.0	0.7	-	20,147.5
Investment securities	468.3	2,037.8	-	3.3	-	2,509.4
Derivative financial instruments	-	-	-	21.5	279.5	301.0
Equity shares	-	-	-	12.6	-	12.6
Amounts owed by Co-operative Bank undertakings	24.2	-	-	-	-	24.2
Amounts owed by parent undertakings	46.4	-	-	-	-	46.4
Other assets	9.8	-	-	-	-	9.8
Total financial assets	23,508.5	2,037.8	89.0	38.1	279.5	25,952.9
Financial liabilities						
Deposits by banks	4,288.9	-	-	-	-	4,288.9
Customer accounts	19,215.8	-	-	-	-	19,215.8
Derivative financial instruments	-	-	-	26.9	83.4	110.3
Amounts owed to Co-operative Bank undertakings	430.2	-	-	-	-	430.2
Other liabilities	40.4	-	-	-	-	40.4
Amounts due to parent undertakings	937.6	-	-	-	-	937.6
Total financial liabilities	24,912.9	-	-	26.9	83.4	25,023.2

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value disclosures throughout this note have been calculated in accordance with IFRS 13, which values assets individually rather than as a portfolio or as part of a business combination.

a) Use of financial assets and liabilities

Refer to note 34 of the Group and Bank consolidated financial statements for details of the use of financial instruments.

b) Valuation of financial assets and liabilities measured at fair value

The carrying value of financial assets and liabilities measured at fair value are determined in compliance with the accounting policies in note 1 of the Group and Bank consolidated financial statements and 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.

There were no transfers between the levels during the year.

2024	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	-	-	71.7	71.7
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.6	0.6
Investment securities	FVOCI	1,576.0	-	11.2	1,587.2
Investment securities	FVTPL – mandatorily measured	-	-	2.9	2.9
Equity shares	FVTPL – mandatorily measured	-	-	6.4	6.4
Derivative financial assets		-	216.6	-	216.6
Non-financial assets					
Investment properties		-	-	1.8	1.8
Total assets carried at fair value		1,576.0	216.6	94.6	1,887.2
Derivative financial liabilities		-	47.6	-	47.6
Total liabilities carried at fair value		-	47.6	-	47.6

2023 Restated ¹	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	-	-	89.0	89.0
Loans and advances to customers	FVTPL – mandatorily measured	-	-	0.7	0.7
Investment securities	FVOCI	2,019.7	-	18.1	2,037.8
Investment securities	FVTPL – mandatorily measured	-	-	3.3	3.3
Equity shares	FVTPL – mandatorily measured	-	-	12.6	12.6
Derivative financial assets		-	301.0	-	301.0
Non-financial assets					
Investment properties		-	-	1.7	1.7
Total assets carried at fair value		2,019.7	301.0	125.4	2,446.1
Derivative financial liabilities		-	110.3	-	110.3
Total liabilities carried at fair value		-	110.3	-	110.3

1. A book of corporate loans of £70.9m measured at fair value through profit or loss had been previously classified as Level 2 in the fair value hierarchy. During the year, this book has been reclassified as Level 3 to better reflect the methodology employed to derive fair value, which includes the use of unobservable inputs. The 2023 comparative of £87.9m has been restated.

Refer to note 34 of the Group and Bank consolidated financial statements for details of the use of key considerations in the calculation of fair values for financial assets and liabilities measured at fair value.

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

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

	Fair value at the beginning of the year	Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	Fair value at the end of the year
2024						
Loans and advances to customers	89.7	-	(15.0)	-	(2.4)	72.3
Investment securities	21.4	-	(6.9)	-	(0.4)	14.1
Equity shares	12.6	-	(13.6)	-	7.4	6.4
Investment properties	1.7	-	(0.2)	-	0.3	1.8
	125.4	-	(35.7)	-	4.9	94.6

	Fair value at the beginning of the year	Purchases and transfers in	Sales, transfers out and repayments	Other comprehensive income	Income statement	Fair value at the end of the year
2023 Restated¹						
Loans and advances to customers	94.0	-	(6.7)	-	2.4	89.7
Investment securities	27.9	-	(7.0)	0.2	0.3	21.4
Equity shares	10.9	-	(0.2)	-	1.9	12.6
Investment properties	2.1	-	(0.3)	-	(0.1)	1.7
	134.9	-	(14.2)	0.2	4.5	125.4

1. A book of corporate loans of £70.9m measured at fair value through profit or loss had been previously classified as Level 2 in the fair value hierarchy. During the year, this book has been reclassified as Level 3 to better reflect the methodology employed to derive fair value, which includes the use of unobservable inputs. The 2023 comparative of £87.9m has been restated.

c) 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 determined in compliance with the accounting policies in note 1 of the Group and Bank consolidated financial statements and their fair values are analysed in the following tables by the three level fair value hierarchy set out above. There were no transfers between levels during the year.

	Total carrying value	Fair value			Items where fair value approximates carrying value	Total
		Level 1	Level 2	Level 3		
2024						
Financial assets						
Cash and balances at central banks	2,586.0	-	-	-	2,586.0	2,586.0
Loans and advances to banks	173.1	-	99.7	-	73.4	173.1
Loans and advances to customers ¹	20,298.5	-	-	19,276.6	627.1	19,903.7
Investment securities	47.2	7.9	-	40.0	-	47.9
Amounts owed by Co-operative Bank undertakings	512.7	-	-	500.9	48.5	549.4
Amounts owed by parent undertakings	39.4	-	-	-	39.4	39.4
Other assets	7.7	-	-	-	7.7	7.7
Financial liabilities						
Deposits by banks	2,717.2	-	2,537.3	-	179.9	2,717.2
Customer accounts ¹	19,974.2	-	-	2,332.8	17,658.4	19,991.2
Amounts owed to Co-operative Bank undertakings	501.0	-	-	477.2	22.1	499.3
Other liabilities	36.6	-	-	-	36.6	36.6
Amounts due to parent undertakings	897.3	-	921.5	-	39.4	960.9

1. Net of Fair value adjustment for hedged risk.

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

	Total carrying value	Fair value			Items where fair value approximates carrying value	Total
		Level 1	Level 2	Level 3		
2023						
Financial assets						
Cash and balances at central banks	2,708.3	-	-	-	2,708.3	2,708.3
Loans and advances to banks	193.7	-	36.2	-	157.5	193.7
Loans and advances to customers	20,057.8	-	-	18,700.0	728.9	19,428.9
Investment securities	468.3	-	-	468.6	-	468.6
Amounts owed by Co-operative Bank undertakings	24.2	-	-	-	24.2	24.2
Amounts owed by parent undertakings	46.4	-	-	-	46.4	46.4
Other assets	9.8	-	-	-	9.8	9.8
Financial liabilities						
Deposits by banks	4,288.9	-	4,104.4	-	184.5	4,288.9
Customer accounts	19,215.8	-	-	1,749.1	17,468.3	19,217.4
Amounts owed to Co-operative Bank undertakings	430.2	-	-	397.6	13.8	411.4
Other liabilities	40.4	-	-	-	40.4	40.4
Amounts due to parent undertakings	937.6	-	925.2	-	46.4	971.6

Key considerations in the calculation of fair values of financial instruments measured at amortised cost are as follows:

Level 1 – Quoted market prices in active markets

Financial instruments with quoted prices for identical instruments in active markets. The best evidence of fair value is a quoted market price in an actively traded market.

Level 2 – Valuation techniques using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

The valuation techniques used to value these instruments employ only observable market data and relate to the following assets and liabilities:

- Loans and advances to banks/Deposits by banks**

Loans and advances to banks comprise of interbank placements and items in the course of collection.

The amortised cost value of all loans and advances to banks are deemed to be a close approximation of their fair value due to their short maturity. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

- Amounts owed to parent undertakings**

Amounts owed to parent undertakings comprise the internal MREL debt related to the external MREL-qualifying Tier 2 and senior unsecured debt. The fair value of the notes is based on quoted market prices.

Level 3 – Valuation techniques using unobservable inputs

This is used for financial instruments valued using models where one or more significant inputs are not observable.

The proportion of financial assets valued based on significant unobservable inputs are analysed as follows:

- Loans and advances to customers**

The fair value of loans and advances to customers in total was 98.0 % of the carrying value (2023: 96.9 %).

Fair values of fixed rate loans and advances to customers are based on future interest cash flows (at funding rates) and principal cash flows discounted using an appropriate market rate. The market rate applied in the calculation is the average market rate for new originations of loans with similar characteristics to the book of loans being valued, and reflects the higher interest rate environment. This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from a book of loans assets.

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Forecast principal repayments are based on redemption at the earlier of maturity or re-pricing date with some overlay for historical behavioural experience where relevant. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour. It is assumed that there would be no other factors which market participants would take into account when assessing the fair value of the loan assets. It is assumed that there is no fair value adjustment required in respect of interest rate movement on standard variable rate loan assets, as the interest rate being charged is assumed to be equal to the market rate for those loan assets.

- **Investment securities**

Investment securities comprise of RMBS measured at amortised cost of £40.0m (2023: £47.2m), being a 5% regulatory holding of the rated notes of the Warwick SPEs unconsolidated structured entities. The remaining 95% is privately held, therefore there are no available market prices. An in-house model is used that sources independent market data for disclosure purposes only.

- **Amounts owed by Co-operative Bank undertakings**

Amounts owed by Co-operative Bank undertakings primarily comprise of a term loan owed by Moorland Covered Bond LLP, a wholly-owned subsidiary, in respect of mortgages transferred to the LLP by the Bank Company. The pool of mortgages underpinning this loan have been modelled using expected cash flows, based on redemption profiles, discounted at a market rate.

- **Customer accounts**

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on future interest cash flows (at funding rates) and principal cash flows, discounted using an appropriate market rate.

- **Amounts owed to Co-operative Bank undertakings**

Amounts owed to Co-operative Bank undertakings comprise of deemed loans owed to Moorland Covered Bond LLP, a wholly-owned subsidiary, in respect of mortgages placed in the pool. The pool of mortgages underpinning this deemed loan have been modelled using expected cash flows, based on redemption profiles, discounted at a market rate.

d) Fair value of transferred assets and associated liabilities

For more information on the nature of transferred assets and associated liabilities, including the nature of risk and rewards to which the Bank Company is exposed, refer to note 23 of the Bank Company financial statements.

The fair value of transferred assets and associated liabilities is shown in the table below:

	Fair value			
	2024		2023	
	Assets not derecognised	Associated liabilities	Assets not derecognised	Associated liabilities
Repurchase agreements				
Investment securities	11.9		54.9	
Deposits by banks		10.2		53.4
Securitisations and covered bonds				
Loans and advances to customers	1,374.8		396.7	
Amounts owed to Co-operative Bank undertakings		477.2		396.7
Total	1,386.7	487.4	451.6	450.1

For the year ended 31 December 2024, the large difference between the transferred assets and the associated liabilities is driven by the overcollateralised nature of the relationship between the Bank Company and its connected undertaking Moorland Covered Bonds LLP ('the LLP'). Whilst £1.4bn of mortgages have been sold to the LLP, only £500.0m of notes have been issued and the LLP is required to return all cashflows not used in settling its obligations to the Bank Company through deferred consideration. Therefore the intercompany loan payable by the Bank Company is only partially reflective of the sold mortgage assets.

26. ANALYSIS OF CREDIT RISK EXPOSURE

2024	Loans and advances to banks	Loans and advances to customers	Investment securities	Derivative financial instruments	Other assets	Total
Note in Bank Company financial statements	4	5 ²	6	7	8 ³	
Analysis of credit risk exposure						
Gross accounting balances	173.1	20,539.9	1,637.3	216.6	8.9	22,575.8
Less: accounting adjustments ¹	-	(71.3)	-	-	-	(71.3)
Gross customer balances	173.1	20,468.6	1,637.3	216.6	8.9	22,504.5
Credit commitments	-	1,489.8	-	-	-	1,489.8
Gross customer exposure	173.1	21,958.4	1,637.3	216.6	8.9	23,994.3
Less: customer balances measured at FVTPL	-	(73.2)	(2.9)	(216.6)	-	(292.7)
Net customer exposure subject to ECL calculation	173.1	21,885.2	1,634.4	-	8.9	23,701.6
Allowance for losses (total ECL)	-	29.3	-	-	-	29.3

1. Accounting adjustments include EIR and accrued interest.
2. Excludes fair value adjustment for hedged risk of £(139.8)m.
3. Excludes equity shares (£6.4m) and prepayments (£35.7m).

2023	Loans and advances to banks	Loans and advances to customers	Investment securities	Derivative financial instruments	Other assets	Total
Note in Bank Company financial statements	4	5 ²	6	7	8 ³	
Analysis of credit risk exposure						
Gross accounting balances	193.7	20,352.4	2,509.4	301.0	11.2	23,367.7
Less: accounting adjustments ¹	-	(68.8)	-	-	-	(68.8)
Gross customer balances	193.7	20,283.6	2,509.4	301.0	11.2	23,298.9
Credit commitments	-	1,578.6	-	-	-	1,578.6
Gross customer exposure	193.7	21,862.2	2,509.4	301.0	11.2	24,877.5
Less: customer balances measured at FVTPL	-	(88.1)	(3.3)	(301.0)	-	(392.4)
Net customer exposure subject to ECL calculation	193.7	21,774.1	2,506.1	-	11.2	24,485.1
Allowance for losses (total ECL)	-	37.4	-	-	-	37.4

1. Accounting adjustments include EIR and accrued interest.
2. Excludes fair value adjustment for hedged risk of £(167.5)m.
3. Excludes equity shares (£12.6m) and prepayments (£24.1m).

All balances except L&A to customers are stage 1 (2023: stage 1) and did not transfer during the year. Loans and advances to customers is further analysed in the tables below:

Gross customer exposure	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	19,199.2	2,421.1	98.3	55.5	21,774.1
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(644.4)	644.4	-	-	-
To credit impaired (stage 1 or 2 or 3)	(27.3)	(40.3)	67.6	-	-
To 12 month ECL (stage 2 or 3 to 1)	1,330.0	(1,330.0)	-	-	-
From credit impaired (stage 3 to 2)	3.0	15.9	(18.9)	-	-
Net changes arising from stage transfers	661.3	(710.0)	48.7	-	-
Other charges/(releases):					
New assets originated or purchased	3,320.0	-	-	-	3,320.0
Other changes to risk parameters	(193.9)	(0.1)	-	-	(194.0)
Redemptions and repayments	(2,678.7)	(293.2)	(30.2)	(7.9)	(3,010.0)
Net other charges/(releases)	1,108.7	(1,003.3)	18.5	(7.9)	116.0
Assets written off	(1.0)	(1.9)	(1.9)	(0.1)	(4.9)
At 31 December 2024	20,306.9	1,415.9	114.9	47.5	21,885.2

26. ANALYSIS OF CREDIT RISK EXPOSURE (continued)

Gross customer exposure	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	18,933.0	3,692.0	80.3	65.1	22,770.4
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(880.8)	880.8	-	-	-
To credit impaired (stage 1 or 2 or 3)	(27.9)	(29.4)	57.3	-	-
To 12 month ECL (stage 2 or 3 to 1)	1,676.9	(1,676.9)	-	-	-
From credit impaired (stage 3 to 2)	4.7	6.2	(10.9)	-	-
Net changes arising from stage transfers	772.9	(819.3)	46.4	-	-
Other charges/(releases):					
New assets originated or purchased	2,928.6	-	-	0.8	2,929.4
Other changes to risk parameters	(566.3)	-	-	-	(566.3)
Redemptions and repayments	(2,868.1)	(449.8)	(23.9)	(10.2)	(3,352.0)
Net other charges/(releases)	267.1	(1,269.1)	22.5	(9.4)	(988.9)
Assets written off	(0.9)	(1.8)	(4.5)	(0.2)	(7.4)
At 31 December 2023	19,199.2	2,421.1	98.3	55.5	21,774.1

Allowance for losses	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2024	8.8	20.7	7.5	0.4	37.4
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.7)	5.6	-	-	4.9
To credit impaired (stage 1 or 2 or 3)	-	(0.7)	3.9	-	3.2
To 12 month ECL (stage 2 or 3 to 1)	0.8	(8.4)	-	-	(7.6)
From credit impaired (stage 3 to 2)	-	0.2	(1.1)	-	(0.9)
Net changes arising from stage transfers	0.1	(3.3)	2.8	-	(0.4)
Other charges/(releases):					
New assets originated or purchased	3.2	-	-	-	3.2
Other changes to risk parameters	(1.6)	(0.2)	1.6	(0.2)	(0.4)
Redemptions and repayments	(1.4)	(2.6)	(1.7)	-	(5.7)
Net other charges/(releases)	0.3	(6.1)	2.7	(0.2)	(3.3)
Assets written off	(0.7)	(1.6)	(2.5)	-	(4.8)
At 31 December 2024	8.4	13.0	7.7	0.2	29.3

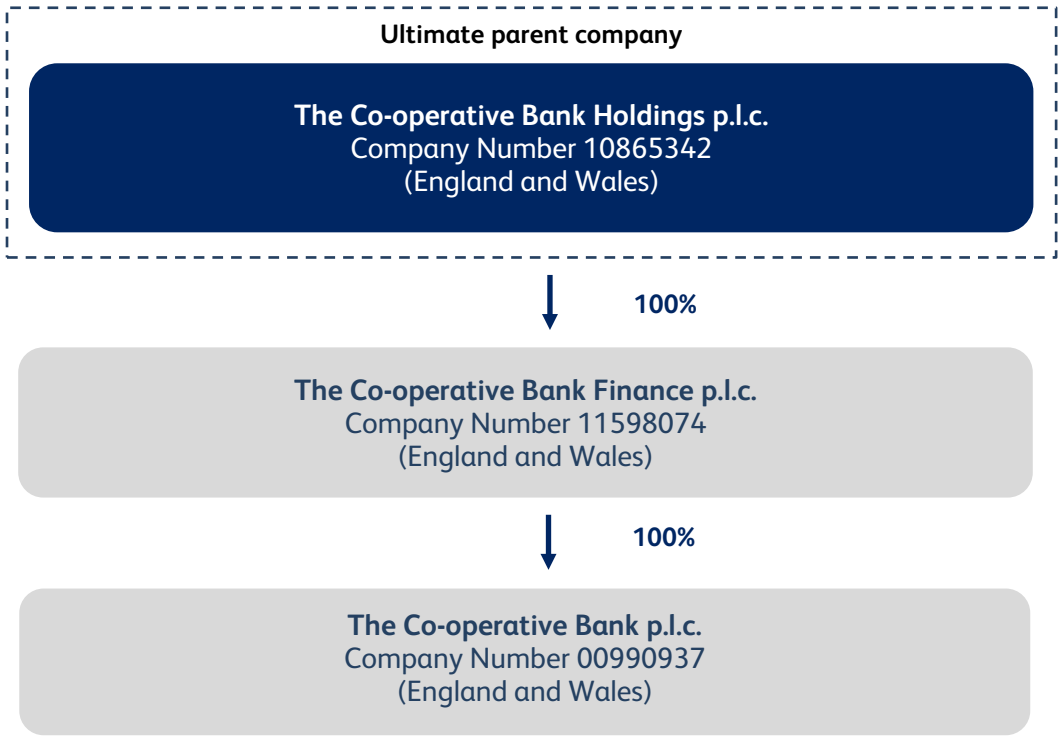
Allowance for losses	Stage 1	Stage 2	Stage 3	POCI	Total
At 1 January 2023	11.3	20.9	7.9	0.3	40.4
Changes arising from stage transfers:					
To lifetime ECL (stage 1 to 2 or 3)	(0.8)	7.7	-	-	6.9
To credit impaired (stage 1 or 2 or 3)	-	(0.6)	4.1	-	3.5
To 12 month ECL (stage 2 or 3 to 1)	0.8	(5.4)	-	-	(4.6)
From credit impaired (stage 3 to 2)	-	0.1	(0.2)	-	(0.1)
Net changes arising from stage transfers	-	1.8	3.9	-	5.7
Other charges/(releases):					
New assets originated or purchased	2.6	-	-	-	2.6
Other changes to risk parameters	(3.0)	1.6	(1.3)	0.1	(2.6)
Redemptions and repayments	(1.3)	(2.1)	(0.6)	-	(4.0)
Net other (releases)/charges	(1.7)	1.3	2.0	0.1	1.7
Assets written off	(0.8)	(1.5)	(2.4)	-	(4.7)
At 31 December 2023	8.8	20.7	7.5	0.4	37.4

The credit risk section within risk management applies to the Bank Company where relevant and therefore no additional disclosures are included in this note.

27. EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events to report.

Financial Statements of The Co-operative Bank Holdings p.l.c. (Holding Company)



THE CO-OPERATIVE BANK HOLDINGS P.L.C. FINANCIAL STATEMENTS (HOLDING COMPANY-ONLY)
BALANCE SHEET

At 31 December 2024

£million

	Note	2024	2023
Assets			
Loans and advances to banks	2	0.2	0.2
Investments in subsidiary	3	333.0	333.0
Amounts owed by Bank Company	6	961.8	971.6
Total assets		1,295.0	1,304.8
Other liabilities			
Other borrowed funds	4,7	847.7	870.5
Total liabilities		847.9	870.5
Capital and reserves attributable to the Holding Company's equity holders			
Ordinary share capital	5	0.9	0.9
Share premium account	5	313.8	313.8
Retained earnings		113.9	101.1
Merger relief reserve		18.5	18.5
Total equity		447.1	434.3
Total liabilities and equity		1,295.0	1,304.8

Net profit attributable to equity holders of the Holding Company for the year is £114.8m (2023: £101.1m), driven primarily by the recognition of a dividend declared by the Finance Company of £95.0m (2023: £46.0m), and fair value movements on the internal loan due from the Bank Company of £31.6m (2023: £56.6m).

The notes on pages 246 to 249 form part of the Holding Company financial statements.

Approved by the Board on 6 March 2025:

Joanne Kenrick
Chair of the Board

Steve Hughes
Interim Chief Executive Officer

THE CO-OPERATIVE BANK HOLDINGS P.L.C. FINANCIAL STATEMENTS (HOLDING COMPANY-ONLY)
STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2024

£million

	Attributable to equity holders of the Holding Company				Total
	Share capital	Share premium	Merger relief reserve	Retained earnings	
2024					
At 1 January 2024	0.9	313.8	18.5	101.1	434.3
Total comprehensive income for the year	-	-	-	114.8	114.8
Dividends paid	-	-	-	(102.0)	(102.0)
At 31 December 2024	0.9	313.8	18.5	113.9	447.1

£million

	Attributable to equity holders of the Holding Company				Total
	Share capital	Share premium	Merger relief reserve	Retained earnings	
2023					
At 1 January 2023	0.9	313.8	18.5	-	333.2
Total comprehensive income for the year	-	-	-	101.1	101.1
At 31 December 2023	0.9	313.8	18.5	101.1	434.3

The notes on pages 246 to 249 form part of the Holding Company financial statements.

NOTES TO THE THE CO-OPERATIVE BANK HOLDINGS P.L.C. FINANCIAL STATEMENTS (HOLDING COMPANY-ONLY)

All amounts are stated in £m unless otherwise indicated.

1. BASIS OF PREPARATION

The Co-operative Bank Holdings p.l.c. (Holding Company), registration number 10865342, was incorporated in the UK and is a public limited company registered in England and Wales. The registered office address of the Holding Company is 1 Balloon Street, Manchester, M4 4BE.

The Holding Company financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value, and approved by the Directors in accordance with UK adopted international accounting standards and the provisions of the Companies Act 2006.

On including its financial statements within the Group's Annual Report and Accounts, the Holding Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

Accounting policies outlined in note 1 of the Group and Bank consolidated financial statements and the explanatory information on pages 255 to 265 also apply to the Holding Company.

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. Actual results may differ from these estimates. The critical judgement applicable to the Holding Company is set out below.

Critical accounting judgement - impairment of investment in subsidiary and intercompany assets

Management have performed an assessment of indicators of impairment including a review of the 2024 performance and forecast performance of the Finance Company and its subsidiaries. The conclusion of this review was that the Holding Company's investment in Finance Company is not impaired.

During 2023, Holding Company was substituted, in place of Finance Company, as the issuer of the external MREL-qualifying Tier 2 and senior unsecured debt instruments under pre-existing substitution clauses in the relevant note agreements. Concurrently, the internal MREL debt instruments were novated to Holding Company.

Amounts due from Bank Company in respect of the internal MREL debt instruments are held at FVTPL and as such are not considered for ECL.

Other amounts owed by Bank Company are deemed to have no ECL on the grounds that whilst the Group remains a going concern, funds could be moved within the group to meet any financial obligations and therefore the loss given default associated with the exposure would be nil.

2. LOANS AND ADVANCES TO BANKS

	2024	2023
Loans and advances to banks	0.2	0.2

This balance is held with The Co-operative Bank p.l.c.

3. INVESTMENT IN SUBSIDIARY

	2024	2023
At the beginning and at the end of the year	333.0	333.0

At 31 December 2024, the Holding Company owned 100 % of the share capital of The Co-operative Bank Finance p.l.c. The principal activity of The Co-operative Bank Finance p.l.c. is that of a holding company.

NOTES TO THE THE CO-OPERATIVE BANK HOLDINGS P.L.C. FINANCIAL STATEMENTS (HOLDING COMPANY-ONLY)

4. OTHER BORROWED FUNDS

	2024	2023
Fixed rate subordinated notes	850.0	886.5
Accrued interest	11.3	10.5
Acquisition discount	(13.6)	(26.5)
	847.7	870.5

During 2023, Holding Company was substituted, in place of Finance Company, as the issuer of the external MREL-qualifying Tier 2 and senior unsecured debt instruments under pre-existing substitution clauses in the relevant note agreements. As the Bank holds all cash in respect of these instruments, the transfer had no impact on the Holding Company or the Finance Company's cash.

For details of the fixed rate subordinated notes, please refer to the disclosures in note 27 of the Group and Bank consolidated financial statements. The carrying value of these instruments differ from the carrying value for the Group due to the fact that they do not include amortising transaction costs, which were borne and capitalised by the Bank Company, and that the Holding Company carrying value includes a discount arising from its acquisition of the debt from the Finance Company during 2023.

5. SHARE CAPITAL

2024	No. of A shares (millions)	A shares value	No. of B shares	B shares value	Total share capital
Share capital allotted, called up and fully paid	9,029.1	0.9	83	-	0.9
At the beginning and at the end of the year	9,029.1	0.9	83	-	0.9

2023	No. of A shares (millions)	A shares value	No. of B shares	B shares value	Total share capital
Share capital allotted, called up and fully paid	9,029.1	0.9	83	-	0.9
At the beginning and at the end of the year	9,029.1	0.9	83	-	0.9

Share premium account

	2024	2023
At the beginning and at the end of the year	313.8	313.8

The terms of the share capital issuance are the same as those disclosed in note 32 of the Group and Bank consolidated financial statements.

No final dividend in respect of the year ended 31 December 2024 is recommended by the directors of The Co-operative Bank Holdings p.l.c. During the year a final dividend in respect of year ended 31 December 2023 of £12.0m was paid, equating to 0.13 pence per ordinary A share in The Co-operative Bank Holdings p.l.c.

An interim dividend of £90.0m was paid in 2024, equating to 1.00 pence per ordinary A share in The Co-operative Bank Holdings p.l.c. (2023: £nil).

Refer to note 9 for details of changes to share capital that occurred subsequent to the balance sheet date.

6. RELATED PARTY TRANSACTIONS

Parent, subsidiary and ultimate controlling party

The ultimate parent undertaking of the Group is The Co-operative Bank Holdings p.l.c.

As at 31 December 2024, the Holding Company had one significant shareholder, SP Coop Investments Ltd, holding over 20 % of the B shares.

Refer to note 9 for details of changes to related parties that occurred subsequent to the balance sheet date.

6. RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

	2024	2023
Amounts owed by Bank Company (non-current) – measured at FVTPL		
Internal loan in respect of MREL instruments (including accrued interest)	921.5	925.2
Amounts owed by Bank Company (current) – measured at amortised cost		
Other internal loans	40.3	46.4
Cash deposited with Bank Company	0.2	0.2

Transactions with related parties

	2024	2023
Interest income from Bank Company	76.0	11.4
Interest expense to Bank Company	(12.5)	(1.8)
Dividends income	95.0	46.4
Other operating income from Bank Company	33.0	58.8
	191.5	114.8

With the exception of the cash deposited with the Bank Company, all other transactions, including those related to MREL and Tier 2 instruments and dividends paid and received are settled through the Bank Company via intragroup loan arrangements and thus have no cash impact.

The terms of amounts due from Bank Company in respect of the internal MREL debt related to the external MREL-qualifying Tier 2 and senior unsecured debt instruments are equivalent to those of the external MREL-qualifying Tier 2 and senior unsecured debt instruments. Refer to note 27 of the consolidated Group and Bank financial statements for further details. During 2023, Holding Company was substituted, in place of Finance Company, as the issuer of the external MREL-qualifying Tier 2 and senior unsecured debt instruments under pre-existing substitution clauses in the relevant note agreements. Concurrently, the internal MREL debt instruments were novated to Holding Company.

The subsidiaries of The Co-operative Bank p.l.c. as detailed in note 22 of the Bank Company financial statements and all Directors and key management personnel of the Group, are all considered to be related parties of the Holding Company (further details are available in note 31 of the consolidated Group and Bank financial statements).

7. ANALYSIS OF CREDIT RISK EXPOSURE

The fair value of internal MREL-qualifying instruments is disclosed in note 8 below.

Other amounts owed by Bank Company are deemed to have no ECL on the grounds that whilst the Group remains a going concern, funds could be moved within the group to meet any financial obligations and therefore the loss given default associated with the exposure would be nil.

8. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The amount due from Bank Company in respect of internal debt instruments is carried at fair value through profit or loss with a value of £921.5m (2023: £925.2m). The valuation technique employed for this financial asset is as described in note 34 of the Group and Bank consolidated financial statements. This instrument is level 2 under the fair value hierarchy and did not transfer to another level during the year. The fair value disclosures for the other borrowed funds are identical to those set out in note 34 of the Group and Bank consolidated financial statements.

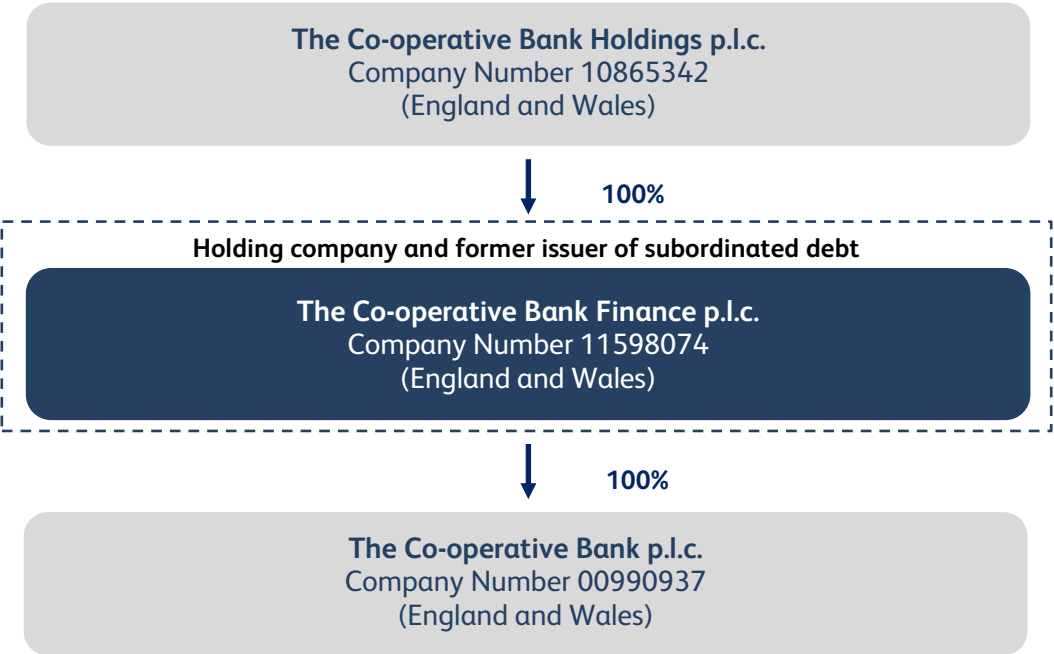
The fair value of other amounts owed by Bank Company, arising through Bank Company's role as treasury function for the Group and cash deposits, are deemed to be equal to their carrying value.

9. EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2025, following the granting of regulatory approval on 28 November 2024, the entire issued class A ordinary share capital of The Co-operative Bank Holdings p.l.c. was acquired by the Coventry Building Society, and the issued class B redeemable preference share capital of The Co-operative Bank Holdings p.l.c. was fully redeemed at nominal value.

The acquisition of the Group by the Coventry Building Society has had no impact on the Group's accounting reference date. All expenses or liabilities of the Group contingent on the acquisition have been recognised in these financial statements. Future possible impacts of the acquisition effective from 1 January 2025, which may include alignment of accounting policies and consideration of significant judgements in the context of the wider group, will be considered during the 2025 reporting period.

Financial Statements of The Co-operative Bank Finance p.l.c. (Finance Company)



THE CO-OPERATIVE BANK FINANCE P.L.C. FINANCIAL STATEMENTS (FINANCE COMPANY-ONLY)
BALANCE SHEET

At 31 December 2024

£million

	Note	2024	2023
Assets			
Investments in subsidiary	3	333.0	333.0
Total assets		333.0	333.0
Liabilities			
Amounts owed to group undertakings	5	46.4	46.4
Total liabilities		46.4	46.4
Capital and reserves attributable to the Finance Company's equity holders			
Ordinary share capital	4	0.9	0.9
Retained earnings		255.1	255.1
Other reserves		30.6	30.6
Total equity		286.6	286.6
Total liabilities and equity		333.0	333.0

Net profit attributable to equity shareholders of Finance Company was £95.0m (2023: £9.6m). Prior year income statement impacts were driven solely by fair value movements on the internal loan due from the Bank Company, which was transferred to the Holding Company during 2023.

The Finance Company's cash and cash equivalents was £nil (2023: £nil). There were no changes in cash and cash equivalents for the Finance Company for the year ended 31 December 2024 and hence no cash flow statement has been prepared.

The notes on pages 253 to 254 form part of the Finance Company financial statements.

Approved by the Board on 6 March 2025:

Joanne Kenrick
Chair of the Board

Steve Hughes
Interim Chief Executive Officer

THE CO-OPERATIVE BANK FINANCE P.L.C. FINANCIAL STATEMENTS (FINANCE COMPANY-ONLY)
STATEMENT OF CHANGES IN EQUITY

For year ended 31 December 2024

£million

	Attributable to equity holders of the Finance Company			
	Share capital	Capital contribution reserve	Retained earnings	Total equity
2024				
At 1 January 2024	0.9	30.6	255.1	286.6
Total comprehensive income for the year	-	-	95.0	95.0
Dividends paid	-	-	(95.0)	(95.0)
At 31 December 2024	0.9	30.6	255.1	286.6

£million

	Attributable to equity holders of the Finance Company			
	Share capital	Capital contribution reserve	Retained earnings	Total equity
2023				
At 1 January 2023	0.9	-	291.9	292.8
Total comprehensive income for the year	-	-	9.6	9.6
Impact of transfer of debt to Holding Company	-	30.6	-	30.6
Dividends paid	-	-	(46.4)	(46.4)
At 31 December 2023	0.9	30.6	255.1	286.6

The notes on pages 253 to 254 form part of these Finance Company financial statements.

NOTES TO THE CO-OPERATIVE BANK FINANCE P.L.C. FINANCIAL STATEMENTS (FINANCE COMPANY-ONLY)

All amounts are stated in £m unless otherwise indicated.

1. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

The Co-operative Bank Finance p.l.c. (the “Finance Company”), registration number 11598074, was incorporated in the UK and is a public limited company registered in England and Wales. The registered office address of the Finance Company is 1 Balloon Street, Manchester, M4 4BE.

The financial statements of the Finance Company have been prepared under the historical cost convention as modified by the revaluation of items held at fair value through other comprehensive income, derivative contracts, investment properties and certain other fair value instruments held at fair value through profit or loss and approved by the Directors in accordance with UK adopted international accounting standards and in accordance with the provisions of the Companies Act 2006.

Accounting policies outlined in note 1 of the Group and Bank consolidated financial statements and the explanatory information on pages 255 to 265 also apply to the Finance Company.

Going concern

The Board has considered the going concern status of the Finance Company and has no stated intention to liquidate the company at this time, or over the going concern assessment period to 30 June 2025. As a result, the Board concluded that there is an expectation of the Finance Company continuing to operate as the Bank’s intermediate parent company for the foreseeable future and that it has sufficient resources to do so, with no material uncertainties over the assessment period. Accordingly, the accounts of the Finance Company for the period ended 31 December 2024 have been prepared on a going concern basis.

Critical judgements and key 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. Actual results may differ from these estimates. The critical judgements applicable to the Finance Company are set out below.

Impairment of investment in subsidiary

The carrying value of Finance Company’s investment in Bank Company was £333.0m (2023: £333.0m).

Management have performed an assessment of indicators of impairment including a review of the 2024 performance and forecast performance of the Bank Company. The conclusion of this review was that the Finance Company’s investment in the Bank Company was not impaired.

2. NET PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE FINANCE COMPANY

On including its financial statements within the Group’s Annual Report and Accounts, the Finance Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these financial statements.

3. INVESTMENT IN SUBSIDIARY

	2024	2023
At the beginning and at the end of the year	333.0	333.0

At 31 December 2024, the Finance Company owned 100 % of the share capital of The Co-operative Bank p.l.c.

The Co-operative Bank p.l.c. has a number of subsidiary companies of its own, details of which are outlined in note 22 of the Bank Company financial statements.

NOTES TO THE CO-OPERATIVE BANK FINANCE P.L.C. FINANCIAL STATEMENTS (FINANCE COMPANY-ONLY)

4. SHARE CAPITAL

	2024		2023	
	No. of shares (millions)	Value	No. of shares (millions)	Value
Share capital allotted, called up and fully paid				
At the beginning and at the end of the year	9,029.1	0.9	9,029.1	0.9

The Finance Company declared an interim dividend of £95.0m (2023: £46.4m), equating to 1.05 pence per ordinary share, and settled this during the year via an intercompany loan arrangement.

5. RELATED PARTY TRANSACTIONS

Parent, subsidiary and ultimate controlling party

The ultimate parent undertaking of the Finance Company is The Co-operative Bank Holdings p.l.c.

The subsidiaries of The Co-operative Bank p.l.c. as detailed in note 22 of the Bank Company financial statements, and all Directors and key management personnel of the Group, are also considered to be related parties of the Finance Company (further details are available in note 31 to the consolidated Group and Bank financial statements and note 24 of the Bank Company financial statements).

Amounts owed to group undertakings

	2024	2023
Amounts owed to Bank Company (other current internal loans)	46.4	46.4

Transactions with related parties

	2024	2023
Interest income from Bank Company	-	52.9
Other operating income from Bank Company	-	9.6
Dividends income	95.0	-
	95.0	62.5

6. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of amounts owed to Bank Company, arising through Bank Company's role as treasury function for the Group, are deemed to be equal to their carrying value.

7. EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet events to report.

Explanatory Information

1. Accounting policies

The accounting policies referred to as applicable to the Group are equally applicable to the Bank, the Bank Company, the Holding Company and the Finance Company.

1.1 Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities (including structured entities) controlled by the Holding Company, Bank Company or Finance Company. Control exists whenever the Holding Company, Bank Company or Finance Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, in accordance with the requirements of IFRS 10 (Consolidated Financial Statements). In assessing control, potential voting rights that presently are exercisable are taken into account. The financial information of subsidiaries is included in the consolidated financial information from the date that control commences until the date that control ceases.

The financial information has been prepared using consistent accounting policies and applied at the reporting date of the Group, Bank, Bank Company, Holding Company and Finance Company. Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

b) Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method. The consolidated financial information includes the proportionate share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies.

c) Interests in unconsolidated structured entities

Unconsolidated structured entities are unconsolidated entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are not consolidated where it is determined with due regard to the variable returns from the structured entity and the ability to affect those returns, that the structured entity is not controlled under IFRS 10 considerations. The Group acts as a sponsor for certain unconsolidated securitisation vehicle holding companies which it neither owns nor controls.

1.2 Revenue recognition

Fees and commissions

Fee and commission income is predominantly made up of arrangement fees for loans and advances (not included in the EIR), account servicing and card fees. All fee and commission income is recognised on a point-in-time basis as the performance obligation is satisfied at the time the fees are charged. There are no future performance obligations or variable considerations involved per the contracts.

The Group acts as principal in the majority of contracts with customers, with the exception of the following contracts where the Group acts as agent:

- Funeral care and insurance services – Income is recognised net of fees payable to other parties in the arrangement; and
- Certain personal lending transactions where the Group acts as agent – Income is received and recognised on a net basis.

The Group offers cash back incentives on certain credit card arrangements and treats them as an expense. These arrangements do not provide customers with a separate performance obligation or a material/significant right in advance, or constitute part of a contract.

Dividend income

Dividend income is recognised when the right to receive the payment is established, which is generally when the Directors approve the dividend as final. Interim dividends are recognised in the income statement when the dividend is paid.

1.3 Financial instruments

a) Recognition

Financial assets and financial liabilities are initially recognised in the balance sheet at fair value when the Group becomes party to the contractual provisions of the instrument:

- Loans and advances are initially recognised when they are advanced to customers;
- Deposits, debt securities issued and other borrowed funds are recognised on the date at which they are originated; and
- Regular way purchases and sales of financial assets are recognised on the trade date at which the commitment to purchase or sell the asset is made.

Subsequently, financial instruments are classified as follows: amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

b) Financial instruments measured at amortised cost

Financial assets measured at amortised cost are those for which the business model objective is to hold to collect the contractual cash flows, and the contractual cash flows are solely payments of principal and interest (SPPI). Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Unless designated at FVTPL, the classification and subsequent measurement of the financial asset is based on the business model and contractual cash flows of the asset.

The IFRS 9 business models reflect how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Factors considered in determining the business model for a group of assets include both past experience and future plans for these assets.

Solely payments of principal and interest are those consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risk (including liquidity risk), costs (including administrative costs) and a profit margin that is consistent with a basic lending arrangement. If the SPPI contractual cash flow test is not passed, then the related financial asset is measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest, and any impacts of the embedded derivative to modify cash flows are considered against the requirements of IFRS 9.

Financial liabilities are typically measured at amortised cost unless they are FVTPL liabilities (such as derivatives), arise from the transferred assets that do not qualify for derecognition or are financial guarantee contracts.

c) Financial instruments designated at FVTPL

Financial instruments may be designated at FVTPL, however this irrevocable decision must be applied at inception. Financial instruments are classified in this category if they meet one or more of the criteria set out below:

- Designation removes or significantly reduces an accounting mismatch;
- The financial instrument is part of a group of financial assets and liabilities or a group of financial liabilities managed and performance evaluated on a fair value basis; or
- The financial liability contains one or more non-closely related embedded derivatives.

The Group has designated a small portion of loans and advances to customers at FVTPL as by doing so significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are subsequently measured at fair value. The fair value gains and losses for those debt instruments which have not been designated with a hedge accounting relationship are recognised within the income statement for the year and recorded within other operating income/(expense) (net).

d) Financial instruments measured at FVTPL

FVTPL measurement is mandatorily applied to financial assets that fail the SPPI test, which includes equity instruments not designated as FVOCI, and intercompany assets recognised in respect of MREL and Tier 2-qualifying instruments where the underlying terms of the loans include contractual write-down provisions.

e) Financial assets measured at FVOCI

Debt instrument financial assets measured at FVOCI are those for which the business model objective is hold to collect and sell the contractual cash flows, and the contractual cash flows of the financial asset are solely payments of principal and interest. FVOCI financial assets are subsequently measured at fair value, with movements in fair value being recognised in other comprehensive income, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses on the debt instrument's amortised cost, which are recognised in the income statement.

When the debt instrument is derecognised, cumulative gains and losses previously recorded in other comprehensive income are reclassified from equity to the income statement and recognised in other operating income/(expense) (net).

An equity instrument may be designated irrevocably at fair value through other comprehensive income at inception. When this election is applied, cumulative gains and losses are recognised in other comprehensive income but are not transferred to profit or loss on derecognition of the equity instrument. The Group has made no such elections in respect of equity instruments.

f) Reclassifications

Debt instruments are only reclassified when the business model for managing such assets is changed. Such changes as a result of external or internal changes must be significant, demonstrable to external parties, and are expected to be rare in occurrence. Financial liabilities cannot be reclassified.

g) Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) are reclassified on the balance sheet as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the assets. The liability to the transferee is also included on the balance sheet, in deposits by banks. The difference between sale and repurchase price is accrued over the life of the agreements.

Securities purchased under agreements to re-sell (reverse repos) are classified as loans and advances to banks on the balance sheet, as appropriate.

h) Derivative financial instruments and hedge accounting

Derivatives are used to hedge interest and exchange rate exposures related to non-trading positions. Instruments used for hedging purposes include swaps, forward rate agreements, options and combinations of these instruments.

Derivative financial instruments are stated at fair value using valuation techniques such as discounted cash flow models using yield curves that are based on observable market data or on valuations obtained from third parties. All derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. The gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for cash flow hedge accounting.

The IAS 39 Financial Instruments criteria for documentation and hedge effectiveness are required to be met where the Group applies hedge accounting. The Group applies hedge accounting under the UK-endorsed version of IAS 39.

i. Cash flow hedges

Where derivatives are designated as hedges of the exposure to variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the portion of the fair value gain or loss on the derivative that is determined to be an effective hedge is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement immediately.

The accumulated gains and losses recognised in equity are reclassified to the income statement in the periods in which the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised at that time remains in equity until the forecast transaction is eventually recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately reclassified to the income statement.

ii. Fair value hedges

Where a derivative is designated as the hedging instrument to hedge the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the value of the derivative are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. Fair values are based on quoted market prices in active markets or, where these are not available, using valuation techniques such as discounted cash flow models. If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued. Any adjustment up to that point, to a hedged item for which the EIR method is used, is amortised to profit or loss as part of the recalculated EIR of the item over its remaining life.

iii. Fair value hedge accounting for a portfolio hedge of interest rate risk

As part of the risk management process, portfolios are identified where interest rate risk is to be hedged. The portfolios may comprise only assets, only liabilities or both assets and liabilities. Each portfolio is analysed into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur.

Using this analysis, the percentage to hedge is decided and designated as the hedged item is an amount of assets or liabilities from each portfolio equal to this.

The change in fair value of the portfolio relating to the risk that is being hedged is measured monthly. Provided that the hedge has been highly effective, the change in fair value for the hedged risk of each hedged item is recognised in the income statement with the cumulative movement in its value being shown on the balance sheet as a separate item, fair value adjustment for hedged risk, either within assets or liabilities as appropriate. If the hedge no longer meets the criteria for hedge accounting, this amount is amortised to the income statement over the remaining useful life of the hedged item on an appropriate basis.

The fair value of each hedging instrument is measured and this is included in derivative financial instruments in either assets or liabilities as appropriate, with the change in value recorded in the income statement. Any hedge ineffectiveness is recognised in the income statement as the difference between the change in fair value of the hedged item for the hedged risk and the change in fair value of the hedging instrument.

i) Embedded derivatives

A derivative may be embedded in another liability, known as the host contract. Where the economic characteristics and risks of an embedded derivative are not closely related to those of the host contract (and the host contract is not carried at fair value through profit or loss), the embedded derivative is separated from the host and held on-balance sheet at fair value. Movements in fair value are recognised in the income statement, whilst the host contract is accounted for according to the relevant accounting policy for that particular liability.

Embedded derivatives are not considered in the context of financial assets, the classification and measurement of the entire instrument is instead based on the contractual terms of the financial asset and the related business model.

j) Impairment of financial assets

The below describes the Group's general accounting policies around the assessment of credit losses. Considerations around estimation uncertainty is discussed in further detail in note 2 of the Group and Bank consolidated financial statements.

Under IFRS 9, the expected credit loss (ECL) is assessed on a forward-looking basis for debt instruments carried at amortised cost and FVOCI, for exposures related to loan commitments, and for financial guarantee contracts. Credit risk is measured using probability of default (PD), the exposure at default (EAD) and loss given default (LGD).

Financial instruments are classified within stage 1 on initial recognition. If a significant increase in credit risk (SICR) since recognition is identified but the financial instrument is not credit impaired, then the financial instrument transitions to stage 2. A financial instrument transitions to stage 3 when it becomes credit impaired. Financial instruments within stage 1 have a loss allowance reflecting a 12 month ECL whereas financial instruments within stage 2 and 3 have a loss allowance reflecting a lifetime ECL. Financial instruments which are purchased or originated credit impaired attract a lifetime ECL until derecognition irrespective of staging criteria. For stage 3 assets, interest is calculated on balances net of any associated ECLs.

The expected life of a financial instrument is estimated based on the shorter of the contractual and behavioural life. For retail credit cards and corporate charge cards, expected life is based on the behavioural life with the contractual life applied to other portfolios.

i. Constitution of the expected credit loss provision

The ECL provision is calculated based on collective and individual assessments. Judgemental adjustments are applied 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 origination, measurement and release of material judgemental adjustments are initially reviewed and approved by the Chief Risk Officer on a quarterly basis, and subject to further analysis and challenge through the Group's accounting judgement review process before ultimately being presented to the Group's Joint Audit Committee.

ii. Significant increase in credit risk (SICR)

The Bank considers a loan to have experienced a significant increase in credit risk since initial recognition when one or more of the following quantitative, qualitative or backstop criteria have been met.

Quantitative criteria

The Bank assesses the probability of default of individual borrowers and counterparties and via monitoring internal credit risk gradings. The loan is considered to have moved to stage 2 where the following conditions are met:

- Secured: The residual lifetime PD has increased since origination by (i) more than a factor of x1.5 and (ii) increased by more than 30 basis points;
- Unsecured: The residual lifetime PD has increased since origination by greater than the Lifetime PD at origination plus a buffer (starting at 2.5 % for new accounts, and reducing with account age); and
- Corporate: Current rating grade has deteriorated below 'Good' for any exposures originated better than 'Good', or has deteriorated by a single grade for any exposure originated as 'Good' or worse.

Qualitative criteria

Qualitative drivers of a significant increase in credit risk revolve around identifying particular characteristics that are determined to lead to a higher credit risk, and thus become subject to closer credit risk monitoring. These are typically lead indicators of a deteriorating credit risk as in some instances, these qualitative measures will be evident before the borrower's credit score is impacted.

All accounts identified as failing a cost of living affordability stress are moved to stage 2. This stress models considers changes to disposable income based on increased energy costs and rising interest rates. Other qualitative criteria considered to exceed the Bank's underwriting policy at the reporting date, even if the loan is currently performing, include mortgage customers past retirement age or poor external credit bureau data. Qualitative criteria are monitored and periodically reviewed for appropriateness.

Backstop criteria

A customer account is considered to have experienced a significant increase in credit risk by the following backstop measures:

- Secured & Unsecured: Loan is greater or equal to one month past due;
- Corporate: Borrower is greater or equal to one month past due or is otherwise placed on Watchlist.

Cure/Probation periods

A cure period is not applied to loans in Stage 2, however both qualitative and quantitative triggers include historical data in the assessment:

- Quantitative: Underlying PD models include historical variables therefore for some time after the trigger event the borrower's credit score will be adversely affected. The impact on the credit risk of the account would be overstated if a further cure period beyond this was added;
- Qualitative: Corporate customers placed on Watchlist are subject to a probation period before moving from a higher stage to a lower stage.

The 'low credit risk exemption' available within IFRS 9 applies to certain highly rated treasury assets, which the Group classifies as those that are rated as investment grade. Accordingly, at each balance sheet date, it is assumed that credit risk on all such financial assets has not increased significantly since initial recognition. The 'low credit risk exemption' has not been applied to any other type of financial asset.

iii. Definition of default and credit impaired financial instruments

The Group considers all defaulted instruments to be credit impaired and vice versa. Qualitative criteria applied in the definition of default include:

- Bankruptcy/insolvency for all portfolios;
- Certain types of forbearance and unlikelihood to pay factors for all portfolios except for Treasury; and
- Fraud, litigation/possession and term expiry for retail secured portfolios.

The Group uses the 90 days past due backstop for all portfolios in evaluating whether or not an instrument has defaulted, both for the purposes of ECL calculation and internal credit risk management.

If an instrument does not meet the default criteria for a defined period of months (after a probationary period of 6-12 months) then an instrument is no longer considered to be in default. This period has been set with regard to the probability of an instrument returning to default status after cure.

iv. Calculation of the ECL

The ECL is calculated as the discounted multiple of PD, EAD and LGD, which are all based on historical analysis, adjusted for the future view of forward-looking macroeconomic information.

v. Incorporation of forward-looking information

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

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

Once the scenarios and weightings have been determined, ECLs are calculated by applying each scenario to the Group's ECL models and multiplying the result by the respective scenario weighting. The assessment of SICR is performed using the remaining lifetime PD under each scenario, multiplied by the scenario weighting, along with the qualitative and backstop indicators set out in ii) above.

This assessment determines whether the whole financial instrument should be in stage 1, 2 or 3 and consequently whether a weighted 12 month or a lifetime expected credit loss should be recognised. The Group may from time-to-time override model-derived staging with judgemental adjustments where it considers the model output to understate (or overstate) the credit risk of a particular instrument (or portfolio of instruments).

The Group does not typically apply macroeconomic forecasts to individually-assessed ECL calculations due to the limited and very specific nature of these cases.

vi. Segmentation of portfolios

Financial assets are grouped together where ECL calculations are performed on a collective basis. Regression analysis has been performed to determine how financial assets should be grouped such that risk characteristics of assets within a group are homogeneous and the risk characteristics of each group are statistically significant to another.

vii. Write-off and recoveries

A write-off is made when all or part of a claim is deemed uncollectable or forgiven after all the possible collection procedures have been completed and the amount of loss has been determined. Write-offs are charged against previously established provisions for impairment. Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the impairment charge in the income statement once they are received.

viii. Modification

When renegotiating or otherwise modifying the contractual cash flows of loans to customers, e.g. by applying forbearance, the Group considers whether or not the new terms are substantially different to the original terms.

If the new terms are not substantially different to the original terms, the modification in contractual cash flows does not result in derecognition. The gain or loss on modification of the contractual cash flow associated with the recognition of the revised gross carrying amount is recognised in the income statement.

When the contractual cash flows of financial assets are renegotiated or otherwise modified and the new terms are substantially different to the original terms, the original asset is derecognised, and a new asset is recognised at fair value with a new EIR. At the date of recognition of the new asset, an assessment is made as to whether the asset was credit impaired on recognition. The difference between the carrying amount derecognised and that re-recognised is included in the income statement as a gain or loss on derecognition.

k) Derecognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Collateral provided under standard repurchase agreements, securities lending and borrowing transactions is not derecognised because substantially all of the risks and rewards are retained on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial assets associated with certain internal securitisation transactions are not derecognised because the Bank Company retains substantially all of the risks and rewards on the transferred financial assets.

When a financial asset is derecognised in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the income statement.

l) Interest income and expense

Interest income and expense on financial instruments measured at amortised cost or fair value through other comprehensive income (FVOCI) is recorded within net interest income and recognised on an Effective Interest Rate (EIR) basis except for:

- Purchased or originated credit impaired assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and
- Financial assets which are not purchased or originated credit impaired assets but have become credit impaired (reside within stage 3), for which interest income is calculated by applying the EIR to their amortised cost (i.e. net of the expected credit loss provision).

The EIR basis is inclusive of directly attributable origination and incremental transaction costs and fees including arrangement and broker fees, valuation and solicitor costs, discounts and premiums where appropriate. Commitment fees received are deferred and included in the EIR calculation upon completion or taken in full at the date the commitment period expires and completion does not occur. Early redemption charges are recognised on a cash basis as received, as it is not possible to reliably estimate the receipt of such fees.

Interest income and expense on derivatives assets in a designated hedge relationships is recognised in the same interest income or expense financial statement line item as the asset or liability it is hedging. Interest income and expense on all other financial instruments managed on a fair value basis or mandatorily measured at FVTPL is recorded within other interest and similar income.

1.4 Property, plant and equipment

Assets are recognised where there is substantial exposure to all the risks and rewards of those assets. Items of property, plant and equipment are stated at cost less any accumulated depreciation and impairment losses. Depreciation is recognised on a straight line basis at the following typical expected useful lives: 40 years for long leasehold land and buildings, 10 years for freehold and leasehold improvements, 5 years for computers and other equipment, 10 years for furniture and equipment and the life of lease for short leasehold buildings. In certain instances different more specific useful lives may be used if there is evidence that the useful life should be assumed to be shorter (or longer).

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each balance sheet date. If impairment is indicated, the asset's recoverable amount (being the greater of fair value less cost to sell and value in use) is estimated. Value in use is calculated by discounting the future cash flows generated from the continuing use of the asset. If the carrying value of the asset is greater than the recoverable amount, the shortfall is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal, less costs to sell, with the carrying amount and are recognised net within operating expenses in the income statement.

1.5 Intangible assets

Intangible assets (including those which are internally generated) are initially recognised when they are separable or arise from contractual or other legal rights, where it is probable that future economic benefits attributable to the assets will flow from their use and the cost can be measured reliably.

The cost of internally generated assets only include employee costs to the extent that they are directly attributable to the development of the identified asset (indirect and general overhead costs are excluded). Internally generated assets are amortised from the date when they become available for use.

Intangible assets are stated at cost less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives, which is 3 to 9 years for computer software and 3 to 5 years for licences.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

1.6 Leases

a) Group as a Lessee

At the commencement date, the right-of-use asset is measured at cost which comprises the amount of the initial measurement of the lease liability, an estimate of dismantling/restoration of the underlying asset, any incremental costs directly attributable to the lease inception and any premiums or other advance payments made to the lessor. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability arising from a reassessment of lease term, revision to lease break assumptions or in-substance fixed lease repayments. The depreciation and impairment accounting policies applied to the right-of-use assets are consistent with those applied to the respective tangible asset categories.

The lease liability is measured initially at the present value of unpaid lease payments, excluding VAT. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date, discounted at the Group's incremental borrowing rate at that time. At lease inception, the Group typically assumes that break options will not be exercised; leases are remeasured when the relevant operating decision makers determine that a lease is more likely than not to be terminated at a forthcoming lease break date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted to reflect any reassessment of lease term, revision to lease break assumptions or in-substance fixed lease repayments. The interest expense is recognised within interest expense and similar charges in the income statement.

The following accounting policy choices have been applied:

- The requirements of IFRS 16 have not been applied to leases of less than 12 months and those of low value (such costs are recognised on a straight line or other systematic basis);
- Lease liabilities are discounted at the Group's incremental borrowing rate; and
- Non-lease components are not separated from lease components within the lease liability.

1.7 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and balances with a maturity of three months or less from the origination date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.8 Income tax

a) Overview

Tax for the year comprises current and deferred tax, which is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income.

b) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

c) Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is supported by the Board-approved Financial Plan. Further information is included in note 2, sections 2.1.2 critical judgements and 2.2.3 key sources of estimation uncertainty.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset if and only if the entity has a legally enforceable right to net off current tax assets and liabilities, and the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the same company.

1.9 Retirement benefits

a) Defined contribution

A defined contribution (DC) scheme is a plan into which the Group and employees pay fixed contributions which are invested on their behalf by the trustee of the scheme. The Group has no legal or constructive obligation to pay any further contributions. The Group participates in the DC element of The Co-operative Pension Scheme (Pace DC), which is ring-fenced from the defined benefit section of the Pace scheme noted below. The cost of the employer contributions to the Group's DC plan is recognised as an expense in the income statement in the period in which they fall due.

b) Defined benefit

A defined benefit (DB) scheme is a pension plan that defines the amount of guaranteed pension benefit that an employee will receive on retirement based on a number of factors including the salary and years of service.

The assets of a DB scheme are included at their fair value. The fair value of annuity policies held by a DB scheme that exactly matches the amount and timing of benefits payable under the plan is deemed to be equivalent to the present value of the related obligations. Scheme liabilities are measured on an actuarial basis using the projected unit credit method in accordance with IAS 19 Employee Benefits (IAS 19). The liabilities are discounted to present value using rates equivalent to market yields on high-quality corporate bonds at the balance sheet date with terms to maturity approximating to the terms of the related pension liability. A high-quality corporate bond is usually taken to mean a bond that has been rated at the level of AA or equivalent status.

The Group's income statement includes the past service costs, net interest income or expense and scheme administration expenses. Past service costs represent the change in the present value of the defined benefit obligation arising from plan amendments or curtailment and are recognised when the plan amendment or curtailment occurs. Net interest income or expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit asset or liability.

Remeasurements, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest income or expense) are reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurements relate to the effects of differences between previous actuarial assumptions and what has actually occurred, and changes in forward-looking actuarial assumptions. They will not subsequently be reclassified to profit and loss.

The Group's balance sheet includes the net scheme surplus or deficit, being the difference between the fair value of the schemes' assets and the present value of scheme liabilities at the balance sheet date. Surpluses are recognised as an asset to the extent the Group has an unconditional right under the scheme rules to receive economic value through reduced contributions in the future or refunds from the schemes, in accordance with IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

1.10 Foreign currency

The functional and presentational currency is pounds sterling. Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate prevailing at that date. Foreign currency differences arising on translation are recognised in the income statement, except for foreign currency differences arising on translation of FVOCI equity instruments or a qualifying cash flow hedge, which are recognised directly in the statement of other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at the exchange rates prevailing at the dates the values were determined.

1.11 Investments in subsidiaries and group undertakings

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less impairment.

1.12 Provisions

A provision is recognised in the balance sheet if there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate, if the expected future cash flows can be reliably estimated.

In the case of restructuring provisions, a constructive obligation arises when a plan is sufficiently detailed and is formalised and when the plan is deemed to have been communicated to relevant stakeholders impacted by the restructure. Restructuring provisions include only direct expenditure arising from the restructuring plan which is both necessary for restructuring and not associated with ongoing activities.

Contingent liabilities are possible obligations arising from past events that are either not yet confirmed or obligations that are not likely to result in economic outflow. Contingent liabilities are not recognised on the balance sheet, but are disclosed where material.

1.13 Share premium

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. Expenses and commissions paid on the issue of shares are written off against the share premium of the same issue.

1.14 Dividends

Distributions to holders of equity instruments are recognised when declared and are deducted from retained earnings. For final dividends this is considered to be when the dividend has been approved at the Annual General Meeting, and for interim dividends this is considered to be at the point the dividend is paid.

1.15 Netting arrangements

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to do so and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Standards and interpretations issued but not yet effective

The IASB has issued a number of other minor amendments to IFRSs, which have been endorsed by the UK Endorsement Board, and are due to take effect for periods commencing 1 Jan 2025. The Group does not anticipate that any of these amendments will have a significant impact on the Group.

Caution about forward-looking statements

This document contains forward-looking statements with respect to the business, strategy, plans and/or results of the Group and its current targets, goals and expectations relating to its future financial condition, performance, developments and/or prospects. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve', 'predict', 'should' or, in each case, 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 Group's future financial position and commitments in connection with the plan and other statements that are not historical facts, including statements about the Group's or its Directors' and/or management's beliefs and expectations.

Limitations inherent to forward-looking statements

The Group cautions readers that these forward-looking statements are not historical facts or guarantees of future performance and that actual results or other financial condition 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 and uncertainty because they are based on current plans, estimates, targets, projections, views and assumptions and are subject to significant inherent risks, uncertainties and other factors both external and internal relating to the Group's plan, strategy or operations that are beyond the Group's control, which may result in the Group being unable 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. Accordingly, undue reliance should not be placed on forward-looking statements.

Forward-looking statements speak only as at today

Any forward-looking statements made or contained in this Annual Report and Accounts speak only as of the date of this Annual Report and Accounts and it should not be assumed that they have been revised or updated in the light of new information of future events or circumstances arising after the date of these documents. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange or applicable law, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in these documents as a result of new information or to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consider any additional disclosures that the Group has made or may make in documents it has published or may publish via the Regulatory News Service of the London Stock Exchange.

No offer of securities

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