Condensed consolidated half-yearly financial information

30 September 2023

the West Brom

Key highlights for the six months to 30 September 2023

New mortgage lending
£458m

Net mortgage lending to owner occupiers
£162m

New lending applications of **£945m** (6 months to 30 September 2022: £609m), with completions of **£458m** up 66% year on year (6 months to 30 September 2022: £276m) reflecting our focus on supporting people into home ownership. Overall, net lending for owner occupiers strengthened to **£161.8m**, contributing to growth in the mortgage book.

First-time buyers
62%

Lending for first-time buyers represented **62%** of lending for home purchase (30 September 2022: 68%) with 1,398 first-time buyers supported during the period (30 September 2022: 711).

Standard Variable Rate (SVR)

Maintained our Standard Variable Rate (SVR) well below the industry average through the period. For a borrower at the West Brom, this equates to a saving of circa £1,600 a year for each £100,000 borrowed compared with an average market SVR of 8.09%[1].

Almost 1.5x more than the market average

Savers rewarded with rates that were on average, by the end of the six months, **almost one and a half times** the average rates paid by the market[2] (30 September 2022: two and a half times) equivalent to a member benefit of **£39.1m** (2022/23: £25.5m).

Common Equity Tier 1 (CET 1)
18.5%

Capital position remains strong with the Common Equity Tier 1 (CET 1) capital ratio at **18.5%** (31 March 2023: 18.7%), giving capacity for the buyback of expensive Tier 2 subordinated debt which will reduce the Society's interest costs going forward by £2.2m per annum.

Profit before tax
£13.6m

Excluding one off items
£18.7m

Statutory profit before tax of **£13.6m** (30 September 2022: £18.1m); excluding the cost of the buyback of Tier 2 subordinated debt (£5.1m), profit before tax ended the period at £18.7m.
This was driven by strong net interest income which outweighed the impact of lower fair value gains and a reduction in the value of investment properties.

Customer satisfaction
95%

Consistently strong feedback, with customer satisfaction and a Net Promoter Score®[3] unchanged at **95%** and **+74** respectively.

Moneyfacts Consumer Awards 2024

Shortlisted for the **'First-time Mortgage Buyers' Choice'** award and the **'High Street Mortgage Provider of the Year'** awards at the Moneyfacts Consumer Awards 2024.

£1 million raised for Birmingham Children's Hospital

Reached the significant milestone of **£1 million raised for Birmingham Children's Hospital**, the vast majority of which was raised through the generosity of our members over the last 16 years via our Red Balloon Appeal account.

[1] Average market revert rate sourced from Moneyfacts October 2023
[2] Average market rates sourced from Bank of England Bankstats table A6.1
[3] Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.

Chief Executive Officer's Business Review

Introduction

We're pleased to report another strong performance, despite the wider economic challenges that have persisted over the last six months. Stubbornly high inflation and volatility surrounding interest rates have created pressures within the market, throughout which we are proud to have supported our borrowers, whilst also ensuring our saving members receive excellent value.

Rather than slowing down throughout this period of instability, we have increased our activity, invested further in our colleagues and supported even more people on their route into home ownership. Indeed, September saw us record our biggest ever month of mortgage applications and, for our savers, over the six month period we have maintained rates at almost one and a half times the market average[2], rewarding them with an additional £39.1m of interest (30 September 2022: £25.5m).

We're proud that we have not allowed the wider outlook to stand in the way of providing our members with the support that they need. During times of uncertainty, it can be easy to retract and reduce business activity, however we know that what's needed is, in fact, the opposite. Today's environment means there are now even more people who need extra support on their journey into home ownership, or with affording their mortgage payments, and we are ready for those that need our help.

Our Purpose-led activities

Consumer Duty and Mortgage Charter

The recent introduction of the new Consumer Duty regulation in July shows the level of importance that has been placed on the financial services sector to support overall financial wellbeing. As a mutual, this mindset has always been at the West Brom's core and whilst we welcome the new regulation, we will always aim to operate beyond what is a minimum standard.

This is also evidenced through our signing of the Government's Mortgage Charter. The Charter sets out clear commitments to banks and building societies to support borrowers during the current financial climate, yet we have already introduced significant and tangible support for any of our borrowers who may need it, including proactively contacting customers who may need our support and, where appropriate, providing referrals to independent debt advice charities. We understand that customers in arrears are typically more likely to be financially vulnerable and, therefore, we do not believe in compounding this vulnerability with additional charges which is why, unlike the vast majority of lenders, we do not charge arrears fees.

Our transformation for the future

We are continuing to invest heavily in our technology, our colleagues and our brand, as we embark on a large-scale transformation that spans our entire business. Ensuring our members have the ability to access our services in whichever way they desire, whether that be through branch or online, is incredibly important to us and we're working hard to modernise all of our channels for the future. As the needs of our members evolve, it is crucial for us to grow with them, and this transformation will be fundamental in allowing us to serve even more people in the years ahead.

Product update

Through the first half of the year we have continued to deliver our Purpose by supporting an increasing number of borrowers into their own home.

We've delivered £458 million of new lending, up 66% on the same period last year, with a 76% increase in lending to owner occupiers.

£458m

New mortgage lending
(30 September 2022: £276m)

£162m

Net mortgage lending to owner occupiers

At the core of our business is our desire to help first-time buyers into their own home (and remain there), and we're pleased to have supported 1,398 people purchase their own home this half year (30 September 2022: 711). Included within this is £53m of lending to shared ownership schemes (up 130% on the same period last year), an option that is becoming ever more pertinent in helping borrowers access an increasingly unaffordable market.

62%

Lending for first-time buyers represented 62% of lending for home purchase (30 September 2022: 68%)

[2] Average market rates sourced from Bank of England Bankstats table A6.1

For our existing members, we continue to ensure that the rates we offer them are at least as good value as those offered to new customers, and we have maintained the average Standard Variable Rate (SVR) paid by our borrowers well below the industry average through the period. For a borrower at the West Brom, this equates to a saving of circa £1,600 a year for each £100,000 borrowed compared with an average market SVR of 8.09%[1].

Standard Variable Rate (SVR)

Maintained our Standard Variable Rate (SVR) well below the industry average

In a particularly active savings market, we are continuing to reward savers with good value products. Over the six months ended 30 September 2023 we've welcomed 3,372 new savers to the Society, an increase of 21% on the same period last year.

For our savers who want to benefit by locking in to higher interest rates, we have launched very competitively priced fixed rate bonds and ISAs whilst also launching a best buy 60-day notice product, which can act as a great compromise between allowing savers to take advantage of higher rates and having the freedom of accessing their money with advance notice should they need it.

This commitment to offering a range of competitive, good value savings products means that we have rewarded our savers with additional interest of £39.1m, through maintaining rates consistently above the equivalent average paid by the wider market.

Almost

1.5x more

Savers rewarded with rates that were on average, by the end of the six months, **almost one and a half times** the average rates paid by the market[2] (30 September 2022: two and a half times)

Building on our financial strength

We are pleased to report a strong set of financial results for the six months ended 30 September 2023, which is important as it ensures we have the strength to offer current and future members the ongoing benefits described above. We have maintained a healthy capital position, ending the period with a Common Equity Tier 1 (CET 1) capital ratio of 18.5% (31 March 2023: 18.7%) which maintains the Society's financial resilience and supports our continued ability to undertake the transformational investment in our future detailed above.

18.5%

Common Equity Tier 1 capital ratio (31 March 2023: 18.7%)

We ended the period with a profit before tax of £13.6m (30 September 2022: £18.1m). Excluding the one-off cost associated with the buyback of Tier 2 subordinated debt of £5.1m, profit before tax would have ended the period at £18.7m, a modest increase on the prior year. Strong net interest income of £53.9m (30 September 2022: £36.2m) supported this growth offsetting adverse swings on fair value gains and losses on revaluation of our investment property portfolio. Our increased new lending, and a strong proposition to retain existing borrowers, has seen net lending of £80.6m achieved in the period to 30 September 2023 (30 September 2022: £-278.1m) and £161.8m of net lending to owner occupiers (30 September 2022: £-197.1m).

£13.6m

Profit before tax (30 September 2022: £18.1m)

£18.7m

Excluding one off items

The rising interest rate environment, after over a decade of ultra low rates, meant that after the actions we have taken to substantially increase rates on offer to our savers, the Net Interest Margin (NIM) rose to 1.90% (30 September 2022: 1.21%). As others follow our actions for savers, we expect to experience growing competition in the savings market.

The interim valuation for the West Brom Homes portfolio indicates a reduction in the value of our portfolio of rental properties of £2.5m (30 September 2022: gain of £5.9m). Whilst house prices have trended downwards in the early part of the year, the UK housing market (and our investment portfolio) has been more resilient than anticipated, with some regional indices reporting small gains recently.

Administrative expenses are unchanged at £27.8m (30 September 2022: £27.8m). However, adjusted for material one-off items, administrative expenses increased by circa £2.4m (9.5%). The underlying increase is primarily driven by increased professional costs incurred in supporting the delivery of our transformation agenda combined with inflationary pressures.

[1] Average market revert rate sourced from Moneyfacts October 2023

[2] Average market rates sourced from Bank of England Bankstats table A6.1

The legacy Commercial lending book has reduced to £230m (31 March 2023: £234m); net of provisions the book has reduced to £143.8m (31 March 2023: £155.0m) representing our continued efforts towards winding down this portfolio. Overall, commercial provision charge of £5.9m (£7.6m provision charge less £1.7m gain on derivatives used to provide economic hedges against movements in provisions on commercial loans, shown within fair value gains) has fallen slightly from £8.3m in the equivalent period last year (£17.3m provision charge less £9.0m fair value gain). This charge reflects the impact of worsening macroeconomic assumptions, together with a more pessimistic assessment of certain exposures, particularly in the retail sector, where recent market activity has had an impact on expected future performance.

Fair value gains of £0.7m on derivatives (which is net of £1.7m gain from commercial provision hedges as noted above) reduced from £17.6m (including a gain of £9.0m on commercial provision hedges). Derivatives are used to hedge against movements in interest rates and benefitted in the previous year from rising Bank Rate expectations.

The exposure to credit losses on residential loans has resulted in a charge of £1.1m (30 September 2022: release of £0.5m). The charge is driven by a modest reduction in house prices together with more extensive post model adjustments to allow for risks posed by the cost of living crisis and uncertainty in property valuations in a volatile market.

Group arrears stood at 0.73% (31 March 2023: 0.52%) which compares favourably against the UK finance average of 0.84%[4] (31 March 2023: 0.71%). The increase in arrears is driven by the legacy buy to let portfolio, which tracks Bank Rate meaning payments have risen sharply as the rate has increased. Arrears on the owner occupied book stood at 0.54% (31 March 2023: 0.52%) and on the buy to let book were 1.56% (31 March 2023: 0.82%).

During the period, the Society purchased £20.4m of its Subordinated Tier 2 Notes resulting in a cost, including the write down of unamortised issuance costs (£0.6m), of £5.1m. Whilst this results in a charge in this period, this will save £2.2m of interest cost per annum going forwards. Following the partial purchase and cancellation, £2.1m of the notes remain outstanding.

Regulatory capital resources

	Transitional basis (including unaudited interim profit)[1] 30 Sep 23 £m	**Transitional basis (excluding unaudited interim profit)[1] 30 Sep 23 £m**	Transitional basis (including audited year end profit)[1] 31 Mar 23 £m
Members' interests and equity	**438.0**	**427.9**	430.5
Permanent interest bearing shares (PIBS) deduction	**(7.8)**	**(7.8)**	(7.8)
Other adjustments[2]	**(39.4)**	**(39.4)**	(29.4)
Common Equity Tier 1 (CET 1) capital	**390.8**	**380.7**	393.3
Additional Tier 1 capital	**7.8**	**7.8**	7.8
Amortisation of PIBS under transitional rules	**(7.8)**	**(7.8)**	(7.8)
Total Tier 1 capital	**390.8**	**380.7**	393.3
Tier 2 capital[3]	**2.0**	**2.0**	21.8
Total regulatory capital resources	**392.8**	**382.7**	415.1
Risk weighted assets (RWA)	**2,115.2**	**2,115.2**	2,108.5
Leverage ratio exposure including claims on central banks	**5,556.5**	**5,556.5**	5,584.7
Leverage ratio exposure excluding claims on central banks	**5,103.8**	**5,103.8**	5,000.5
Capital ratios	**%**	**%**	%
Common Equity Tier 1 ratio (as a percentage of RWA)	**18.5**	**18.0**	18.7
Common Equity Tier 1 before IFRS 9 transitional arrangements (as a percentage of RWA)	**18.5**	**18.0**	18.3
Tier 1 ratio (as a percentage of RWA)	**18.5**	**18.0**	18.7
Total capital ratio (as a percentage of RWA)	**18.6**	**18.1**	19.7
Leverage ratio including claims on central banks	**7.0**	**6.9**	7.0
Leverage ratio excluding claims on central banks	**7.7**	**7.5**	7.9

1 The 'Transitional' basis includes the effect of IFRS 9 transitional arrangements. For regulatory reporting purposes, profit is not recognised as capital until audited.
2 Other adjustments mainly comprise deductions for intangible assets and deferred tax assets net of IFRS 9 transitional arrangements which unwound by £8m during the six months ended 30 September 2023.
3 Tier 2 capital comprises subordinated liabilities excluding accrued interest.

4 UK Finance is a trade association for the UK banking and financial services sector

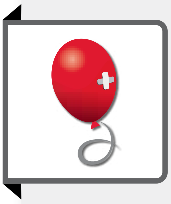
Supporting our colleagues and communities

In 1849 we were set up to help create a fairer society, and our commitment to this still burns to this day. However, it's fair to say that what's needed to support our colleagues and communities has certainly changed over this time, and we always look to adapt our approach in response to the various challenges that come our way. In October 2023, we published our first Impact Report, 'Building a Fairer Future' [(Impact Report | the West Brom)]() which details the positive impact we're making on our members, communities, colleagues and the environment. Some of these activities are summarised below.

The cost of living crisis has meant that many people, including our colleagues, are feeling the pinch, and so supporting the financial wellbeing of our people has been equally paramount. We were delighted to win the 'Beyond the Living Wage' award this year, an accolade which recognises businesses that hold the highest standard of employment pay practices, going above and beyond the basics of the Living Wage accreditation.

Our focus on supporting our colleagues to be their full self at work is unwavering, and our ongoing work across equity, inclusion and diversity (ED&I) is embedded throughout the Society which includes providing equal employment opportunities for everyone, regardless of their background. As a Disability Confident Leader we hosted a recruitment event for students with disabilities from Queen Alexandra College in Birmingham, one of a number of schools and organisations we have partnered with to provide support in this area. We have also participated in the recent audit for the Race at Work charter, gaining a deeper understanding of what we can do as an organisation to ensure we are fully inclusive in everything we aim to achieve.

We were also incredibly proud to reach the significant milestone of £1 million raised for Birmingham Children's Hospital, the vast majority of which was raised through the generosity of our members over the last 16 years via our Red Balloon Appeal account. The support we provide to our charitable partners is hugely important to us and we are also very pleased to share that a plot of land has been confirmed in Birmingham city centre for the Barnardo's Gap Homes initiative, a project we have supported since 2021 to provide purpose-built housing for young people leaving the care system.



£1 million

Reached the significant milestone of **£1 million raised for Birmingham Children's Hospital.**

This summer also saw us open the doors at our replica branch, albeit with a difference. Our original Cape Hill branch in Smethwick has now opened at the Black Country Living Museum's new Forging Ahead development, the Museum's most ambitious development since 1978, which demonstrates what life was like in the 1940s, 50s and 60s. This replica branch at the Museum is set in 1949, our centenary year, and as well as being a great reminder of what life was like during this period, we will also be using the branch as an interactive learning space to engage with school children, teaching them about the value of money and the importance of good money management.

Principal risks and uncertainties

The Society recognises that effective risk management is essential to achieving our objectives in an operating environment where the nature of the threats is continually evolving.

This report provides an update on the principal risks and uncertainties reported on pages 34 to 47 of the 2022/23 Annual Report and Accounts.

Principal risks

To avoid repetition with the Annual Report and Accounts, we have chosen to focus on developments in certain risks during the first six months of the year.

Cyber Risk, previously a sub-set of Information Risk, has been elevated to a principal Board risk to recognise the increasing threats being reported by financial services firms and to reflect guidance provided to firms by the National Cyber Security Centre to enhance cyber security (prevent external threats penetrating Society systems) and cyber resilience (the Society's ability to protect from, detect, respond to and recover from a cyber attack) given the ongoing threats including those from foreign actors arising from geopolitical risk.

Business conditions and the economic environment

Geopolitical uncertainty continues to weigh on the global economy and this continued to be felt in the UK with higher inflation and Bank Rate increasing to a 15 year high of 5.25%. In the six month period, this has meant ongoing macroeconomic uncertainty with house prices falling, albeit by less than previously anticipated, and higher mortgage rates impacting affordability for those refinancing from lower rates. An increasing number of customers spend more than 30% of their income on mortgage payments and this squeeze on affordability is likely to continue to impact on housing transactions and mortgage approvals. As covered earlier, the Society has a clear focus on supporting any borrowers that find a change in their situation places pressure on their ability to meet their payment obligations.

Credit risk

Notwithstanding the higher interest rates, mortgage arrears for owner occupiers has remained steady but an uplift has been observed within the legacy buy to let portfolio where most track the increasing Bank Rate, having experienced over a decade of very low cost borrowing.

Our approach to supporting borrowers continues to be updated such that whilst it is reflective of the Financial Conduct Authority's Tailored Support Guidance and the Society is a signatory to the Mortgage Charter, the forbearance provided to customers remains beyond those minimum requirements. The Society is committed to work with its borrowers across a range of forbearance options to avoid possession wherever possible.

Reflecting these conditions the assumptions used in our IFRS9 provisioning have been updated to take account of borrower circumstances and ongoing economic uncertainty and, at 30 September 2023, our range of macroeconomic scenarios has also been updated. Our stress testing continues to reflect the broad range of outcomes we may see as the economic situation unfolds, including further house price falls and higher interest rates for longer. The retail exposures in the commercial lending portfolio are particularly susceptible to such shocks (demise of a High Street stalwart – Wilkos) although, as detailed already, the combination of provisions set aside and capital directly allocated to these exposures remains significant. At the period end, coverage against the retail sector exposures stood at 72.1% (30 September 2022: 69.7%) driven by higher provision levels as well as a minor reduction in balances.

Margin compression risk

Margin compression risk is the risk of margin squeeze caused by a relative increase in funding costs (largely variable rate retail funding) versus mortgage income.

During the first half of 2023 as rates on administered rate savings have risen significantly from historic lows, we have increased our proportion of fixed rate retail funding further, providing a natural hedge against fixed rate mortgage lending. This not only allows us to provide a better return for our members but also provides some resilience to margin compression.

Operational resilience and technology investment

The Society has remained operationally resilient and operated its Important Business Services within their associated Impact Tolerances. Planned testing of severe but plausible scenarios has continued and is evolving to meet the 2025 regulatory deadline. We have continued to operate our hybrid model and this has supported recruitment from a broader catchment to improve capacity and capability across the Society, including two members of the Executive Committee (Chief Operating Officer and Chief Customer Officer).

Outlook

We expect the market to remain uncertain for some time, as the elevated cost of living continues to impact the economy.

A combination of our strong financial position and our overarching Purpose to help people own a home and save for the future, will guide us in supporting existing and future members through these unpredictable times.

Looking ahead, next year will see us reach a significant milestone as we celebrate 175 years of the West Brom. Not only will this offer us a chance to take pride in all we've achieved over that time, but will ensure we take stock and look ahead to how we can serve future generations of members for years to come.

Jonathan Westhoff
Chief Executive Officer

Forward-looking statements

Certain statements in this half-yearly report are forward-looking. Although the West Brom believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be an accurate reflection of actual results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the West Brom. As a result, the West Brom's actual future financial condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. Due to such risks and uncertainties the West Brom cautions readers not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Condensed consolidated half-yearly Income Statement

for the six months ended 30 September 2023

	Notes	**6 months ended 30 Sep 23 unaudited £m**	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
Interest receivable and similar income				
Calculated using the effective interest method		**106.9**	61.7	145.9
On instruments measured at fair value through profit or loss		**31.1**	5.0	28.3
Total interest receivable and similar income		**138.0**	66.7	174.2
Interest expense and similar charges		**(84.1)**	(30.5)	(91.0)
Net interest receivable		**53.9**	36.2	83.2
Fees and commissions receivable		**0.6**	0.9	1.4
Other operating income		**2.3**	2.1	4.4
Fair value gains on financial instruments		**0.7**	17.6	6.6
Total income		**57.5**	56.8	95.6
Administrative expenses		**(25.2)**	(24.0)	(39.9)
Depreciation and amortisation	10	**(2.6)**	(3.8)	(5.8)
Operating profit before revaluation losses, impairment and provisions		**29.7**	29.0	49.9
(Losses)/gains on investment properties	11	**(2.5)**	5.9	6.0
Impairment on loans and advances	6	**(8.5)**	(16.8)	(24.1)
Cost on debt buyback	16	**(5.1)**	-	-
Profit before tax		**13.6**	18.1	31.8
Taxation		**(3.5)**	(3.4)	(5.6)
Profit for the period		**10.1**	14.7	26.2

Condensed consolidated half-yearly Statement of Comprehensive Income

for the six months ended 30 September 2023

	6 months ended 30 Sep 23 unaudited £m	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
Profit for the period	**10.1**	14.7	26.2
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Fair value through other comprehensive income investments			
Valuation gains/(losses) taken to equity	**0.5**	(1.4)	(0.3)
Taxation	**(0.1)**	0.3	0.1
Items that will not subsequently be reclassified to profit or loss			
Gains on revaluation of land and buildings	**-**	-	0.6
Actuarial gains on defined benefit obligations	**-**	-	(10.8)
Taxation	**-**	-	2.2
Other comprehensive income for the period, net of tax	**0.4**	(1.1)	(8.2)
Total comprehensive income for the period	**10.5**	13.6	18.0

Condensed consolidated half-yearly Statement of Financial Position

at 30 September 2023

	Notes	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Assets				
Cash and balances with the Bank of England		**446.3**	628.8	598.2
Loans and advances to credit institutions		**45.9**	142.8	72.8
Investment securities		**403.7**	378.5	315.6
Derivative financial instruments		**107.3**	165.3	100.5
Loans and advances to customers	8	**4,432.7**	4,339.0	4,370.3
Deferred tax assets		**21.6**	23.5	25.0
Trade and other receivables		**3.7**	3.4	10.7
Intangible assets	10	**11.6**	9.0	9.9
Investment properties	11	**145.9**	153.4	152.7
Property, plant and equipment	10	**22.1**	22.1	22.7
Retirement benefit assets		**10.9**	17.1	10.9
Total assets		**5,651.7**	5,882.9	5,689.3
Liabilities				
Shares	9	**4,391.0**	4,217.6	4,306.3
Amounts due to credit institutions		**645.7**	850.6	826.2
Amounts due to other customers		**137.2**	217.0	63.1
Derivative financial instruments		**5.0**	3.4	6.7
Debt securities in issue	12	**-**	113.2	-
Current tax liabilities		**0.6**	0.3	0.6
Deferred tax liabilities		**15.6**	14.4	15.4
Trade and other payables		**16.0**	14.1	17.1
Provisions for liabilities	7	**0.5**	0.4	0.5
Subordinated liabilities	16	**2.1**	22.9	22.9
Total liabilities		**5,213.7**	5,453.9	5,258.8
Members' interests and equity				
Core capital deferred shares	13	**127.0**	127.0	127.0
Subscribed capital	15	**7.8**	7.8	7.8
General reserves		**299.5**	291.9	292.4
Revaluation reserve		**3.3**	3.1	3.3
Fair value reserve		**0.4**	(0.8)	-
Total members' interests and equity		**438.0**	429.0	430.5
Total members' interests, equity and liabilities		**5,651.7**	5,882.9	5,689.3

Condensed consolidated Statement of Changes in Members' Interests and Equity

for the six months ended 30 September 2023

6 months ended 30 September 2023 (unaudited)

	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2023	127.0	7.8	292.4	3.3	-	**430.5**
Profit for the period	-	-	10.1	-	-	**10.1**
Other comprehensive income for the period (net of tax)						
Fair value through other comprehensive income investments	-	-	-	-	0.4	**0.4**
Total other comprehensive income	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Total comprehensive income for the period	**-**	**-**	**10.1**	**-**	**0.4**	**10.5**
Distribution to the holders of core capital deferred shares	-	-	(3.0)	-	-	**(3.0)**
At 30 September 2023	**127.0**	**7.8**	**299.5**	**3.3**	**0.4**	**438.0**

6 months ended 30 September 2022 (unaudited)

	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2022	127.0	7.8	279.1	3.1	0.3	417.3
Profit for the period	-	-	14.7	-	-	14.7
Other comprehensive income for the period (net of tax)						
Fair value through other comprehensive income investments	-	-	-	-	(1.1)	(1.1)
Total other comprehensive income	-	-	-	-	(1.1)	(1.1)
Total comprehensive income for the period	-	-	14.7	-	(1.1)	13.6
Distribution to the holders of core capital deferred shares	-	-	(1.9)	-	-	(1.9)
At 30 September 2022	127.0	7.8	291.9	3.1	(0.8)	429.0

Year ended 31 March 2023 (audited)

	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2022	127.0	7.8	279.1	3.1	0.3	417.3
Profit for the financial year	-	-	26.2	-	-	26.2
Other comprehensive income for the year (net of tax)						
Retirement benefit obligations	-	-	(8.5)	-	-	(8.5)
Gains on revaluation of land and buildings				0.6		0.6
Realisation of previous revaluation gains	-	-	0.4	(0.4)	-	-
Fair value through other comprehensive income investments	-	-	-	-	(0.3)	(0.3)
Total other comprehensive income	-	-	(8.1)	0.2	(0.3)	(8.2)
Total comprehensive income for the year	-	-	18.1	0.2	(0.3)	18.0
Distribution to the holders of core capital deferred shares	-	-	(4.8)	-	-	(4.8)
At 31 March 2023	127.0	7.8	292.4	3.3	-	430.5

Condensed consolidated half-yearly Statement of Cash Flows

for the six months ended 30 September 2023

	6 months ended 30 Sep 23 unaudited £m	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
Net cash (outflow)/inflow from operating activities (below)	**(69.5)**	204.5	161.3
Cash flows from investing activities			
Purchase of investment securities	**(117.9)**	(104.7)	(240.5)
Proceeds from disposal of investment securities	**90.9**	68.7	211.4
Proceeds from disposal of investment properties	**4.7**	0.7	2.1
Purchase of property, plant and equipment, intangible assets and investment properties	**(4.0)**	(3.2)	(7.8)
Net cash flows from investing activities	**(26.3)**	(38.5)	(34.8)
Cash flows from financing activities			
Repurchase of subordinated liabilities	**(20.4)**	-	-
Purchase/(repayment) of debt securities in issue	**3.5**	(59.2)	(172.0)
Interest paid on subordinated liabilities	**(1.6)**	(1.2)	(2.5)
Payment of lease liabilities	**(0.2)**	(0.2)	(0.3)
Distribution to the holders of core capital deferred shares	**(3.0)**	(1.9)	(4.8)
Net cash flows from financing activities	**(21.7)**	(62.5)	(179.6)
Net (decrease)/increase in cash	**(117.5)**	103.5	(53.1)
Cash and cash equivalents at beginning of period	**657.0**	710.1	710.1
Cash and cash equivalents at end of period	**539.5**	813.6	657.0

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with maturities of three months or less from the date of acquisition:

	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Cash and cash equivalents			
Cash in hand (including Bank of England Reserve account)	**432.9**	613.8	584.2
Loans and advances to credit institutions	**45.9**	142.8	72.8
Investment securities	**60.7**	57.0	-
	539.5	813.6	657.0

The Group is required to maintain certain mandatory balances with the Bank of England which, at 30 September 2023, amounted to £13.4m (30 September 2022: £15.0m and 31 March 2023: £14.0m). The movement in these balances is included within cash flows from operating activities.

The Group's loans and advances to credit institutions includes £nil (30 September 2022: £98.0m and 31 March 2023: £31.1m) of balances belonging to the Society's structured entities which are not available for general use by the Society.

Condensed consolidated half-yearly Statement of Cash Flows (continued)

for the six months ended 30 September 2023

	6 months ended 30 Sep 23 unaudited £m	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
Cash flows from operating activities			
Profit before tax	**13.6**	18.1	31.8
Adjustments for non-cash items included in profit before tax			
Impairment on loans and advances	**8.5**	16.8	24.1
Depreciation, amortisation and impairment	**2.6**	3.8	7.7
Revaluation losses/(gains) on investment properties	**2.5**	(5.9)	(6.0)
Changes in provision for liabilities	**-**	(0.1)	-
Interest on subordinated liabilities	**0.6**	1.2	2.5
Fair value (gains)/losses on equity release portfolio	**(0.2)**	0.2	0.5
Changes in fair value	**9.4**	101.5	40.0
	37.0	135.6	100.6
Changes in operating assets and liabilities			
Loans and advances to customers	**(79.4)**	320.8	343.3
Loans and advances to credit institutions	**0.6**	0.1	1.1
Derivative financial instruments	**(8.5)**	(121.0)	(52.9)
Shares	**84.7**	34.0	122.7
Deposits and other borrowings	**(109.9)**	(162.5)	(341.2)
Trade and other receivables	**7.0**	(1.2)	(8.5)
Trade and other payables	**(1.0)**	0.9	3.2
Retirement benefit obligations	**-**	(2.2)	(6.8)
Tax paid	**-**	-	(0.2)
Net cash (outflow)/inflow from operating activities	**(69.5)**	204.5	161.3

Notes to condensed consolidated half-yearly financial information for the six months ended 30 September 2023

1. General information

These half-yearly financial results do not constitute statutory accounts within the meaning of the Building Societies Act 1986. A copy of the statutory accounts for the year ended 31 March 2023 has been delivered to the Financial Conduct Authority and the relevant information in this report has been extracted from these statutory accounts. The statutory accounts for the year ended 31 March 2023 have been reported on by the Group's auditor and the report of the auditor was (i) unqualified, and (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

The consolidated half-yearly financial information for the six months to 30 September 2023 and 30 September 2022 is unaudited and has not been reviewed by the Group's auditor.

2. Basis of preparation

This condensed consolidated half-yearly financial report for the six months ended 30 September 2023 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with the UK adopted International Accounting Standards (IAS 34 'Interim Financial Reporting'). The half-yearly condensed consolidated financial report should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2023, which have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

3. Going concern and business viability statement

Details of the Group's objectives, policies and processes for managing its exposure to risk are contained in the Risk Management Report of the 2022/23 Annual Report and Accounts. The Directors also include statements in the Directors' Report in respect of going concern and longer-term business viability on page 58 and 59 of the 2022/23 Annual Report and Accounts.

The Directors have reviewed the latest plans and forecasts for the Group giving consideration to liquidity and capital adequacy. They are satisfied that the Group has adequate resources to meet both the normal demands of the business and the requirements which might arise in stressed circumstances for the next 12 months and that the longer-term business viability statement in the 2022/23 Annual Report and Accounts remains appropriate. Accordingly they continue to adopt the going concern basis in preparing these half-yearly financial results.

4. Accounting policies

The accounting policies adopted by the Group in the consolidated half-yearly information are consistent with those disclosed in the Annual Report & Accounts for the year ended 31 March 2023 (details provided on page 98).

Critical accounting estimates and judgements in applying accounting policies

In the process of applying accounting policies, the Group makes various judgements, estimates and assumptions which affect the amounts recognised in the financial statements. 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.

For the half year accounts, tax has been charged on the statutory profit before tax at the UK standard rate of 25%. A full review of the tax position of the Society and its subsidiaries will be carried out at the year end date. The significant judgements in applying accounting policies and key sources of estimation uncertainty at 30 September 2023 are unchanged from those existing at 31 March 2023.

5. Business segments

Operating segments are reported in accordance with the internal reporting provided to the Group Board (the chief operating decision maker), which is responsible for allocating resources to the reportable segments and assessing their performance.

The Group has three main business segments:

- Retail - incorporating residential lending, savings, investments and protection;
- Commercial real estate - primarily representing loans for commercial property investment; and
- Property - a portfolio of residential properties for rent.

Central Group operations have been included in Retail and comprise risk management, finance, treasury services, human resources and computer services, none of which constitute a separately reportable segment.

There were no changes to reportable segments during the period.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Board is measured in a manner consistent with that in the consolidated Income Statement.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. Central administrative costs are also allocated between segments and are disclosed in inter-segment administrative expenses. There are no other material items of income or expense between the business segments.

The Group does not consider its operations to be cyclical or seasonal in nature.

6 months ended 30 September 2023 (unaudited)

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Interest receivable and similar income					
Calculated using the effective interest method	110.5	4.5	-	(8.1)	**106.9**
On instruments measured at fair value through profit or loss	31.1	-	-	-	**31.1**
Total interest receivable and similar income	141.6	4.5	-	(8.1)	**138.0**
Interest expense and similar charges	(84.2)	(6.7)	(1.4)	8.2	**(84.1)**
Net interest receivable/(expense)	**57.4**	**(2.2)**	**(1.4)**	**0.1**	**53.9**
Fees and commissions receivable	0.6	-	-	-	**0.6**
Other operating income	0.3	-	2.0	-	**2.3**
Fair value gains/(losses) on financial instruments	1.1	(0.4)	-	-	**0.7**
Total income	**59.4**	**(2.6)**	**0.6**	**0.1**	**57.5**
Administrative expenses	(24.5)	(0.6)	(0.1)	-	**(25.2)**
Depreciation and amortisation	(2.6)	-	-	-	**(2.6)**
Operating profit/(loss) before revaluation losses, impairment and provisions	**32.3**	**(3.2)**	**0.5**	**0.1**	**29.7**
Loss on investment properties	-	-	(2.5)	-	**(2.5)**
Impairment on loans and advances	(0.9)	(7.6)	-	-	**(8.5)**
Cost on debt buyback	(5.1)	-	-	-	**(5.1)**
Profit/(Loss) before tax	**26.3**	**(10.8)**	**(2.0)**	**0.1**	**13.6**
Total assets	**5,780.3**	**150.1**	**149.5**	**(428.2)**	**5,651.7**
Total liabilities	**5,369.6**	**372.7**	**120.7**	**(649.3)**	**5,213.7**

5. Business segments (continued)

6 months ended 30 September 2022 (unaudited)	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Interest receivable and similar income					
Calculated using the effective interest method	62.7	3.9	-	(4.9)	61.7
On instruments measured at fair value through profit or loss	4.4	0.6	-	-	5.0
Total interest receivable and similar income	67.1	4.5	-	(4.9)	66.7
Interest expense and similar charges	(30.8)	(3.2)	(1.4)	4.9	(30.5)
Net interest receivable/(expense)	36.3	1.3	(1.4)	-	36.2
Fees and commissions receivable	0.9	-	-	-	0.9
Other operating income	0.2	-	1.9	-	2.1
Fair value gains on financial instruments	7.4	10.2	-	-	17.6
Total income	44.8	11.5	0.5	-	56.8
Administrative expenses	(23.4)	(0.5)	(0.1)	-	(24.0)
Depreciation and amortisation	(3.8)	-	-	-	(3.8)
Operating profit/(loss) before revaluation gains, impairment and provisions	17.6	11.0	0.4	-	29.0
Gains on investment properties	-	-	5.9	-	5.9
Impairment on loans and advances	0.5	(17.3)	-	-	(16.8)
Profit/(Loss) before tax	18.1	(6.3)	6.3	-	18.1
Total assets	6,006.9	179.7	156.8	(460.5)	5,882.9
Total liabilities	5,591.2	394.6	124.7	(656.5)	5,453.9

5. Business segments (continued)

Year ended 31 March 2023 (audited)	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Interest receivable and similar income					
Calculated using the effective interest method	145.5	8.2	-	(7.8)	145.9
On instruments measured at fair value through profit or loss	27.1	1.2	-	-	28.3
Total interest receivable and similar income	172.6	9.4	-	(7.8)	174.2
Interest expense and similar charges	(91.3)	(4.8)	(2.8)	7.9	(91.0)
Net interest receivable/(expense)	81.3	4.6	(2.8)	0.1	83.2
Fees and commissions receivable	1.3	0.1	-	-	1.4
Other operating income	0.4	-	4.0	-	4.4
Fair value gains on financial instruments	4.6	2.0	-	-	6.6
Total income	87.6	6.7	1.2	0.1	95.6
Administrative expenses	(38.7)	(1.1)	(0.2)	-	(39.9)
Depreciation and amortisation	(5.8)	-	-	-	(5.8)
Operating profit before revaluation gains, impairment and provisions	43.2	5.6	1.0	0.1	49.9
Gains on investment properties	-	-	6.0	-	6.0
Impairment on loans and advances	(2.9)	(21.1)	-	-	(24.1)
Profit/(Loss) before tax	40.3	(15.5)	6.9	0.1	31.8
Total assets	5,808.7	163.0	156.2	(438.6)	5,689.3
Total liabilities	5,419.5	371.9	125.4	(658.0)	5,258.8

6. Allowance for losses on loans and advances to customers

	6 months ended 30 Sep 23 unaudited £m	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
Impairment charge for the period	**8.5**	16.8	24.1
Impairment provision at end of period			
Loans fully secured on residential property	**11.0**	7.0	10.2
Loans fully secured on land	**86.5**	116.9	79.1
Total	**97.5**	123.9	89.3

In accordance with IFRS 9, 'Financial instruments', forecasts of future economic conditions are integral to the Expected Credit Loss (ECL) calculations. At 30 September 2023, the Group modelled four forward-looking macroeconomic scenarios: central, upside, downside and severe with the respective probability weightings updated to those applied at 31 March 2023 following review. The Group's scenario weightings as at 30 September 2023 are 50% for the central scenario, 5% for the upside scenario, 30% for the downside scenario and 15% for the severe scenario (31 March 2023 and 30 September 2022: central scenario 60%, upside scenario 5%, downside scenario 25% and severe scenario 10%). Individual economic variables within the scenarios are regularly reviewed and updated to reflect the current economic outlook.

In addition to the scenario weightings and account-specific factors that impact cashflows, the key model assumption for commercial provisioning is considered to be the exit yield requirement, which is used to estimate the cash flows arising from realisation of the property values on sale. While interest rates also have a significant impact on the ECL, via the discount factor applied in the model, compensating economic hedge arrangements would substantially offset the movement in profit or loss terms with an opposing fair value movement. Compared with the central economic forecast, the exit yield requirement for each loan increases by 0.9% and 2.1% in the downside and severe scenarios respectively and reduces by 0.2% in the upside scenario. This compares to an average exit yield of 9%.

Presented below is the sensitivity to the total residential and commercial ECL provision arising from the application of 100% weighting to each scenario.

	Scenario weighting		**Current scenario (%)**			**Increase/(decrease) in provision with 100% scenario weighting (£m)**	**Increase/(decrease) in provision with 10% increase in weighting* (£m)**
			2023/24	**2024/25**	**5 year average**		
Central scenario	**50%**	Bank Rate	5.5	5.0	4.4	(8.2)	-
		HPI	(5.6)	(4.3)	(0.2)		
		Unemployment	4.1	4.4	4.4		
		GDP	0.5	0.5	1.0		
Upside scenario	**5%**	Bank Rate	5.3	4.0	3.7	(11.7)	(0.4)
		HPI	0.4	2.5	3.4		
		Unemployment	3.7	4.1	3.9		
		GDP	0.6	2.0	2.0		
Downside scenario	**30%**	Bank Rate	6.5	5.8	5.5	6.9	1.5
		HPI	(6.4)	(10.8)	(3.8)		
		Unemployment	4.6	5.5	5.9		
		GDP	(0.9)	(0.5)	0.3		
Severe scenario	**15%**	Bank Rate	5.8	0.3	1.3	17.4	2.5
		HPI	(7.2)	(15.4)	(5.2)		
		Unemployment	8.6	9.3	8.4		
		GDP	(1.7)	(4.3)	(0.4)		

*(increase in 10% weighting with a corresponding reduction in the central scenario).

6. Allowance for losses on loans and advances to customers (continued)

The tables below analyse the movement in residential impairment provisions by IFRS 9 stage.

6 months ended 30 September 2023 (unaudited)				
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Residential expected credit loss allowance				
At 1 April 2023	1.1	6.7	2.4	10.2
Transfers due to increased credit risk:				
From stage 1 to stage 2	-	0.7	-	0.7
From stage 1 to stage 3	(0.1)	-	0.3	0.2
From stage 2 to stage 3	-	(0.1)	0.3	0.2
Transfers due to decreased credit risk:				
From stage 2 to stage 1	-	(0.1)	-	(0.1)
Remeasurement of expected credit losses with no stage transfer	0.5	-	0.1	0.6
Redemptions	(0.2)	-	(0.2)	(0.4)
Amounts written off	(0.1)	-	0.2	0.1
Other movements	0.1	-	(0.2)	(0.1)
Movement in provision overlays	(0.2)	(0.2)	-	(0.4)
At 30 September 2023	**1.1**	**7.0**	**2.9**	**11.0**

6 months ended 30 September 2022 (unaudited)				
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Residential expected credit loss allowance				
At 1 April 2022	1.3	4.1	2.3	7.7
Transfers due to increased credit risk:				
From stage 1 to stage 2	-	0.2	-	0.2
From stage 1 to stage 3	(0.2)	-	0.4	0.2
From stage 2 to stage 3	-	(0.1)	0.1	-
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.1	(0.7)	-	(0.6)
From stage 3 to stage 2	-	-	(0.1)	(0.1)
Remeasurement of expected credit losses with no stage transfer	0.2	(0.4)	(0.1)	(0.3)
Redemptions	(0.3)	(0.1)	(0.3)	(0.7)
Amounts written off	(0.4)	-	(0.1)	(0.5)
Other movements	0.1	0.1	-	0.2
Movement in provision overlays	-	0.9	-	0.9
At 30 September 2022	0.8	4.0	2.2	7.0

6. Allowance for losses on loans and advances to customers (continued)

Year ended 31 March 2023 (audited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Residential expected credit loss allowance				
At 1 April 2022	1.3	4.1	2.3	7.7
Transfers due to increased credit risk:				
From stage 1 to stage 2	-	0.6	-	0.6
From stage 1 to stage 3	(0.2)	-	0.6	0.4
From stage 2 to stage 3	-	(0.2)	0.3	0.1
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.2	(0.7)	-	(0.5)
From stage 3 to stage 2	-	-	(0.1)	(0.1)
Remeasurement of expected credit losses with no stage transfer	0.3	(0.1)	-	0.2
Redemptions	(0.5)	(0.1)	(0.4)	(1.0)
Amounts written off	(0.1)	-	(0.4)	(0.5)
Other movements	(0.1)	-	0.1	-
Movement in provision overlays	0.2	3.1	-	3.3
At 31 March 2023	1.1	6.7	2.4	10.2

The tables below analyse the movement in commercial impairment provisions by IFRS 9 stage.

6 months ended 30 September 2023 (unaudited)

	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Commercial expected credit loss allowance				
At 1 April 2023	-	0.2	79.0	79.2
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.1	(0.2)	-	(0.1)
From stage 3 to stage 2	-	0.5	(0.5)	-
Remeasurement of expected credit losses with no stage transfer	-	-	9.0	9.0
Movement in provision overlays	-	-	(1.6)	(1.6)
At 30 September 2023	**0.1**	**0.5**	**85.9**	**86.5**

6. Allowance for losses on loans and advances to customers (continued)

6 months ended 30 September 2022 (unaudited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Commercial expected credit loss allowance				
At 1 April 2022	-	8.8	91.1	99.9
Transfers due to increased credit risk:				
From stage 2 to stage 3	-	(8.4)	8.7	0.3
Remeasurement of expected credit losses with no stage transfer	-	(0.1)	16.9	16.8
Redemptions	-	-	(0.1)	(0.1)
At 30 September 2022	-	0.3	116.6	116.9

Year ended 31 March 2023 (audited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Commercial expected credit loss allowance				
At 1 April 2022	-	8.8	91.1	99.9
Transfers due to increased credit risk:				
From stage 2 to stage 3	-	(8.5)	9.4	0.9
Remeasurement of expected credit losses with no stage transfer	-	(0.1)	18.3	18.2
Redemptions	-	-	(0.2)	(0.2)
Amounts written off	-	-	(41.3)	(41.3)
Other movements	-	-	0.1	0.1
Movement in provision overlays	-	-	1.6	1.6
At 31 March 2023	-	0.2	79.0	79.2

7. Provisions for liabilities

	6 months ended 30 Sep 23 unaudited £m	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
At beginning of period	**0.5**	0.5	0.5
Utilised in the period	**-**	(0.1)	-
At end of period	**0.5**	0.4	0.5

Provisions for liabilities
Provisions for liabilities represent the Group's best estimate of customer redress payable. The calculation is based on a series of assumptions, including the number of affected accounts, appropriate level of remediation and resulting administrative costs.

8. Loans and advances to customers

	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Amortised cost			
Loans fully secured on residential property	**4,381.6**	4,299.4	4,299.1
Loans fully secured on land	**227.7**	293.1	230.0
	4,609.3	4,592.5	4,529.1
Fair value through profit or loss			
Loans fully secured on residential property	**7.7**	10.0	8.6
	4,617.0	4,602.5	4,537.8
Fair value adjustment for hedged risk	**(86.8)**	(139.6)	(78.1)
Less: impairment provisions	**(97.5)**	(123.9)	(89.4)
	4,432.7	4,339.0	4,370.3

Included within loans and advances to customers are £229.6m (31 March 2023: £233.5m) of commercial lending balances of which £5.6m (31 March 2023: £6.4m) have been sold by the Group to bankrupt remote structured entities.

The tables below illustrate the IFRS 9 staging distribution of residential and commercial loans and advances to customers held at amortised cost and related expected credit loss provisions. Stage 2 loans have been further analysed to show those which are more than 30 days past due, the IFRS 9 backstop for identifying a Significant Increase in Credit Risk (SICR) and those which meet other SICR criteria. For the purposes of this disclosure, gross exposures and expected credit loss provisions are rounded to the nearest £0.1m whereas the provision coverage percentages are based on the underlying data prior to rounding.

At 30 September 2023 (unaudited)

	Gross exposure £m	**Expected credit loss provision £m**	**Provision coverage %**
Residential loans held at amortised cost			
Stage 1	**3,901.3**	**1.1**	**0.03**
Stage 2			
> 30 days past due	**18.4**	**0.4**	**2.17**
Other SICR indicators	**385.2**	**1.4**	**0.36**
Provision overlays	**-**	**5.2**	**-**
Stage 3	**76.0**	**2.9**	**3.82**
	4,380.9	**11.0**	**0.25**

At 30 September 2022 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Residential loans held at amortised cost			
Stage 1	3,847.6	0.8	0.02
Stage 2			
> 30 days past due	8.8	0.1	1.14
Other SICR indicators	382.3	0.7	0.18
Provision overlays	-	3.2	-
Stage 3	60.2	2.2	3.65
	4,298.9	7.0	0.16

8. Loans and advances to customers (continued)

At 31 March 2023 (audited)	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Residential loans held at amortised cost			
Stage 1	3,870.8	0.9	0.02
Provision overlays	-	0.2	-
Stage 2			
> 30 days past due	8.6	0.1	1.16
Other SICR indicators	354.4	1.2	0.34
Provision overlays	-	5.4	-
Stage 3	64.7	2.4	3.72
	4,298.5	10.2	0.24

At 30 September 2023 (unaudited)	**Gross exposure £m**	**Expected credit loss provision £m**	**Provision coverage %**
Commercial loans held at amortised cost			
Stage 1	**26.0**	**0.1**	**0.50**
Stage 2			
> 30 days past due	**-**	**-**	**-**
Other SICR indicators	**8.7**	**0.5**	**5.75**
Stage 3	**195.6**	**85.9**	**43.92**
	230.3	**86.5**	**37.57**

8. Loans and advances to customers (continued)

At 30 September 2022 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	20.6	-	0.04
Stage 2			
> 30 days past due	-	-	-
Other SICR indicators	26.2	0.3	1.15
Stage 3	250.6	116.6	46.53
	297.4	116.9	39.31

At 31 March 2023 (audited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	18.1	-	-
Stage 2			
> 30 days past due	-	-	-
Other SICR indicators	12.9	0.2	1.55
Stage 3	203.1	77.4	38.10
Provision overlays	-	1.6	-
	234.1	79.2	33.83

9. Shares

	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Held by individuals	**4,391.0**	4,216.5	4,305.2
Other shares	**-**	1.1	1.1
	4,391.0	4,217.6	4,306.3

10. Property, plant, equipment and intangible assets

6 months ended 30 September 2023 (unaudited)

	Intangible assets £m	Property, plant and equipment £m
Net book value at 1 April 2023	**9.9**	**22.7**
Additions	**3.4**	**0.3**
Depreciation, amortisation, impairment and other movements	**(1.7)**	**(0.9)**
Net book value at 30 September 2023	**11.6**	**22.1**

6 months ended 30 September 2022 (unaudited)

	Intangible assets £m	Property, plant and equipment £m
Net book value at 1 April 2022	10.2	22.8
Additions	1.6	0.3
Depreciation, amortisation, impairment and other movements	(2.8)	(1.0)
Net book value at 30 September 2022	9.0	22.1

Year ended 31 March 2023 (audited)

	Intangible assets £m	Property, plant and equipment £m
Net book value at 1 April 2022	10.2	22.8
Additions	5.5	0.8
Disposals	1.2	0.6
Depreciation, amortisation, impairment and other movements	(1.4)	(1.5)
Write off of previously capitalised costs	(5.6)	-
Net book value at 31 March 2023	9.9	22.7

Capital commitments

The Group has placed contracts amounting to a total of £0.6m (30 September 2022: £nil) for future expenditure that was not provided in the financial statements.

11. Investment properties

	6 months ended 30 Sep 23 unaudited £m	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
Valuation			
At beginning of period	**152.7**	147.3	147.3
Additions	**0.4**	0.9	1.5
Disposals	**(4.7)**	(0.7)	(2.1)
Revaluation (losses)/gains	**(2.5)**	5.9	6.0
At end of period	**145.9**	153.4	152.7

12. Debt securities in issue

	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Non-recourse finance on securitised advances	**-**	113.2	-
	-	113.2	-

The non-recourse finance comprises mortgage backed floating rate notes (the Notes) secured over portfolios of mortgage loans secured by first charges over residential and commercial properties in the United Kingdom.

All of the Society's debt securities in issue were fully repaid in January 2023 as part of the maturity of the Kenrick 3 securitisation.

13. Core capital deferred shares

	Number of shares	CCDS nominal amount £m	Share premium £m	Total £m
At 30 September 2023 (unaudited)	**1,288,813**	**1.3**	**125.7**	**127.0**
At 30 September 2022 (unaudited)	1,288,813	1.3	125.7	**127.0**
At 31 March 2023 (audited)	1,288,813	1.3	125.7	**127.0**

CCDS are perpetual instruments and a form of Common Equity Tier 1 (CET 1) capital.

CCDS are the most junior-ranking capital instrument of the Society, ranking behind the claims of all depositors, payables and investing members.

Each holder of CCDS has one vote, regardless of the number of CCDS held.

The CCDS holders are entitled to receive a distribution at the discretion of the Society. The total distribution paid on each CCDS in respect of any given financial year of the Society is subject to a cap provided for in the Rules of the Society and adjusted annually for inflation.

A final distribution of £2.25 per CCDS in respect of the period to 31 March 2023 was paid in August 2023. This distribution has been recognised in the Statement of Changes in Members' Interests and Equity.

Subsequent to the balance sheet date, the Directors have announced their intention to declare an interim distribution of £2.25 per CCDS in respect of the period to 30 September 2023 which would be paid in February 2024. The interim distribution is not reflected in the members reserves of these financial statements as distributions to the CCDS holders are recognised with reference to the date they are declared, although they are accrued for in capital calculations.

14. Related party transactions

Related party transactions for the six months to 30 September 2023 are within the normal course of business and of a similar nature to those for the last financial year, full details of which are disclosed in the Annual Report and Accounts for the year ended 31 March 2023 with the exceptions noted below.

The retained Hawthorn notes were redeemed in June 2023 and the final loan within Sandwell 1 plc was repaid in July 2023. As at 30 September 2023 no assets remained in these vehicles and they were in the process of being liquidated.

15. Subscribed capital

	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Permanent Interest Bearing Shares	**7.8**	7.8	7.8

The 6.15% Permanent Interest Bearing Shares (PIBS) comprise 7,847 PIBS of £1,000 each issued at a price of 99.828% of their principal amount, with the issue premium amortised.

In connection with its distribution policy on the PIBS, the Society continues to calculate a notional PPDS reserve. Had the PPDS remained in existence any dividends that would have been paid to PPDS holders would have been debited to the PPDS reserve in respect of 31 March 2023, with the balance therefore reducing to zero. The Society intends to publish the balance of the notional PPDS reserve account alongside its annual financial statement for 31 March 2024.

A resolution was passed in September 2023 to make an interest payment on the PIBS of 1.5414%, which was paid on 5 October 2023.

16. Subordinated liabilities

	30 Sep 23 unaudited £m	30 Sep 22 unaudited £m	31 Mar 23 audited £m
Subordinated notes due 2038 – 11.0%	**2.1**	22.9	22.9

The Society's subordinated notes rank behind all other creditors of the Society, with the exception of holders of CCDS and PIBS.

During the six months to 30 September 2023 the Society repurchased £20.4m of the 11% Subordinated Tier 2 Notes; £17.3m in June 2023 (at 122.5p) and £3.1m in July 2023 (at 118.5p). A cost of £5.1m has been recorded for the buyback, being the premium paid of £4.5m and write-off of unamortised fees of £0.6m. The repurchased notes were subsequently cancelled leaving £2.1m aggregate notional outstanding and £0.1m of unamortised fees on balance sheet at 30 September 2023.

17. Financial instruments

Fair values of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group determines fair values by the following three tier valuation hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques where all inputs are taken from observable market data, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques where significant inputs are not based on observable market data.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and market observable inputs used in valuation techniques include risk-free and benchmark interest rates, equity index prices and expected price volatilities. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length. Observable prices are those that have been seen either from counterparties or from market pricing sources including Bloomberg. The use of these depends upon the liquidity of the relevant market.

The carrying value of cash and balances with the Bank of England are assumed to approximate their fair value.

Financial assets and financial liabilities held at amortised cost

The tables below show the fair values of the Group's financial assets and liabilities held at amortised cost in the Statement of Financial Position, analysed according to the fair value hierarchy described above.

At 30 September 2023 (unaudited)

	Carrying value £m	**Fair value Level 1 £m**	**Fair value Level 2 £m**	**Fair value Level 3 £m**	**Fair value Total £m**
Financial assets					
Loans and advances to credit institutions	**45.9**	-	45.9	-	**45.9**
Loans and advances to customers	**4,425.0**	-	-	4,136.3	**4,136.3**
	4,470.9	**-**	**45.9**	**4,136.3**	**4,182.2**
Financial liabilities					
Shares	**4,391.0**	-	-	4,322.1	**4,322.1**
Amounts due to credit institutions	**645.7**	-	645.7	-	**645.7**
Amounts due to other customers	**137.2**	-	131.8	5.1	**136.9**
Debt securities in issue	**-**	-	-	-	**-**
Subordinated liabilities	**2.1**	-	2.5	-	**2.5**
	5,176.0	**-**	**780.0**	**4,327.2**	**5,107.2**

At 30 September 2022 (unaudited)

	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Loans and advances to credit institutions	142.8	-	142.8	-	142.8
Loans and advances to customers	4,329.0	-	-	4,403.0	4,403.0
	4,471.8	-	142.8	4,403.0	4,545.8
Financial liabilities					
Shares	4,217.6	-	-	4,160.8	4,160.8
Amounts due to credit institutions	850.6	-	850.6	-	850.6
Amounts due to other customers	217.0	-	210.2	6.3	216.5
Debt securities in issue	113.2	112.7	0.5	-	113.2
Subordinated liabilities	22.9	-	22.9	-	22.9
	5,421.3	112.7	1,084.2	4,167.1	5,364.0

17. Financial instruments (continued)

At 31 March 2023 (audited)	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Loans and advances to credit institutions	72.8	-	72.8	-	72.8
Loans and advances to customers	4,361.7	-	-	4,465.2	4,465.2
	4,434.5	-	72.8	4,465.2	4,538.0
Financial liabilities					
Shares	4,306.3	-	-	4,308.9	4,308.9
Amounts due to credit institutions	826.2	-	826.2	-	826.2
Amounts due to other customers	63.1	-	56.8	6.0	62.8
Subordinated liabilities	22.9	-	22.9	-	22.9
	5,218.5	-	905.9	4,314.9	5,220.8

a) Loans and advances to customers
The fair value of loans and advances to customers has been determined taking into account factors such as impairment and interest rates. The fair values have been calculated on a product basis and, as such, do not necessarily represent the value that could have been obtained for a portfolio if it were sold at 30 September 2023.

b) Shares and borrowings
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new deposits with similar remaining maturity. The fair values have been calculated on a product basis and as such do not necessarily represent the value that could have been obtained for a portfolio if it were sold at 30 September 2023.

c) Debt securities in issue
The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Financial assets and financial liabilities held at fair value
The tables below show the fair values of the Group's financial assets and liabilities held at fair value in the Statement of Financial Position, analysed according to the fair value hierarchy described previously.

At 30 September 2023 (unaudited)	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Investment securities				
At fair value through other comprehensive income	403.2	-	-	**403.2**
At fair value through profit or loss	0.4	-	-	**0.4**
Derivative financial instruments	-	107.3	-	**107.3**
Loans and advances to customers	-	-	7.7	**7.7**
	403.6	**107.3**	**7.7**	**518.6**
Financial liabilities				
Derivative financial instruments	**-**	**5.0**	**-**	**5.0**

17. Financial instruments (continued)

At 30 September 2022 (unaudited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	378.0	-	-	378.0
At fair value through profit or loss	0.5	-	-	0.5
Derivative financial instruments	-	165.3	-	165.3
Loans and advances to customers	-	-	10.0	10.0
	378.5	165.3	10.0	553.8
Financial liabilities				
Derivative financial instruments	-	3.4	-	3.4

At 31 March 2023 (audited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	315.2	-	-	315.2
At fair value through profit or loss	0.4	-	-	0.4
Derivative financial instruments	-	100.5	-	100.5
Loans and advances to customers	-	-	8.6	8.6
	315.6	100.5	8.6	424.7
Financial liabilities				
Derivative financial instruments	-	6.7	-	6.7

The table below analyses movements in the level 3 portfolio during the period.

Equity release portfolio	**6 months ended 30 Sep 23 unaudited £m**	6 months ended 30 Sep 22 unaudited £m	Year ended 31 Mar 23 audited £m
At beginning of period	**8.6**	11.5	11.5
Items recognised in the Income Statement			
Interest receivable and similar income	**0.5**	0.4	0.8
Changes in fair value	**0.2**	(0.2)	(0.5)
Redemption payments	**(1.6)**	(1.7)	(3.2)
At end of period	**7.7**	10.0	8.6

There have been no transfers of financial assets or liabilities between levels of the valuation hierarchy in the period.

18. Statement of Directors' responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report herein includes a fair review of the information required by:

- DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events during the first six months of the financial year and the description of principal risks and uncertainties for the remaining six months of the financial year; and

- DTR 4.2.8R of the *Disclosure and Transparency Rules*, being an indication of any material related party transactions that have taken place in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The Directors of West Bromwich Building Society are listed in the West Bromwich Building Society Annual Report for the year ended 31 March 2023 with the exception of Sara Bennison who was appointed to the Board as non-executive director in August 2023.

Signed on behalf of the Board of Directors:

Jonathan Westhoff
Chief Executive Officer

Alex Pawley
Chief Financial Officer

29 November 2023

Braille, audio and large print versions of this document are available upon request. Please contact us on 0345 241 3784.

Head Office: 2 Providence Place, West Bromwich B70 8AF
www.westbrom.co.uk

A10591-11/23-01