

The **co-operative** financial services
good with money

Co-operative Financial Services
Interim financial report 2010

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Highlights

- CFS profit before tax, distributions and fair-value amortisation was £75.9m (2009: £50.5m)
- Operating result of £109.3m (2009: £81.4m)
- New lending to consumers £1.1bn and businesses £0.4bn
- Bank capital ratio of 13.2% with a core tier 1 ratio of 8.7% (December 2009: 13.5% and 8.7% respectively)
- Strong growth in shareholder customer deposits of £1.4bn (4.2%) in the first half of 2010
- Increased customer funding ratio of 110% (December 2009: 104%)
- Recognised as the World's Most Sustainable Bank by the Financial Times
- Successful integration of two complementary businesses over the last twelve months
- Full year synergy target (following the merger last year) is on track to be exceeded
- Successful implementation of market-leading business banking suite, the first release of a programme to transform CFS's banking capability

Our strategy is made up of our purpose, givens, values, vision and our business plans. Together they help define us as a business, set the direction and inform the decisions we make and how we behave.

Our **purpose**

Our purpose is to be a pioneering business delivering sustainable financial services for members and society.

Our **givens**

- we champion co-operative values and principles and ethics;
- we are financially prudent and strong;
- we share profits with members; and
- we only do business consistent with our values and principles.

Our **values**

Our values describe what is important to our organisation and guide our behaviours by determining how we interact with each other and our customers. By living our values, we will deliver a consistent and positive customer experience every time.

As a co-operative business:

- we put our members and customers first in all we do;
- we take personal and social responsibility;
- together we will create a great place to work, grow and develop;
- we strive relentlessly to be faster, better, more successful; and
- we are open and fair and are committed to excellent communication.

Our **vision**

To be the UK's most admired financial services business.

Business and financial review

In a world where the traditional financial services model has been tested and found wanting, the Co-operative Financial Services (CFS) is proud to be different. As a member-owned, customer-led and ethically-guided business, CFS has increasingly differentiated itself by its prudent financial stewardship, its consistent approach to customer service and its concern for its impact, not just on customers but on communities and the environment as a whole. This 'co-operative difference' was recently recognised by the Financial Times in naming CFS the World's Most Sustainable Bank.

As a sustainable alternative to the traditional financial services model, CFS has shown itself well placed to capitalise on current market conditions. Despite macro-economic concerns around growth and unemployment and the challenges of a low interest rate environment, the CFS business model has benefited from the diversity of its businesses, its strong brands, together with the stability of its customer relationships and comprehensive product range, supported by a flexible distribution model.

Over the last twelve months, following the merger with Britannia Building Society, CFS has successfully integrated two complementary businesses. The early establishment of a single executive, strategy and senior management structure allowed the business to move quickly beyond stabilisation into transformation.

This far-reaching process encompasses people, processes and systems and is already delivering an enhanced customer experience. An active integration programme, launched in the wake of last year's merger, has already delivered significant cost synergies – indeed CFS is on track to exceed its full-year target. The programme benefits from a strong track record in both heritage businesses and good progress is being made in moving towards an integrated customer proposition.

Looking to the longer term, a fundamental organisation design process has been successfully implemented, while the transformation of CFS's banking systems infrastructure has commenced with the implementation of a market-leading business banking suite. Significant further investment is planned to ensure that CFS's infrastructure matches its ambition to be the UK's most admired financial services business.

Highlights

Profit before tax, distributions and fair-value amortisation to the half year of £75.9m was 50.3% higher than the first half of 2009.

These results reflect the merger with Britannia, the success of CFS in strengthening underlying profitability despite the challenges of the current economic environment and the ongoing weakness in the financial services sector in particular. In addition underlying capital and liquidity positions remain strong, laying the foundations for stable growth.

The Co-operative Bank's capital ratio was 13.2%, with a tier 1 ratio of 9.0% and a core tier 1 ratio of 8.7%. This is substantially unchanged from December 2009, illustrating a robust ongoing capital position. Customer deposits have seen excellent growth of £1.4bn (4.2%) in the first half of 2010, reflecting 97% retention of fixed-rate ISA balances and the attraction of significant new funds, whilst a customer-funding ratio of 110% shows a substantial increase (104% at December 2009).

First half profits reflect a charge of £22.6m for the amortisation of fair values which were created at the time of the merger.

In the first half of 2010 a profit distribution of £8.7m has been made to the Co-operative Group for payment to individual members based on their transactions with CFS for the period to 31 December 2009. In 2009 the dividend was recognised in the second half of the year. This does not include a distribution to ex-Britannia members, who received a payment of £19.0m in March 2010 in relation to the year ended 31 December 2009; this was provided for in the Britannia Building Society cessation accounts for the period to 31 July 2009.

CFS operating result and profit before taxation and distributions

	2010	2009	Change	Change
	£m	£m	£m	%
Income	673.5	556.4	117.1	21.0%
Operating costs – steady state	(338.0)	(247.1)	(90.9)	-36.8%
Operating costs – strategic initiatives	(20.9)	(7.0)	(13.9)	-198.6%
Claims	(162.3)	(147.9)	(14.4)	-9.7%
Impairment losses	(43.0)	(73.0)	30.0	41.1%
Operating result	109.3	81.4	27.9	34.3%
Significant items	(22.1)	(22.3)	0.2	0.9%
Short-term investment fluctuations	(8.4)	(6.4)	(2.0)	-31.2%
Share of post tax profits from joint ventures	0.4	–	0.4	–
Financial services compensation scheme levies	(3.3)	(2.2)	(1.1)	-50.0%
Profit before taxation, distributions and fair-value amortisation	75.9	50.5	25.4	50.3%
Fair-value amortisation	(22.6)	–	(22.6)	–
Profit before taxation and distributions	53.3	50.5	2.8	5.5%

Total operating result was £109.3m, compared with £81.4m in the first half of 2009, and represents an increase of 34.3%.

Income and operating results show growth of 21.0% and 34.3% respectively. The 2010 figures include the Britannia business for the half year, with 2009 figures reflecting the heritage CFS business (pre merger) only. In addition, the 2010 half year covers a period of 26 weeks, while 2009 figures reflect a 28-week period.

The growth in both income and costs reflects the increase in scale and diversity of the business post merger, although it is noteworthy that despite this, impairment has fallen by 41.1% in 2010. This reflects a combination of improved arrears collection processes and the tightening of credit-risk scorecards in the unsecured lending business, together with continued focus on credit quality within corporate banking. These figures represent a favourable result in the current economic climate.

Claims in the general insurance business were 9.7% higher than 2009, which largely reflects the impact of the increased insurance business being written, along with an additional £7m (5%) in weather claims following the exceptionally cold conditions in the early months of 2010.

On a like-for-like basis (comparing 26 weeks of the first half of 2009 and including Britannia), CFS has generated growth in both income (5.6%) and operating result (3.7%) reflecting a robust performance from the banking business and income growth from the general insurance business. Banking margins have remained broadly unchanged, with improved mortgage margins offset by the higher costs of term deposit funding.

Like-for-like costs were held at 2009 levels, reflecting rigorous cost management across the business and cost reductions through merger synergy benefits offsetting inflationary pressures. Impairment charges on a like-for-like basis (even before fair-value credit protection) were 7.7% lower than 2009.

Profit before tax, distributions and fair-value amortisation includes £22.1m of significant costs which have been incurred on a major programme of investment and integration and compares with similar levels of expenditure for 2009. Short term investment fluctuations reflect a cost of £8.4m, compared to £6.4m for 2009.

Total balance sheet assets of £68.8bn were unchanged from the position at 31 December 2009. Total shareholder assets, excluding the long-term business fund were £47.8bn, £0.4bn lower than at 31 December 2009. Customer lending balances have increased, reflecting CFS's continued support to families and small businesses during these difficult times, advancing £1.1bn to mortgage customers and £0.4bn to businesses. The increase in customer deposits of £1.4bn (4.2%) has enabled CFS to reduce its dependency on funding from the wholesale markets. In addition, the issuance of a £2.5bn securitisation in early 2010 has provided an additional source of term-funding.

Business and financial review

Our businesses

CFS consists of two main segments – **Retail** and **Corporate and Markets**.

The Retail business offers a range of financial products and services to individuals, households and small businesses throughout the UK. Retail includes retail banking (trading as The Co-operative Bank, Britannia and **smile**) and CIS General Insurance Ltd (CISGIL). The long-term business fund, while not included in shareholder results within CFS or the tables below (since the business is run in the interests of the policyholders), is included in the Retail narrative for the purposes of this report.

Corporate and Markets (CAM) is the business-to-business part of CFS and includes corporate banking, the Co-operative Asset Management (tCAM), Platform, Optimum, treasury and business services.

CFS results also include the earnings on free shareholder capital. This capital is held centrally to ensure the efficient use of capital by Retail and CAM. Also included are the results of Unity Trust Bank.

Operating result by business segment

	2010 £m	2009 £m	Change £m	Change %
Retail	11.1	14.4	(3.3)	-22.9%
CAM	80.7	37.3	43.4	116.4%
Other	17.5	29.7	(12.2)	-41.1%
Operating result	109.3	81.4	27.9	34.3%

Retail

Operating result

	2010 £m	2009 £m	Change £m	Change %
Net interest income	168.3	120.5	47.8	39.7%
Net earned premium	216.0	201.7	14.3	7.1%
General insurance investment returns and other	23.6	30.3	(6.7)	-22.1%
Non-interest income	77.2	72.4	4.8	6.6%
Net income	485.1	424.9	60.2	14.2%
Operating costs – steady state	(262.8)	(207.2)	(55.6)	-26.8%
Operating costs – strategic initiatives	(17.9)	(6.2)	(11.7)	-188.7%
Claims	(162.3)	(147.9)	(14.4)	-9.7%
Impairment losses	(31.0)	(49.2)	18.2	37.0%
Operating result	11.1	14.4	(3.3)	-22.9%

Retail operating result was £11.1m, £3.3m lower than 2009. This, however, includes the increased costs of project expenditure which are expected to generate future benefits; excluding these costs, operating result was 41% higher than 2009.

Retail products

Retail banking result was broadly stable year-on-year, despite the low interest-rate environment and the consequent shift in customer behaviour, reflected in lower current account commissions and lower credit card spend and balances.

The improvement in net interest income largely reflects the inclusion of Britannia. On a like-for-like basis, net interest income has fallen slightly, reflecting changes in the interest-rate environment and the impact of floors on savings balances. Mortgage balances remain strong, with June 2010 applications surpassing the record for either heritage business in a single month. Average loan to value ratios remain below 50% across the retail business.

Mortgage margins have improved, but this has been offset by the cost of maintaining higher, mainly term, liability balances to ensure a strong liquidity position and by a decline in credit card balances and yields reflecting the change in customer behaviour due to the recession.

Non-interest income has improved due to the inclusion of Britannia, partially offset by lower income from the independent financial adviser subsidiary, reflecting difficult market conditions and lower merchant interchange fees as customers' credit card spend declines.

Impairment losses have significantly improved compared with 2009 reflecting improved arrears collection processes and a tightening of credit-risk scorecards in the unsecured book. Mortgage quality has been maintained with continued low rates of impairment.

The strength of the retail customer proposition has once again been recognised by a number of awards. CFS was named a 'recommended provider' by Which? Magazine, and won multiple categories at the Moneywise Customer Service awards. The Co-operative Bank received the highest rating from the Forrester UK bank website benchmarking survey (beating NatWest, Santander, Barclays, Lloyds TSB and Halifax).

General insurance

The general insurance business has achieved a healthy growth in both gross written and net earned premiums (18.4% and 7.1% respectively). This has had a positive impact on the underwriting result given the relatively fixed nature of the cost base.

These higher levels of income have been offset by an increase in claims. This is partly due to the impact of higher business volumes, but also includes a cost of £7m in relation to weather claims following the exceptionally cold conditions in the early months of 2010.

Retention rates have remained broadly stable at 68% reflecting the loyalty of our customer base, the potential of the Co-operative brand and the success of retention initiatives.

Customer satisfaction with general insurance products and service is at 75% for Motor and 73% for Household, compared to market averages of 66% for Motor and 60% for Household, according to GFK NOP Financial Research Survey, July 2009 to June 2010. The Co-operative Insurance won the 'Best Online Motor Insurance Provider 2010' at the 'Your Money' Awards and also won 'Intelligent Choice Awards' for its customer service and cover from Consumer Intelligence.

Life and savings

The long-term business, run solely for the benefit of policyholders, saw sales figures increase 5% in 2010 compared with 2009 levels, with new-business profitability reaching £8.5m compared with £4.1m in 2009. The present value of new-business premiums for 2010 rose to £384m, an increase of 25% compared with 2009 and improved sales have been achieved against a backdrop of a reduction in the number of financial advisers during 2009.

Maintenance expenses fell by 35% from £35.9m in 2009 to £23.3m in 2010, as a result of cost efficiencies.

Life & savings was well ahead of the industry average for customer advocacy in the 2010 ABI customer impact survey, where almost two-thirds of customers were 'very likely' or 'extremely likely' to recommend the CFS life & savings business to others. This report can be found on CFS's 'Good With Money' website.

Corporate and Markets (CAM)

Operating result

	2010	2009	Change	Change
	£m	£m	£m	%
Net interest income	135.6	75.0	60.6	80.8%
Non-interest income	26.5	22.5	4.0	17.8%
Net income	162.1	97.5	64.6	66.3%
Operating costs – steady state	(68.0)	(35.9)	(32.1)	-89.4%
Operating costs – strategic initiatives	(3.0)	(0.8)	(2.2)	-275.0%
Impairment losses	(10.4)	(23.5)	13.1	55.7%
Operating result	80.7	37.3	43.4	116.4%

Business and financial review

CAM business profitability has more than doubled to £80.7m, an increase of £43.4m compared with 2009, driven by a significant improvement in underlying performance and the merger with Britannia. During 2010, CAM continued its focus on a balanced approach to lending and deposit growth resulting in £0.7bn of new customer lending and a £0.8bn increase in customer deposits.

Corporate banking

The continued focus on credit quality has resulted in lower impairment charges. The economic recovery remains fragile and corporate colleagues continue to support customers wherever possible in difficult times. Corporate banking has been successful in controlling its cost base whilst growing the business. These benefits have been partially offset by slightly reduced like-for-like net income in the period, reflecting the higher cost of funding. The results also reflect continued robust lending margins and significant customer deposits growth in the period.

Optimum and Platform

In the period since merger, the Platform intermediary business has demonstrated success as a prime and selective specialist lender. Controlled growth has allowed Platform to write good quality prime business and be selective with prudent loan-to-value criteria.

During the first half of 2010, overall arrears in the Optimum portfolio (a closed book of pre-merger intermediary and acquired loan book assets) have continued to improve. The number of new arrears cases has fallen as the business experiences success with continuing investment and focus on existing cases. This enables customers to repair their arrears position and credit record.

Treasury

Treasury has successfully maintained high levels of liquidity from diversified funding sources. Like-for-like treasury performance is broadly in line with 2009. Higher term-funding costs for new debt issues have been offset by active management of the costs of the back book of secured funding. Treasury was successful in issuing a £2.5bn securitisation in early 2010 providing an additional source of term-funding for the business as a whole.

Business services

Business services was formed on 1 January 2010, bringing together the provision of fee income generating services such as agency banking, business Visa and purchasing card processing schemes, third-party mortgage processing and overseas payments.

In the first half of 2010 it has grown the customer base for Visa/government purchasing card schemes and established a major new third-party mortgage master-servicing contract.

tCAM

The Co-operative Asset Management (tCAM), formed in 2009, is responsible for investing the money held in CIS's pensions, life insurance, general insurance and unit trust funds and is in a break-even position. It is investing in sales capability with a view to expanding into the third-party intermediary and institutional markets.

Summary and outlook

Despite the continuing pressures on the UK economy and financial services industry, CFS has delivered a strong first half-year performance. Profits have strengthened across the business, supported by a strong brand and a business model which reflects complementary business divisions. Operating results are up 34% to £109.3m.

Our reputation for prudence and financial stability is strongly underpinned by a capital position that sets the platform for future growth without compromising customer interests. Like-for-like costs have been held at 2009 levels and impairment is significantly improved. Strong liquidity and capital reserves mean that CFS is in a position to pursue a strategy of growth and investment over the coming years.

CFS is now well on with its business integration programme, which will be rolled out over the next three years and will deliver the infrastructure to take an increasingly proactive role in tomorrow's markets. As the UK's most diversified mutual financial service provider, CFS will continue to integrate the range of customer access points in order to offer a single, seamless customer proposition. As UK consumers increasingly question the financial services 'status quo', CFS's member-owned, customer-led and ethically-guided business model is well placed to establish itself as the UK's most admired financial services provider.

Consolidated income statement

For the period ended 30 June 2010 (unaudited)
All amounts are stated in £m unless otherwise indicated

	Total shareholder return before significant items	Significant items	Total shareholder	Long-term business (1)
2010				
Interest and investment income	926.6	–	926.6	324.0
Interest paid	(570.3)	–	(570.3)	–
Gross earned insurance premiums	229.4	–	229.4	256.7
Premiums ceded to reinsurers	(13.4)	–	(13.4)	(8.2)
Commissions and fees receivable	133.4	–	133.4	22.4
Gains less losses from traded investments	3.6	–	3.6	98.6
Commissions and fees payable	(38.1)	–	(38.1)	(16.5)
Other	2.3	–	2.3	(4.0)
Net revenue	673.5	–	673.5	673.0
Net claims incurred	(162.3)	–	(162.3)	(473.5)
Technical charges	–	–	–	(161.9)
Impairment losses on loans and advances	(43.0)	–	(43.0)	–
Net revenue after claims and impairment	468.2	–	468.2	37.6
Change in unallocated divisible surplus	–	–	–	56.2
Tax attributable to policyholders	–	–	–	(8.6)
Operating expenses	(358.9)	(22.1)	(381.0)	(85.2)
Operating result	109.3	(22.1)	87.2	–
Fair-value amortisation	(22.6)	–	(22.6)	–
Short-term investment fluctuations	(8.4)	–	(8.4)	–
Share of post-tax profits from joint ventures	0.4	–	0.4	–
Financial services compensation scheme levies	(3.3)	–	(3.3)	–
Profit before taxation and distributions	75.4	(22.1)	53.3	–
Profit-based payments to members of The Co-operative Group	(8.7)	–	(8.7)	–
Profit before taxation	66.7	(22.1)	44.6	–
Taxation	(22.6)	6.2	(16.4)	–
Minority interests	–	–	–	–
Profit for the period	44.1	(15.9)	28.2	–

(1) Long-term business operating expenses include £1.6m of significant items. This relates to non-recurring restructuring costs.

Consolidated income statement

For the period ended 25 July 2009 (unaudited)

All amounts are stated in £m unless otherwise indicated

	Total shareholder return before significant items	Significant items	Total shareholder	Long-term business (1)
2009				
Interest and investment income	353.8	–	353.8	361.5
Interest paid	(94.6)	–	(94.6)	–
Gross earned insurance premiums	211.2	–	211.2	269.8
Premiums ceded to reinsurers	(9.5)	–	(9.5)	(9.0)
Commissions and fees receivable	112.7	–	112.7	21.9
Gains less losses from traded investments	8.8	–	8.8	(839.8)
Commissions and fees payable	(29.1)	–	(29.1)	(16.7)
Other	3.1	–	3.1	11.2
Net revenue	556.4	–	556.4	(201.1)
Net claims incurred	(147.9)	–	(147.9)	(581.0)
Technical charges	–	–	–	1,053.2
Impairment losses on loans and advances	(73.0)	–	(73.0)	–
Net revenue after claims and impairment	335.5	–	335.5	271.1
Change in unallocated divisible surplus	–	–	–	(228.8)
Tax attributable to policyholders	–	–	–	69.4
Operating expenses	(254.1)	(22.3)	(276.4)	(111.7)
Operating result	81.4	(22.3)	59.1	–
Fair-value amortisation	–	–	–	–
Short-term investment fluctuations	(6.4)	–	(6.4)	–
Share of post-tax profits from joint ventures	–	–	–	–
Financial services compensation scheme levies	(2.2)	–	(2.2)	–
Profit before taxation and distributions	72.8	(22.3)	50.5	–
Profit-based payments to members of The Co-operative Group	–	–	–	–
Profit before taxation	72.8	(22.3)	50.5	–
Taxation	(18.6)	6.3	(12.3)	–
Minority interests	(2.0)	–	(2.0)	–
Profit for the period	52.2	(16.0)	36.2	–

(1) Long-term business operating expenses include £11.7m of significant items. This relates to non-recurring restructuring costs.

Consolidated statement of comprehensive income

For the period ended 30 June 2010 (unaudited)
All amounts are stated in £m unless otherwise indicated

	Total shareholder return before significant items	Significant items	Total shareholder	Long-term business
Period from 1 January 2010 to 30 June 2010				
Profit for the period – equity shareholders	44.1	(15.9)	28.2	–
Profit for the period – minority interests	–	–	–	–
Other comprehensive income:				
Changes in cashflow hedges	27.1	–	27.1	–
Changes in available-for-sale investments	2.0	–	2.0	–
Income tax on other comprehensive income	(8.2)	–	(8.2)	–
Other comprehensive income for the financial period, net of income tax	20.9	–	20.9	–
Total comprehensive income for the financial period	65.0	(15.9)	49.1	–
Attributable to:				
Equity shareholders	65.0	(15.9)	49.1	–
Minority interests	–	–	–	–
Total comprehensive income for the financial period	65.0	(15.9)	49.1	–
Period from 11 January 2009 to 25 July 2009				
Profit for the period – equity shareholders	52.2	(16.0)	36.2	–
Profit for the period – minority interests	2.0	–	2.0	–
Other comprehensive income:				
Changes in cashflow hedges	(35.1)	–	(35.1)	–
Changes in available-for-sale investments	1.2	–	1.2	–
Income tax on other comprehensive income	9.5	–	9.5	–
Other comprehensive income for the financial period, net of income tax	(24.4)	–	(24.4)	–
Total comprehensive income for the financial period	29.8	(16.0)	13.8	–
Attributable to:				
Equity shareholders	28.7	(16.0)	12.7	–
Minority interests	1.1	–	1.1	–
Total comprehensive income for the financial period	29.8	(16.0)	13.8	–

Consolidated balance sheet

At 30 June 2010 (unaudited)

All amounts are stated in £m unless otherwise indicated

	Total shareholder	Long-term business	Eliminations	Total
2010				
Assets				
Cash	1,591.8	54.5	(54.5)	1,591.8
Derivative financial instruments	1,021.0	820.7	–	1,841.7
Loans and advances to banks	2,318.8	–	–	2,318.8
Loans and advances to customers	34,298.2	6.6	–	34,304.8
Investments	7,599.0	15,586.9	(211.3)	22,974.6
Investment property	161.8	1,445.7	–	1,607.5
Reinsurers' share of technical provisions	57.1	2,997.2	–	3,054.3
Intangible assets	229.9	19.0	–	248.9
Property, plant and equipment	174.4	–	–	174.4
Prepayments and other receivables	333.3	390.5	(40.9)	682.9
Deferred tax	30.9	(19.9)	–	11.0
Total assets	47,816.2	21,301.2	(306.7)	68,810.7
Liabilities and equity				
Amounts owed to credit institutions	3,150.7	951.8	–	4,102.5
Amounts owed to customers	34,134.0	–	(265.8)	33,868.2
Debt securities in issue	4,394.0	–	–	4,394.0
Derivative financial instruments	742.0	584.1	–	1,326.1
Insurance contracts	909.9	16,047.1	–	16,957.0
Investment contracts liabilities	–	254.1	–	254.1
Unallocated divisible surplus	–	996.6	–	996.6
Other borrowed funds	976.1	–	–	976.1
Other liabilities and accruals	492.5	2,440.2	(40.9)	2,891.8
Retirement benefit obligations	34.3	–	–	34.3
Provisions	72.7	9.5	–	82.2
Minority interests	32.8	17.8	–	50.6
Equity	2,877.2	–	–	2,877.2
Total liabilities and equity	47,816.2	21,301.2	(306.7)	68,810.7

Consolidated balance sheet

At 31 December 2009 (unaudited)

All amounts are stated in £m unless otherwise indicated

	Total shareholder	Long-term business	Eliminations	Total
2009				
Assets				
Cash	1,703.0	54.8	(54.8)	1,703.0
Derivative financial instruments	1,064.8	639.5	–	1,704.3
Loans and advances to banks	1,781.5	–	–	1,781.5
Loans and advances to customers	34,128.5	7.8	–	34,136.3
Investments	8,546.7	15,583.6	(236.6)	23,893.7
Investment property	144.6	1,433.5	–	1,578.1
Reinsurers' share of technical provisions	47.5	2,971.5	–	3,019.0
Intangible assets	204.8	12.0	–	216.8
Property, plant and equipment	190.6	–	–	190.6
Prepayments and other receivables	379.6	243.8	(26.5)	596.9
Total assets	48,191.6	20,946.5	(317.9)	68,820.2
Liabilities and equity				
Amounts owed to credit institutions	6,088.0	1,071.2	–	7,159.2
Amounts owed to customers	32,759.3	–	(291.0)	32,468.3
Debt securities in issue	3,334.3	–	–	3,334.3
Derivative financial instruments	604.4	489.8	–	1,094.2
Insurance contracts	869.5	15,859.5	–	16,729.0
Investment contracts liabilities	–	259.9	–	259.9
Unallocated divisible surplus	–	1,052.8	–	1,052.8
Other borrowed funds	946.5	–	–	946.5
Other liabilities and accruals	635.9	2,120.8	(26.9)	2,729.8
Deferred tax	(18.7)	41.4	–	22.7
Retirement benefit obligations	33.2	–	–	33.2
Provisions	53.1	9.1	–	62.2
Minority interests	33.6	42.0	–	75.6
Equity	2,852.5	–	–	2,852.5
Total liabilities and equity	48,191.6	20,946.5	(317.9)	68,820.2

Consolidated statement of changes in equity

For the period ended 30 June 2010 (unaudited)

All amounts are stated in £m unless otherwise indicated

	Share capital	General reserve	Retained earnings	Available-for-sale reserves	Cashflow hedge reserve	Total
Period from 1 January 2010 to 30 June 2010						
At the beginning of the period	64.9	317.0	2,387.4	13.2	70.0	2,852.5
Total comprehensive income for the period	–	–	28.2	1.5	19.4	49.1
Transactions with owners recorded directly in equity:						
Dividend	–	–	(24.4)	–	–	(24.4)
Total equity	64.9	317.0	2,391.2	14.7	89.4	2,877.2

Period from 26 July 2009 to 31 December 2009

At the beginning of the period	64.9	317.0	1,501.0	(31.6)	79.5	1,930.8
Total comprehensive income for the period	–	–	90.5	44.8	(9.5)	125.8
Amounts arising on transfer of engagements	–	–	811.2	–	–	811.2
Transactions with owners recorded directly in equity:						
Dividend	–	–	(15.3)	–	–	(15.3)
Total equity	64.9	317.0	2,387.4	13.2	70.0	2,852.5

Period from 11 January 2009 to 25 July 2009

At the beginning of the period	64.9	317.0	1,500.1	(32.9)	104.3	1,953.4
Total comprehensive income for the period	–	–	36.2	1.3	(24.8)	12.7
Transactions with owners recorded directly in equity:						
Dividend	–	–	(35.3)	–	–	(35.3)
Total equity	64.9	317.0	1,501.0	(31.6)	79.5	1,930.8

Segmental analysis

For the period ended 30 June 2010 (unaudited)
All amounts are stated in £m unless otherwise indicated

	Retail	Corporate and Markets	Other	Total shareholder return before significant items
Period from 1 January 2010 to 30 June 2010				
Net interest income	168.3	135.6	4.9	308.8
Net earned premium	216.0	–	–	216.0
Net investment income	23.6	–	19.0	42.6
Non-interest income	77.2	26.5	2.4	106.1
Total income	485.1	162.1	26.3	673.5
Operating costs	(280.7)	(71.0)	(7.2)	(358.9)
Claims	(162.3)	–	–	(162.3)
Impairment losses	(31.0)	(10.4)	(1.6)	(43.0)
Operating result	11.1	80.7	17.5	109.3
Fair-value amortisation				(22.6)
Short-term investment fluctuations				(8.4)
Share of post-tax profits from joint ventures				0.4
Financial services compensation scheme levies				(3.3)
Profit-based payments to members of The Co-operative Group				(8.7)
Profit before tax and significant items				66.7

	Retail	Corporate and Markets	Other	Total shareholder return before significant items
Period from 11 January 2009 to 25 July 2009				
Net interest income	120.5	75.0	32.2	227.7
Net earned premium	201.7	–	–	201.7
Net investment income	30.3	–	–	30.3
Non-interest income	72.4	22.5	1.8	96.7
Total income	424.9	97.5	34.0	556.4
Operating costs	(213.4)	(36.7)	(4.0)	(254.1)
Claims	(147.9)	–	–	(147.9)
Impairment losses	(49.2)	(23.5)	(0.3)	(73.0)
Operating result	14.4	37.3	29.7	81.4
Fair-value amortisation				–
Short-term investment fluctuations				(6.4)
Share of post-tax profits from joint ventures				–
Financial services compensation scheme levies				(2.2)
Profit-based payments to members of The Co-operative Group				–
Profit before tax and significant items				72.8

Notes



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