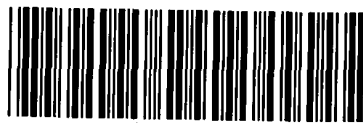


Mortgage Agency Services Number Five Limited
Directors' report and financial statements
for the year ended 31 December 2016

Registered Number: 04420522

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Mortgage Agency Services Number Five Limited

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Mortgage Agency Services Number Five Limited

Directors and advisors

Directors

A C Wilson (resigned 31 July 2016)

S Aitken (resigned 6 January 2017)

D Mundy (appointed 18 August 2016 and resigned 15 March 2017)

A J W Lillie (appointed 18 August 2016)

Secretary

D Whitehead

Independent auditor

Ernst & Young LLP

25 Churchill Place

Canary Wharf

London

E14 5EY

Registered office

Secretariat

1 Angel Square

Manchester

England

M60 0AG

Registered number

04420522

Mortgage Agency Services Number Five Limited

Strategic report for the year ended 31 December 2016

Principal activities and business review

Mortgage Agency Services Number Five Limited (the "Company") was incorporated in England (registered number 04420522) with the principal activities of investment in mortgage loans secured by first charges over residential properties within the UK and receiving deferred consideration for previously owned mortgage portfolios.

The profit for the year after taxation amounted to £6,405k (2015: £21,612k). The net assets of the Company at 31 December 2016 were £126,147k (2015: £119,742k).

On 1 October 2016 the Company transferred the beneficial title to its mortgage assets, its business undertaking mortgage lending and a significant proportion of its assets and liabilities to The Co-operative Bank plc. The profit on sale received by the Company was £527k.

The activity of the Company remains as a mortgage lender albeit at a reduced level of activity due to the transfer of activity to The Co-operative Bank plc during 2016. The company no longer undertakes any mortgage originations and has residual mortgage assets in its balance sheet relating to historic mortgages originated and purchased.

Strategy and future outlook

The Company will not be purchasing or selling any new mortgage portfolios in the immediate future and the existing portfolios are expected to continue to run off due to redemptions and remortgages. The Company is not currently sourcing any new corporate lending.

The Company is dependent on the continued support from its ultimate parent undertaking, The Co-operative Bank plc (the Bank) and as a result of the matters raised in the Basis of preparation on page 12 and the Bank's plan, the financial statements of the company have been prepared on a going concern basis.

The directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance. Consequently, after making enquiries, the directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

The Company has negotiated its intercompany deposit rate with its parent company to 0.20% for 2016.

Mortgage Agency Services Number Five Limited

Strategic report for the year ended 31 December 2016 (continued)

Principal risks and uncertainties

It is the responsibility of management to effectively manage the risk within the business, and the Company has a formal structure in place for monitoring risks that are reported to the Bank.

The financial risks faced by the Company are credit risk, interest rate risk, liquidity risk, conduct risk and regulatory risk. A summary of these risks is included below:

- Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the Company as they become due. Credit risk arises on other receivables and loans and advances to customers;
- Interest rate risk arises from movements in interest rates on the Company's intercompany balances;
- Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due, or can only do so at excessive cost. MAS5 has payables to the Co-operative bank plc. However, this risk is mitigated by MAS5 having receivables from the Co-operative bank plc in excess of the payables; therefore the liquidity risk is considered to be minimal;
- Conduct risk is the risk that the Company's past behaviours, offerings or interactions may result in unfair outcomes for customers; and
- Regulatory risk is the risk of fines, public censure, limitation on business, or restitution costs arising from failure to understand, interpret, implement and comply with UK and EU regulatory requirements. Demonstrating compliance with all applicable regulatory requirements is essential for the Company to remain in business.

Key performance indicators (KPIs)

The directors monitor the progress of the Company by reference to several KPIs which are analysed below:

Net interest income

The net interest income for the year ending 31 December 2016 was £4,512k (2015: £27,318k).

Closing loan balance

The loan book decreased during the year to £68,863k (2015: £123,596k). The decrease of 44% is due to assets being transferred to The Co-operative Bank plc.

Impairment

The impaired mortgages represent 19.04% of total in 2016 (2015: 22.11%).

Profit before tax

Profit before tax was £7,875k (2015: £22,097k).

Approved by the Board of Directors on 24 April 2017

Signed on behalf of the Board

Signed: _____



A J W Lillie
Director

Date: 24/04/2017

Mortgage Agency Services Number Five Limited

Directors' report for the year ended 31 December 2016

The directors present their report and the audited financial statements of Mortgage Agency Services Number Five Limited (Registered Company No. 04420522) for the year ended 31 December 2016.

Future developments

The future developments of the Company are dealt with in the strategic report on page 2 of the financial statements.

General information

- The Company is a private company limited by shares, incorporated in England and Wales.
- The main objective of the Company remains as a mortgage lender albeit at a reduced level of activity due to the transfer of activity to The Co-operative Bank plc during 2016.
- The parent and ultimate controlling party is The Co-operative Bank plc.

Dividends

The directors have not proposed a dividend for the year ended 31 December 2016 (2015: £nil).

Directors' details

The directors who held office during the year are given below:

A C Wilson (resigned 31 July 2016)

S Aitken (resigned 6 January 2017)

D Mundy (appointed 18 August 2016 and resigned 15 March 2017)

A J W Lillie (appointed 18 August 2016)

No director had a beneficial interest in the share capital of the Company, The Co-operative Bank plc, or any of its subsidiaries at any time during the year under review.

Risks associated with financial instruments

The risks associated with financial instruments are outlined in note 9.

Insurance and indemnities

During 2016, the Company maintained appropriate directors' liability insurance in respect of legal action against its directors. In addition, qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in operation during the 2016 financial year 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. The cost has been borne by the Group.

Statement of directors' responsibilities in respect of the directors' report, the strategic report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

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 Company, and of the profit or loss of the Company for that period. In preparing the 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and

Mortgage Agency Services Number Five Limited

Directors' report for the year ended 31 December 2016

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Statement on employees

The company had no employees during the current or prior year.

Statement on disclosure of information to the auditor

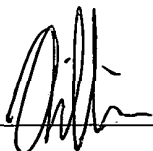
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditors, Ernst & Young LLP are deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

On behalf of the Board

Signed: _____



A J W Lillie
Director

Date: 24/04/2017

Mortgage Agency Service Number Five Limited

Independent auditor's report to the members of Mortgage Agency Services Number Five Limited

We have audited the financial statements of Mortgage Agency Services Number Five Limited (the 'Company') for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 to 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Mortgage Agency Service Number Five Limited

Independent auditor's report to the members of Mortgage Agency Services Number Five Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

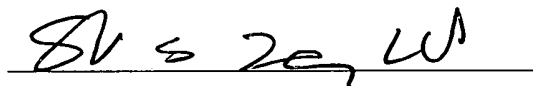
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have also considered the adequacy of the disclosures made in the Statement of Accounting Policies of the financial statements on page 12 concerning the Company's ability to continue as a going concern. In that section the Directors set out the risks associated with certain matters relating to its ultimate parent undertaking, The Co-operative Bank plc (the 'Bank'), being the proposed Bank sale process and the successful execution of the Bank's 2017-2021 Strategic Plan. The conditions described in that section indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Signed:



Date:

24 APR 2017

Peter Wallace (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
25 Churchill Place
Canary Wharf
London
E14 5EY

Mortgage Agency Services Number Five Limited

Statement of comprehensive income for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Interest receivable and similar income	2	4,512	24,128
Interest income/(expense) and similar charges	3	-	3,190
Net interest income		4,512	27,318
Fee and commission income	4	34	806
Other operating income	4a	527	-
Other operating income		561	806
Total income		5,073	28,124
Provision for customer redress	6a	2,068	(1,171)
Other operating expenses	6b	(227)	(10,054)
Impairment write back on loans and advances	10	961	5,198
Profit before taxation		7,875	22,097
Taxation	7	(1,470)	(485)
Profit attributable to equity holders	15	6,405	21,612

All results are from continued operations. All operations are in the UK.

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

Mortgage Agency Services Number Five Limited

Statement of financial position as at 31 December 2016

	Notes	2016 £000	2015 £000
Assets			
Cash and cash equivalents	8	98	864
Loans and advances to customers	10	68,863	123,596
Other receivables	11	72,448	27,449
Total assets		141,409	151,909
Liabilities			
Other payables	13	10	10,421
Group relief payable	7	15,252	21,746
Total liabilities		15,262	32,167
Equity			
Called-up share capital	14	2,500	2,500
Retained earnings	15	123,647	117,242
Total equity		126,147	119,742
Total equity and liabilities		141,409	151,909

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

Approved by the Board of Directors on 24 April 2017 and signed on its behalf by:

Signed: _____



A J W Lillie
Director

Date: 24/04/2017

Mortgage Agency Services Number Five Limited

Statement of changes in equity for the year ended 31 December 2016

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2016			
Balance at the beginning of the year	2,500	117,242	119,742
Profit for the year	-	6,405	6,405
Balance at the end of the year	2,500	123,647	126,147

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2015			
Balance at the beginning of the year	2,500	95,630	98,130
Profit for the year	-	21,612	21,612
Balance at the end of the year	2,500	117,242	119,742

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

Mortgage Agency Services Number Five Limited

Statement of cash flows for the year ended 31 December 2016

	2016 £000	2015 £000
Profit before taxation	7,875	22,097
Increase in other receivables	(44,999)	(27,407)
(Decrease) in accruals	-	(109)
Movement in impairment for losses on loans and advances	(1,405)	(20,820)
Cash flows used in operating activities before changes in operating assets and liabilities	(38,529)	(26,239)
Net decrease in loans and advances to customers	56,138	1,603,779
Net decrease in amounts due to group undertakings	0	206,706
Net decrease in deemed loans due to group undertakings	0	(1,575,444)
Net decrease in other payables	(10,411)	(208,516)
Group relief paid	(7,964)	-
Net cash flows (used in)/generated from operating activities	(766)	286
Cash and cash equivalents at the beginning of the year	864	578
Cash and cash equivalents at the end of the year	98	864

The accounting policies and notes on pages 12 to 32 form part of these financial statements.

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016

Basis of preparation

Mortgage Agency Services Number Five Limited is a company incorporated and domiciled in England.

The Company's financial statements have been prepared under the historical cost convention.

The Company is required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented in the UK, interpretations issued by the IFRS Interpretations Committee (IFRIC) and with those parts of the Companies Act 2006 applicable to organisations reporting under IFRS.

Going concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2016, the Company had intercompany receivable of £72.4m (2015:£20.6m) from its ultimate parent undertaking, The Co-operative Bank plc (the 'Bank') and fellow subsidiaries. The basis of preparation note to the Bank's financial statements sets out the risks associated with the proposed Bank sale process and the successful execution of the Bank's 2017-2021 Strategic Plan. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern. In the event the Bank does not continue as a going concern, the receivable from the Bank is likely to become doubtful, which would affect the Company's ability to continue as a going concern. Relevant extracts from the Bank's financial statements regarding this matter are described in the paragraphs that follow.

In line with provision C1.3 of the 2014 UK Corporate Governance Code, the Directors are required to assess the prospects of the Bank with a particular focus on the 12 month period following the publication of the financial statements.

When considering the going concern status of the Bank, the Directors have referenced appendix A of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014 (the FRC Guidance), which explicitly covers the going concern basis of accounting and material uncertainties.

The assessment of the appropriateness of the going concern basis of accounting for the Bank's 2016 Annual Report 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 and discussions with the Bank's regulators.

The Directors have assessed the going concern status using a framework focusing on the Bank's capital, liquidity, performance versus the Bank's Plan, continued regulatory support and other material issues.

The directors of the Company have concluded that risks set out above in connection with the Bank's Plan, and the consequential risks associated with the intercompany receivable from the Bank, represent a material uncertainty which may cast doubt upon the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the current forecasts of the Bank, and taking into account the material uncertainty described above, the directors have a reasonable expectation that the Company will have adequate resources to continue in business over this period. For these reasons, they continue to adopt the going concern basis in preparing these financial statements. These financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016 (continued)

Standards and interpretation issued and effective

During 2016, the Company adopted the following amendment to the standards and interpretations.

- Amendments to IAS 1 (Presentation of Financial Statements)

The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments have no material impact to the 2016 financial statements of the company.

Other standards and interpretations have been issued but these are not considered to be relevant to the Company's operations.

Standards and interpretation in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, not yet adopted by the EU.

- IFRS 9 (Financial Instruments (2014))

In July 2014, the IASB issued IFRS 9 (Financial Instruments), which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for periods beginning on or after 1 January 2018, and was endorsed by the EU on 22 November 2016. IFRS 9 includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

The new standard will impact the classification and measurement of financial instruments held by the Company, and will depend on the Company's business model and the contractual cash flow characteristics of such instruments. These factors will determine whether the financial instruments are measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The initial assessment of the classification and measurement of financial instruments held by the Company has been completed as part of a wider Bank group assessment. The overall impact is not expected to be significant.

Impairment

IFRS 9 requires entities to recognise expected credit losses based on unbiased forward-looking information, as compared to the existing incurred loss model. The impairment requirements of IFRS 9 apply to financial assets measured at amortised cost and FVOCI.

As part of the wider Bank group assessment, the impairment models are currently under development and a quantitative impact of the impairment requirements has not yet been determined.

- IFRS 15 (Revenue from Contracts with Customers (2014))

This standard was issued in May 2014 and is a converged standard from the IASB and FASB on revenue recognition. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. This standard supersedes IAS 18 (Revenue) and a number of revenue interpretations.

The standard will be effective for annual reporting years beginning on or after 1 January 2018 subject to EU endorsement. The impact to the Company of the amendments is likely to be immaterial as income from IAS 39 financial instruments is outside the scope of IFRS 15. However, the Company has not yet finalised its estimation of the financial effects.

The Company intends on complying with the standards from the date they become effective.

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016 (continued)

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods, inclusive of assets recognised where the Company is subject to the substantial risks and rewards of those assets.

Revenue recognition

a) Interest income and expense

Interest income and expense is recognised on an effective interest rate method (EIR) basis, 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.

The EIR basis spreads the interest income and expense over the expected life of each instrument. The EIR is the rate that, at the inception of the instrument, exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument (for example, prepayment options) but does not consider assets' future credit losses except for assets acquired at a deep discount.

When an instrument is impaired, the Company reduces the carrying amount, based on the revised cash flows, discounted at the original EIR of the instrument, and continues unwinding the discount as interest income.

Early redemption charges are recognised on a cash basis as received, as it is not possible to reliably estimate the receipt of such fees.

b) Fees and commissions

Fee and commission income is predominantly made up of arrangement and other fees relating to loans and advances to customers that are included in the EIR calculation.

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.

All other fee and commission income, such as loan closure fees or arrears fees, not included in the EIR calculation, is recognised on an accruals basis as the service is provided.

Fees and commissions payable to introducers in respect of obtaining lending business, where these are direct and incremental costs related to the issue of a financial instrument, are included in interest income as part of the effective interest rate.

Financial instruments

a) Recognition

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. The Company initially recognises loans and advances when they are advanced to customers.

b) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial assets 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. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability.

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 through the income statement.

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016 (continued)

Significant accounting policies (continued)

c) Financial assets

i) Overview

The Company classifies its financial assets (excluding derivatives) as:

- loans and receivables; or
- financial assets at fair value through profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Company does not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses.

Loans and receivables mainly comprise loans and advances to customers.

iii. Financial assets at fair value through profit or loss

These assets are measured at fair value based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates, and other commonly used valuation techniques. Gains and losses arising from changes in the fair value are brought into the income statement within other operating income as they arise.

d) Financial liabilities

i) Overview

Financial liabilities are contractual obligations to deliver cash or another financial asset. Financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

Financial liabilities are subsequently measured at amortised cost.

Impairment provisions

a) Assessment

i. Objective evidence

At the balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets, not held at FVTPL, is impaired. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and before the balance sheet date (a 'loss event') which has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower, a breach of contract, such as default or delinquency in interest or principal payments, the granting by the Company to the borrower, for economic and legal reasons relating to the borrower's financial difficulty, a concession that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or other financial reorganisation, or the disappearance of an active market for a security.

The Company considers evidence for impairment for loans and advances at both a specific asset and collective level.

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016 (continued)

Significant accounting policies (continued)

ii. Forbearance

The Company operates a policy of forbearance which mitigates against borrower default. All such cases are included within its provisioning methodology.

Residential secured mortgages

Loans under forbearance are subject to a specific identified impairment assessment.

b) Scope

i. Individual accounts

All secured loans and advances are assessed for impairment using a range of criteria graded for levels of risk. Accounts at risk of impairment are monitored and impaired where they display clear indicators of underperformance.

Loans and advances that do not meet the criteria for individual impairment, or which do, but are not found to be impaired, are collectively assessed for impairment (incurred but not yet reported) by grouping together loans and advances with similar risk characteristics.

ii. Collective accounts

When assessing collective impairment for secured retail loans, the Company estimates a shortfall based on the difference between the current loan balance and the expected 'forced sale' price of collateral, discounted at the effective interest rate of the loan to reflect the anticipated time to sale, and taking into account anticipated fees and costs prior to sale. The shortfall is multiplied by the probability the loan will default and further multiplied by the probability that the loan will be taken into possession to determine the impairment required.

When assessing collective impairment for unsecured retail loans, the Company estimates losses on loans via a two stage approach, which determines probability of default (PD) and loss given default (LGD) to generate provision rates which are applied to the current balance sheet, including loans transferred to debt collection agencies. Once impaired, accounts are subjected to higher levels of impairment according to both their relevant stage of delinquency, i.e. the number of days in arrears, and their consequent likelihood of ultimately being charged off.

Default rates, loss rates and future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment stock determined by provision models is augmented where it is judged that the best estimate of losses are likely to differ from those suggested by historical trends.

c) Measurement

The amount of the loss is the difference between:

- the asset's carrying amount; and
- the present value of estimated future cash flows (discounted at the asset's original EIR for amortised cost assets).

Where the debt is secured, the assessment reflects the expected cash flows from the realisation of the security, net of cost to realise, whether or not foreclosure or realisation of the collateral is probable.

d) Impairment of financial assets carried at amortised cost

The amount of the impairment loss on assets carried at amortised cost is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account.

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

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016 (continued)

Significant accounting policies (continued)

previously established provisions for impairment or directly to the income statement.

Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the write off charge in the income statement once they are received.

Provisions are released at the point at which it is deemed that, following a subsequent event, the risk of loss has reduced to the extent that a provision is no longer required.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and balances with a maturity of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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 Bank's Plan.

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.

Provisions for liabilities and charges

A provision is recognised in the balance sheet if the Company has 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. Restructuring provisions include only direct expenditure arising from the restructuring plan which is both necessary for restructuring and not associated with the Company's ongoing activities.

Group relief

Group relief payable represents amounts due to the Bank and/or its subsidiaries as consideration for tax losses surrendered to the Company

Mortgage Agency Services Number Five Limited

Statement of accounting policies for the year ended 31 December 2016 (continued)

Significant accounting policies (continued)

Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

In accordance with the accounting policies the methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience, as set out in note 10. At the year end, the Company carried impairment provisions of £820k (2015: £2,225k) against loans and advances to customers. To the extent that the net present value of estimated future cash flows differs by 10%, the provision would change by an estimated £255k (2015: £766k).

b) Effective Interest Rate accounting

When calculating the EIR to apply to an asset or liability held at amortised cost, the Company 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.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016

1 Profit before taxation

Profit on ordinary activities before taxation is stated after charging:

	2016 £000	2015 £000
Fees for the audit of the Company's financial statements	10	10

Auditors' remuneration of £10k (2015: £10k) was borne by the company. Audit fees are stated excluding VAT.

2 Interest receivable and similar income

	2016 £000	2015 £000
Interest receivable on loans and advances	4,442	24,128
Interest receivable on group undertakings	70	-
Interest receivable and similar income	4,512	24,128

Included within interest receivable is £651k of interest accrued on impaired financial assets (2015: £5,957k).

3 Interest income/(expense) and similar charges

	2016 £000	2015 £000
Deemed loan interest payable	-	15,863
Adjustment to the carrying value of deemed loan	-	(777)
Deferred consideration receivable	-	(20,978)
Interest and similar charges payable to group undertakings	-	2,702
Interest income/(expense) and similar charges	-	(3,190)

4 Fee and commission income

	2016 £000	2015 £000
Administrative fees receivable	14	301
Other fees	20	505
	34	806

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

4a Other operating income

	2016 £000	2015 £000
Profit on sale of mortgage assets	527	-
	527	-

5 Directors' emoluments

The directors received emoluments from The Co-operative Bank plc for services rendered to all the consolidated Bank companies. However, these are not apportioned to the individual companies.

At 31 December 2016, three directors had benefits accruing under The Co-operative Group pension schemes (2015: three). Particulars of the actuarial valuations of the Group pension schemes are disclosed in the accounts of The Co-operative Bank plc.

The Company had no employees during the current or prior year.

6a Provision for customer redress

Provision for customer redress relates to customer claims likely to be paid out as a result of past misconduct. The provision for customer redress showed a release in 2016 following the charge in 2015.

6b Other operating expenses

	2016 £000	2015 £000
Administration Expenses	227	1,946
Loss on sale of loans and advances to customers	-	8,108
	227	10,054

Administration expenses are central recharges from The Co-operative Bank plc which consist of centralised costs from The Co-operative Bank plc. These include staff and cost recharges, which are apportioned between all companies in the consolidated Bank using an allocations based model.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

7 Taxation

The average effective rate of corporation tax assessed for the year is different from the standard effective rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
UK tax at 20.00% (2015: 20.25%)		
Corporation tax		
Current year	1,470	968
Prior year	-	(483)
	1,470	485

Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is higher than the standard effective rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	7,875	22,096
Profit before tax multiplied by standard rate of tax	1,575	4,474
Effects of:		
Income not taxable	(105)	
Adjustment in respect of prior years	-	(483)
Change in rate	-	(43)
Unrecognised deferred tax credit/(charge)	-	(3,463)
	1,470	485

The adjustment for non taxable income arises as a result of the £527k gain on transfer of the business to The Co-operative Bank Plc.

The UK corporation tax rate reduced from 20% to 19% from 1 April 2017 and will reduce further to 17% effective from 1 April 2020; the latter rate change was enacted on 15 September 2016.

Group relief payable of £15,252k (2015: £21,746k) represents amounts due to the Bank from the Company as consideration for tax losses surrendered by the Company.

8 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents	98	864

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9a Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Company's financial instruments consist principally of loans and advances to customers, deemed loans due from/to group undertakings, and cash and cash equivalents. All financial instruments are initially recognised at fair value.

The Company does not have any assets or liabilities carried at fair value on the balance sheet.

The following tables analyse financial assets and financial liabilities classified as loans and receivables at amortised cost by the three level fair value hierarchy defined as follows:

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

	Carrying value	Fair value Level 3
2016	£000	£000
Financial assets		
Loans and advances to customers	68,863	67,307
2015		
Financial assets		
Loans and advances to customers	123,596	114,487

The company holds only level 3 financial instruments, defined as:

Level 3 – Valuation techniques using inputs that are not observable

This is used for financial instruments valued using models where one or more significant inputs are not observable.

During the periods shown above, there were no transfers in or out of the level 3 classification.

Fair values have been determined as follows:

Loans and advances to customers

Fair values have been calculated using the future lifetime income approach. Under this approach, fair value is measured by determining discounted expected cash flows, derived using expected redemption profiles of the portfolio and discounting these cash flows at current market rates for products with similar characteristics and risk profiles. The current market rate used 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 mortgage assets.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9b Risk Management

The financial risks faced by the Company include the following:

- interest rate risk;
- credit risk; and
- liquidity risk.

As a subsidiary of The Co-operative Bank plc, the Company applies the Bank's formal structure for managing risk. The Bank's Board has established Board sub-committees and senior management committees whose responsibilities include:

- overseeing the risk management process;
- identifying the key risks facing the business; and
- assessing the effectiveness of planned management actions.

Specific Board authority has been delegated to Board sub-committees and the Chief Executive Officer (CEO) who may, in turn, delegate authority to appropriate executive directors and their senior line managers. This includes:

- setting limits for individual types of risk; and
- approving (at least annually) and monitoring compliance with risk policies and delegated levels of authority.

Interest rate risk

The average funding at a floating rate was 0.20% (2015: 0.72%).

The Company is exposed to movement in interest rates and The Co-operative Bank plc (the Bank) manages this exposure using derivatives. Interest rate risk arises on the mortgages of the Company which contain variable loans. The funding for these is variable based on LIBOR. The Bank monitors interest rate risk on the whole balance sheet in detail and reports this to the Assets and Liability Committee on a monthly basis. Working across a number of business areas, movements in customer balances and external markets are managed on a daily or weekly basis and strategic interest rate risk decisions are made as required. This is monitored using a risk management system and operates within limits set out by The Co-operative Bank plc's Board Risk Committee.

The Co-operative Bank plc uses fixed interest rate swaps to manage interest rate risk. The effective hedges were implemented at inception to avoid adverse effects of interest rate fluctuations. Consequently, The Co-operative Bank plc has not experienced significant financial losses in the reporting period as a result of movements in interest rates and therefore, the directors are satisfied that The Co-operative Bank plc has managed any significant interest rate repricing exposure to the Company. The Company itself does not hold any interest rate swaps.

Interest rate risk management measures are used at Bank level (such as value at risk sensitivity analysis) to monitor the potential gains or losses from market volatility within a statistical confidence level.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9b Risk Management (continued)

Credit risk

Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the Company as they become due. Credit risk arises on loans and advances to customers, other receivables and cash and cash equivalents.

The table below represents a worst-case scenario of credit risk exposure of the Company at 31 December 2016 and 2015, without taking into account any collateral held or other credit enhancements attached. The exposures are based on carrying amounts as reported in the balance sheet.

Category (as defined by IAS 39)	Class	2016 £000	2015 £000
Loans and receivables	Loans and advances to customers	68,863	123,596
Loans and receivables	Other receivables	72,448	27,449
Cash and cash equivalents	Cash and cash equivalents	98	864
		141,409	151,909

The Company holds collateral for loans and advances in the form of mortgages over residential properties.

Loans and advances to customers

Credit risk in respect of the Company's residential mortgage assets is managed as follows:

- original due diligence on any acquisitions is undertaken by both The Co-operative Bank plc personnel and external experts;
- credit management is conducted in accordance with the service contract and service specifications with Capita Limited, (note: these services were previously carried out by Western Mortgage Services Limited (WMS) which was sold to Capita during the prior year), who administer the Company's loans and advances to customers and with The Co-operative Bank plc who administers the Company's corporate loans; and
- The Co-operative Bank plc's Credit Risk Management Forum maintains limits and recommends policy.

There are no specific concentrations of credit risk on the loans and advances to customers.

Forbearance

Where a borrower is unable to clear their arrears in full, the Company will endeavour to agree an arrangement with the borrower to repay the outstanding arrears over a period of time, or may agree to accept payments of less than the contractual amount during a period of temporary financial hardship. In these instances the loan continues to be reported as impaired until such time as the arrears are cleared in full. Arrangements can be made directly with the customer or through a third party whom they have chosen to represent them.

A negative disposable income account is where the customer's current financial situation means they are unable to make any monthly payments to their unsecured creditors. In such circumstances the Company may refrain from further action during the period of financial hardship. The customer's circumstances will be reviewed on a regular basis, with a view to resolving the situation when the customer's circumstances improve. These loans continue to be reported as impaired, and will have a higher dedicated provision rate than the standard provisioning rates.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9b Risk Management (continued)

Credit risk (continued)

Forbearance (continued)

A number of options are available to assist borrowers in financial difficulty. The Company will make every effort to rehabilitate the borrower so that they are able to meet their repayments. Repossession of the property will only be considered when all other avenues have been explored. The precise treatment selected will depend on the borrower's individual circumstances, but may include:

- postponement of principal payments;
- restructures of principal payments;
- an extension to the term of the mortgage; and
- partial or full capitalisation of interest payments.

The table below analyses mortgage forbearance by concession allowed:

	2016			
	Not impaired £000	Impaired £000	Total loans subject to forbearance £000	Loss provision £000
Concession	-	157	157	-
Arrangements	-	6,682	6,682	266
Term Expiry	-	348	348	31
Payment Holiday	-	52	52	-
Deceased Grace Period	-	146	146	-
	2015			
	Not impaired £000	Impaired £000	Total loans subject to forbearance £000	Loss provision £000
Arrangements	233	1,772	2,005	127
Term extensions	60	-	60	-

The categorisation of forbearance has been amended during 2016. The main differences are i) addition of interest only term expired accounts and court ordered arrangements in the categorisation of forbearance; ii) redefining term extensions to include all customers who have taken this option. Term expired customers are outside of the agreed terms and conditions of their mortgage even where they continue to make the previously agreed contractual monthly payment, as full repayment of the outstanding balance is past due. Therefore, they are deemed to have had a temporary concession granted and categorised as forborne. The Bank is actively working with this group of customers to determine appropriate solutions for repayment. Additional treatments reported during 2016 are payment holidays and grace period for deceased/bereaved customers.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9b Risk Management (continued)

Other receivables

Other receivables relate primarily to amounts due from group undertakings. There is no formal repayment schedule for these monies, which are repayable on demand. Due to the way the ultimate parent manages the intercompany balances the credit risk on these loans is considered to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due, or can only do so at excessive cost.

Liquidity risk arises on other payables, primarily made up of amounts due to group undertakings. There is no formal repayment schedule for these monies, which are repayable on demand. It is not expected that the ultimate parent will withdraw the funding in the foreseeable future and the liquidity risk on these loans is considered to be minimal.

Conduct risk

Conduct risk is the risk that the Company's behaviours, offerings or interactions may result in unfair outcomes for customers. Its effective management helps build trust with customers and other stakeholders and promotes a fair outcome/focussed business through the implementation of an appropriate policy and suite of standards properly communicated to trained staff.

The Company manages conduct risk in a way that is consistent with its overall risk appetite and aligns with its strategy.

Regulatory risk

Regulatory risk is the risk of fines, public censure, limitation on business, or restitution costs arising from failure to understand, interpret, implement and comply with UK and EU regulatory requirements. Demonstrating compliance with all applicable regulatory requirements is essential for the Bank to remain in business.

Management of regulatory risk entails on-going compliance with existing obligations and early identification and effective management of changes in legislative and regulatory requirements that may affect the Company.

Capital management

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business. The entity is compliant with capital requirements on an FCA regulated basis. The solvency of the Company is managed on a stand-alone basis and the Company has exceeded its minimum regulatory solvency position.

Further information regarding the Coop Bank risk governance structure and processes is included in the 2016 Annual report and accounts.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Loans and advances to customers

	2016 £000	2015 £000
Loans to individuals:		
Mortgages	69,683	125,821
Less: impairment losses on loans and advances (below)	(820)	(2,225)
	68,863	123,596
Allowance for losses on loans and advances:		
Balance at the beginning of the year	(2,225)	(23,045)
Release for the year	961	5,198
Net recoveries and amounts utilised	444	15,622
Balance at the end of the year	(820)	(2,225)

There were no lending commitments outstanding at 31 December 2016 (2015: £nil).

The above allowance for losses on loans and advances relates entirely to loans and advances to customers. During the year, the Company recovered £nil (2015: £322k) against amounts previously written off.

Maturity analysis

It is probable that loans and advances to customers will be repaid before their contractual maturity date. The remaining contractual maturity of loans and advances to customers from the balance sheet date is as follows:

	2016 £000	2015 £000
Repayable on demand	1,119	5,997
Other loans and advances by residual maturity repayable		
in not more than three months	650	983
in more than three months but not more than one year	1,695	3,059
in more than one year but not more than five years	7,203	12,377
in more than five years	60,361	112,359
	71,028	134,775
Effective interest rate adjustment	(1,345)	(8,954)
Less: impairment losses on loans and advances	(820)	(2,225)
	68,863	123,596

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Loans and advances to customers (continued)

Credit quality of loans and advances

The credit quality of the loans and advances to customers is demonstrated in the table below, which shows the weighted average loan to value (LTV) of customer lending as at 31 December 2016 and 2015:

	2016		2015	
	Weighted average of whole book %	Weighted average of new lending during the year %	Weighted average of whole book %	Weighted average of new lending during the year %
Residential loans	16.71	-	45.30	-

The LTV percentages are calculated using Halifax house price index linked valuations as at 31 December 2016. The weighted average of the whole book increased significantly in 2016 due to the mix of mortgage assets sold in the period.

Weighted average LTV of new lending in 2016 is not applicable as there has been no new lending in the year.

Analysis of credit risk exposure

The following table gives an analysis of the credit risk exposure on the loans and advances to customers for the Company:

	2016 £000	2015 £000
Not impaired	56,418	97,996
Impaired	13,265	27,825
	69,683	125,821
Less: impairment losses on loans and advances to customers	(820)	(2,225)
Net credit risk exposure	68,863	123,596

Credit quality of loans and advances that are not impaired

	2016 £000	2015 £000
Low to medium risk	42,226	69,394
Medium to high risk	14,192	28,601
	56,418	97,995

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

10 Loans and advances to customers (continued)

Credit quality of loans and advances that are not impaired (continued)

The fair value of property collateral held against impaired assets is shown below:

	2016 £000	2015 £000
Fair value of collateral on individually impaired financial assets	13,514	18,988

The collateral held as security comprises mortgages over residential properties.

Impaired assets

A loan is considered to be individually impaired when:

- arrears outstanding are equivalent to one monthly instalment or more; or
- the loan is more than 90 days past its term but has not been repaid; or
- the account is in litigation or the property is in possession.

Loans meeting any of these criteria are considered impaired even if a loss is not expected in the event of repossession.

Loans that are not identified as impaired are collectively assessed for unidentified impairment (where a loss event has occurred, but objective evidence of impairment has not manifested).

Certain segments are separated into discrete pools for assessment where there are potential indicators of impairment that are not, by themselves, sufficient to identify a loan as impaired. These are:

- the loan is in arrears by less than 1 monthly instalment; or
- there has been a material deterioration in the borrower's external credit score in the last 12 months.

For each loan assessed for impairment, whether identified or unidentified, a shortfall is calculated based on the difference between the current loan balance and the expected 'forced sale' price of the collateral, discounted at the current interest rate to reflect the anticipated time to sale, and taking into account anticipated fees and costs prior to sale. This shortfall is then reduced on a collective basis to reflect the probability of the loan being taken into possession.

Not impaired assets

The credit quality of the portfolio of loans and advances that were not impaired can be assessed by reference to the probability of default (PD).

Low to medium risk is defined as exposures with a probability of default (PD) in the next year of 1% or below using the internal ratings based (IRB) approach under Basel II. Medium to high risk is defined as exposures with a PD in the next year of greater than 1%.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

11 Other receivables

	2016 £000	2015 £000
Amounts owed by group undertakings	72,448	27,420
Prepayments	-	29
	72,448	27,449

12 Deemed loans due from group undertakings

Deemed loans during 2015 in respect of the Leek Finance Number Twenty plc and Leek Finance Number Twenty One plc were repaid in full on 9 March 2015.

Deferred consideration receivable

Deferred consideration in 2015 was receivable from Leek Finance Number Twenty plc, Leek Finance Number Twenty One plc and Meerbrook Finance Number Four Limited in respect of deferred purchase consideration and deferred contingent consideration.

Deferred contingent consideration in 2015 was receivable from Leek Finance Number Twenty plc, Leek Finance Number Twenty One plc and Meerbrook Finance Number Four Limited dependent on the extent to which the surplus income generated by the mortgage books, sold from Mortgage Agency Services Number Five Limited to those companies exceeds the administration costs of each mortgage book. The surplus income generated during the year ended 31 December 2016 amounted to £nil (2015: £37,618k).

The movement in deferred consideration is summarised as follows:

	2016 £000	2015 £000
Balance at the beginning of the year	-	5,303
Additional consideration receivable	-	20,978
Consideration received in the year	-	(26,281)
Balance at the end of the year	-	-

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13 Other payables

	2016 £000	2015 £000
Amounts owed to group undertakings	-	6,807
Other payables	4	164
Other provisions	6	3,450
	10	10,421

Other provisions relate to conduct risk provisions.

14 Called-up share capital

	2016 £000	2015 £000
Issued and fully paid		
2,500,000 ordinary shares of £1 each	2,500	2,500

The Company's funding consists of share capital and intercompany funding provided by The Co-operative Bank plc. Capital is managed on the whole by The Co-operative Bank plc, which is subject to the capital requirements imposed by its regulator the Prudential Regulation Authority (PRA).

15 Retained Earnings

Movements in retained earnings were as follows:

	2016 £000	2015 £000
Balance at the beginning of the year	117,242	95,630
Profit for the year	6,405	21,612
Balance at the end of the year	123,647	117,242

16 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking and controlling entity at 31 December 2016 was Britannia Treasury Services Limited, a company registered in England.

As at 31 December 2016, the directors regard The Co-operative Bank plc as the ultimate parent company. The largest group in which the results of the Company are consolidated is The Co-operative Bank plc, which is incorporated in England. The financial statements of this group are available from its website (www.co-operativebank.co.uk/investorrelations/financialresults) and from its registered office at P.O. Box 101 1 Balloon Street, Manchester, M60 4EP.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

17 Related party transactions

The directors of the Company consider The Co-operative Bank plc and its subsidiaries to be related parties of the Company. Transactions with The Co-operative Bank plc and its subsidiaries are disclosed below:

	Interest receivable and other income £000	Interest expense and other charges £000	Balance due from/(to) the Company £000
Year ended 31 December 2016			
The Co-operative Bank plc	70	-	57,196
Year ended 31 December 2015			
The Co-operative Bank plc	-	2,702	20,613

The balance represents other receivable of £72,448k less group relief payable of £15,252k.

All the following directors have benefits accruing under The Co-operative Group pension schemes and are considered to be related parties:

A C Wilson (resigned)
S Aitken (resigned)
D Mundy (resigned)
A J W Lillie

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

18 Dividends

The directors have not proposed a dividend for 2016 (2015: £nil).

19 Post Balance Sheet Events

On 30 March 2017 100% of the ownership of the company was transferred from Britannia Treasury Services Limited to the Co-operative Bank plc.