Condensed consolidated half-yearly financial information

30 September 2022

Key highlights of the 2021/22 half year financial year

2.5x more
than the market average

Savers rewarded with rates that were on average, by the end of the period, some **two and a half times** the average rates paid by the market[1] (30 September 2021: more than double) equivalent to a member benefit of **£25.5m** (2020/21: £8.8m).

New mortgage lending
£276m

New lending applications of **£609m** (6 months to 30 September 2021: £542m), with completions of **£276m** (6 months to 30 September 2021: £479m) reflecting market conditions including delays in borrowers drawing down mortgages.

First-time buyers
68%

Lending for first-time buyers represented **68%** of lending for home purchase (30 September 2021: 47%).

Customer satisfaction
95%

Consistently strong feedback with customer satisfaction at **95%** (31 March 2022: 96%) and a Net Promotor Score®[2] of **+74** (31 March 2022: +81).

Profit before tax
£18.1m

Statutory profit before tax increased by 24% to **£18.1m** (30 September 2021: £14.6m) driven by higher net interest income, fair value gains and revaluation gains on investment properties which more than offsets higher impairment of loans and advances.

Common Equity Tier 1 (CET 1)
18.3%

Capital position remains strong with the Common Equity Tier 1 (CET 1) capital ratio improved to **18.3%** (31 March 2022: 17.0%).

Cost of living support
£1,200

Provided cost of living support to our colleagues with a one-off payment of **£1,200** for over 430 people.

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

Chief Executive's Business Review

Introduction

The pressures on the cost of living, especially the rising cost of essential goods such as food and energy, have moved from a forecast to a reality across the period, and we are focused on supporting our members where we can. This means that as interest rates increase towards levels not experienced for well over a decade, we have striven to mitigate the impact on borrowing members, whilst passing on the benefit to our saving members.

In addition to supporting our members in this way, we have also continued, in line with our mutual philosophy, to deliver support to our colleagues and the communities of which we are part, both of whom are also impacted by the challenge of rising inflation. With there being no real indication of the situation easing in the near term, we will ensure we remain alert to where even further support may be necessary, for example for any borrowers who encounter temporary challenges in meeting their repayments.

Purpose-led activity

For our members:

Our focus on our Purpose-led strategy, which aims to promote home ownership and provide a safe and good return on our members' savings, has enabled us to respond positively to these circumstances. Whilst 58% of our owner occupied borrowers are on fixed rates that will protect them for at least 12 months from the end of the reporting period, we have been working to limit the level of increase to those borrowers who have either matured from their fixed rate period, or expect to do so in the coming months. For those who have a preference not to fix their rate for a further period, we have ensured that the variable rate they pay (the Society's Standard Variable Rate (SVR)) is at a level that has not increased in line with the level witnessed in interest rates generally.

For those borrowers wishing to re-fix their rate, we have consistently offered products that are as good if not better value than those made available to new customers.

With home ownership being at the very core of our mutual purpose, the first-time buyer is a prime focus of our activity. That is why 68% (30 September 2021: 47%) of all purchase lending has been to those buying their first home, whether that be an outright purchase or a share of ownership. Of course we recognise that those who have been first-time buyers across recent years will never have experienced the type of interest rate levels we are now starting to experience. Although affordability has been tested at materially higher rates than those being predicted, we are very aware that other cost pressures (including rising energy prices), will result in some facing difficulty in meeting mortgage payments.

68% ↑

Lending for first-time buyers represented 68% of lending for house purchase (30 September 2021: 47%)

£276m ↓

New mortgage lending (30 September 2021: £479m)

To help those who may find themselves in this situation, we have taken tangible steps to ensure they are fully supported and the impact on their ongoing finances protected. Offering vital, independent advice is a critical part of this assistance, and therefore we guide borrowers to trusted external organisations who are able help, such as PayPlan. Importantly, whilst any borrowing members face such difficulties they will have the comfort of knowing that we do not charge any additional fees, more commonly referred to as 'arrears fees'.

And there are other areas we have made changes to give direct financial benefit to members. We have cut the commission we receive for our general insurance offering in order to reduce premium levels and, moreover, now distribute any 'profit share' received from our insurance partner back to our members who hold a policy. When combined, these actions are equivalent to approximately an 8% reduction in premiums payable by our members.

For our saving members, who provide the funds that enable us to deliver on our home ownership objective, we have used the rising interest rate environment to improve their returns, to such an extent that the average rate paid by the end of the reporting period was two and half times that of the market average[1]. This is an increase from the position of paying twice the market average a year earlier. This has resulted in the benefit to savings members increasing to around £25.5m from £8.8m for the six month period.

2.5x more

Savers rewarded with rates that were on average, by the end of the period, some **two and a half times** the average rates paid by the market[1] (30 September 2021: more than double)

Our customer satisfaction levels have remained strong at 95% (31 March 2022: 96%). Following a change in survey methodology which allows us to capture much richer feedback, our Net Promoter Score®[2] was +74 (31 March 2022: +81). Our consistently high customer satisfaction levels are a reflection of the strong emphasis we place on good customer service and the investment in colleague training that we have made. Identifying and being able to serve the needs of vulnerable members remains a top priority which we serve using dedicated teams. We signed up to the Inclusive Economy Partnership's Debt Code of Best Practise for Debt Collection and Recovery, to ensure all consumers with low financial resilience are treated fairly and consistently across all sectors.

95%

Customer satisfaction (31 March 2022: 96%)

For our colleagues:

In addition to being mindful of the impact of economic conditions on our borrowing members, we recognise that our colleagues are also likely to face many of the same challenges. In support of our colleagues' financial wellbeing, we wanted to offer them support to help them navigate this period of difficulty. In August 2022, we announced that all colleagues earning £35,000 or below on a full-time equivalent salary would receive a one-off payment of £1,200 to help ease the financial burden. This is in addition to our Financial Hardship Support Fund which exists to offer colleagues support in the event of a sudden unexpected cost.

£1,200

Extended cost of living support with a one-off payment of £1,200 for over 430 eligible colleagues.

We continue to offer health and wellbeing advice to our colleagues by providing access to a new Employee Assistance Programme (EAP), delivered by Health Assured. The EAP provides a complete support network that offers expert advice and compassionate guidance 24/7, covering a wide range of issues such as bereavement support, legal and medical information and general life support.

For our communities:

Under the Government's 'Homes for Ukraine' scheme we have made available five properties for housing Ukrainian refugees, with more properties being readied for occupancy. Colleagues in branches and Head Office also raised funds for the Disasters Emergency Committee (DEC) as well as donating items to equip these properties.

Our support for Birmingham Children's Hospital Charity continues through various fundraising measures. As part of Recycle Week 2022, we set up Big Drop collection points at our Head Office and in branches for colleagues to donate unwanted clothes and other items. Our colleagues also participated in the Birmingham Dragon Boat race demonstrating a great deal of passion, fun and effort to help Birmingham Children's Hospital Charity achieve its fundraising targets.

This all sits alongside our activities to support our charity partner, Barnardo's for whom colleagues in Head Office and branches regularly organise fundraising activities such as bake sales, alongside volunteering efforts. Progress has been made towards the building of four 'Gap Homes' across the region in partnership with Barnardo's. The 'Gap Homes' initiative utilises vacant land and builds energy-efficient, easy to maintain homes for vulnerable people leaving the care system.

Financial performance update

I am pleased to say that we have further strengthened our existing healthy capital position, maintaining the financial resilience of the Society and putting us in a strong position to support our members through the uncertain economic times ahead. Our capital, measured using the Common Equity Tier 1 (CET 1) ratio, ended the period at 18.3% (31 March 2022: 17.0%) or 17.6% if we exclude profits for the last 6 months.

18.3%

Common Equity Tier 1 Capital Ratio (31 March 2022: 17.0%)

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

[2] Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.

Regulatory capital resources

	Transitional basis (including unaudited interim profit)[1] 30 Sep 22 £m	Transitional basis (excluding unaudited interim profit)[1] 30 Sep 22 £m	Transitional basis (including audited year end profit)[1] 31 Mar 22 £m
Members' interests and equity	429.0	414.3	417.3
Permanent interest bearing shares (PIBS) deduction	(7.8)	(7.8)	(7.8)
Other adjustments[2]	(34.9)	(34.9)	(19.1)
Common Equity Tier 1 capital	386.3	371.6	390.4
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	386.3	371.6	390.4
Tier 2 capital[3]	21.8	21.8	21.8
Total regulatory capital resources	408.1	393.4	412.2
Risk weighted assets (RWA)	2,105.7	2,105.7	2,299.7
Leverage ratio exposure including claims on central banks	5,711.7	5,711.7	6,015.2
Leverage ratio exposure excluding claims on central banks	5,097.9	5,097.9	5,378.2
Capital ratios	%	%	%
Common Equity Tier 1 ratio (as a percentage of RWA)	18.3	17.6	17.0
Common Equity Tier 1 before IFRS 9 transitional arrangements (as a percentage of RWA)	18.0	17.3	16.2
Tier 1 ratio (as a percentage of RWA)	18.3	17.6	17.0
Total capital ratio (as a percentage of RWA)	19.4	18.7	17.9
Leverage ratio including claims on central banks	6.8	6.5	6.5
Leverage ratio excluding claims on central banks	7.6	7.3	7.3

[1] The 'Transitional' basis includes the effect of IFRS 9 transitional arrangements. For regulatory 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 £14m during the six months ended 30 September 2022.
[3] Tier 2 capital comprises subordinated liabilities excluding accrued interest.

Pre-tax profits increased to £18.1m (30 September 2021: £14.6m) driven predominantly by a stronger Net Interest Margin (from £31.5m to £36.2m), fair value gains of £17.6m (30 September 2021: £3.9m) which includes a gain of £9.0m on derivatives used to provide economic hedges against movements in provisions on commercial loans, and revaluation gains of £5.9m (30 September 2021: £0.4m). Offsetting this was a higher commercial impairment charge of £17.3m (30 September 2021: £2.7m) and expenses of £27.8m (30 September 2021: £24.4m) which have increased due to inflationary pressures and investment in our digital infrastructure.

£18.1m

Profit before tax
(30 September 2021: £14.6m)

Despite the actions taken on our borrower rates and the above average increases passed on to saving members, the Net Interest Margin rose to 1.21% (30 September 2021: 1.07%).

The Bank of England continues to indicate further Bank Rate increases will be necessary. The Society is well protected in this respect through our interest rate hedging strategy which has resulted in a significant fair value gain of £17.6m on the derivatives we use to manage interest rate risk. This includes the movement on the derivatives used to provide an economic hedge against movements in commercial loan provisions explained overleaf.

The interim valuation for the West Brom Homes portfolio indicates a gain of £5.9m (30 September 2021: £0.4m). This represents an increase in property valuations based on regional house price index gains offset by charges for necessary property improvements.

Administrative expenses increased by 14% compared to the equivalent period last year and include £2.4m of one-off costs incurred in the development of digital infrastructure. Excluding this, the overall increase was 4%, significantly lower than current inflation, and reflects cost savings that have been achieved as a result of our ongoing efforts towards operational efficiency. The management expenses ratio ended the period at 0.93% compared to 0.89% at 31 March 2022 for the full year.

The exposure to credit losses on residential loans has fallen resulting in a release of provision of £0.5m (30 September 2021: release of £3.0m). House price inflation in the first half of the year has contributed to this position. We continue to hold post model adjustment overlays to provide cover against the heightened risk of default and reducing property values on properties where combustible material may be present. In arriving at the expected credit loss estimation, we have updated our view of the macroeconomic scenarios reflecting the movement in economic conditions and what this is likely to mean for future affordability. We have also applied greater propensities of default to those borrowers whose affordability is likely to be most stretched.

Group arrears increased modestly for the core residential book and stood at 0.33% (31 March 2022: 0.31%) which compares favourably against the UK Finance average of 0.72% (31 March 2022: 0.77%). We have been proactively working with borrowers in arrears to discuss the options available to them, particularly those on variable or tracker-linked products, or those coming to the end of their term. We want to ensure borrowers are supported through periods of financial hardship and come through such periods still owning their properties. As we have previously communicated, it is likely that arrears levels will rise should borrowers face longer term difficulties.

Our legacy commercial book has reduced to £297m (31 March 2022: £349m) as we make progress towards winding down this portfolio. At the period end, there had been an increase in provisions resulting in an impairment charge against the legacy commercial book of £17.3m (30 September 2021: charge of £2.7m). This is largely as a result of greater discounting of semi-fixed future cashflows; to protect against such moves the Society uses derivatives to provide an economic hedge against movements in provisions on commercial loans which has seen an offsetting gain of £9.0m. In our income statement this is included within the fair value gain of £17.6m. As the legacy commercial portfolio includes concentrations in retail, healthcare and leisure sectors, it is likely that these borrowers will be impacted by future economic conditions and we have factored this into our assessment of the expected credit losses against the portfolio. As discussed above, our macroeconomic scenarios have been updated to reflect the economic environment at 30 September 2022 resulting in a higher provision.

In connection with the indicative PIBS distribution policy, the Society continues to calculate a notional PPDS reserve which was £2.7m at 31 March 2022. As this would have allowed a distribution maximum of 1.48%, or 0.74% on a semi-annual basis, a resolution was passed to make an interest payment on the PIBS of 0.74%, which was paid on 5 October 2022. For Core Capital Deferred Share (CCDS) holders, this means that the Board currently expects to return to the path of forecast distributions outlined in April 2018, which would mean that the interim distribution would be £2.25 per CCDS to be paid in February 2023.

Principal risks and uncertainties

The Society continues to recognise that effective risk management is essential to achieving the Society's objectives in an operating environment where the nature of the threats which prevail is continually evolving.

Where applicable, this report provides an update on the principal risks and uncertainties reported on pages 36 to 49 of the 2021/22 Annual Report and Accounts.

Principal risks

The Society's identified principal risk categories have remained unchanged in the period. To avoid repetition, we have chosen to focus on developments in certain areas during the first six months of the year.

Business conditions and the economic environment

As the economy emerges from the pandemic, positive initial developments were observed such as growth in UK Gross Domestic Product (GDP). However, existing supply chain issues were exacerbated by the Ukraine/Russia conflict leading to higher energy and commodity prices and driving up inflation. This led to successive increases in Bank Rate in an attempt to control inflation, however the cost of living challenge persists.

In the six month period, political turbulence has given rise to further economic pressures, one consequence of which has been the withdrawal and repricing of most mortgage products. This has had the impact of worsening affordability challenges by increasing mortgage repayments and increasing the likelihood of borrowers entering arrears. We remain focused on supporting borrowers through periods of financial hardship.

Credit risk

As discussed above, while arrears levels have so far remained at steady levels, it is expected that they will be impacted as borrowers face the affordability challenges and other ongoing pressures of the cost of living crisis. Our approach to collections and recoveries continues to be updated such that it is reflective of the Financial Conduct Authority's Tailored Support Guidance.

Given these conditions the assumptions used in our provisioning have been updated to take account of borrower circumstances and economic uncertainty and, at 30 September 2022, our range of economic 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 possible house price falls. The retail exposures in the commercial lending portfolio are particularly susceptible to such shocks although, as detailed already, the combination of provisions set aside and capital directly allocated to these exposures is significant. At the period end, coverage against the retail sector exposures stood at 69.7% (30 September 2021: 60.7%) 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 having limited ability to increase pay rates on the mortgage book if the Society were to experience a relative increase in funding costs affecting variable rate retail funding, and in particular the administered rate retail balances.

During the first half of 2022 we have increased our proportion of fixed rate retail funding to 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's Operational Resilience Plan and Business Continuity and Disaster Recovery Risk Management Framework have been developed, all of which are important components against which to manage operational resilience. The Society has established its Important Business Services and their associated Impact Tolerances, with the next steps established to meet the 2025 regulatory deadline. We have operated our hybrid model for a year now and hybrid working policies have been embedded throughout the organisation including ongoing work to re-purposing our Head Office space to accommodate further social interaction and collaborative working.

Despite all of the challenges in the year to date, investment in the core technology platforms continues and this is expected to remain a focus of management for the rest of the year.

Outlook

Although more recently the tensions between monetary and fiscal policy which created such market uncertainty have abated, it is likely that a degree of uncertainty around the trajectory of the economy will remain. Our strong capital position will support us in navigating this uncertainty. Most importantly, we remain committed to balancing the needs of our borrowers and savers during this uncertain time and specifically working with borrowers to achieve outcomes that are supportive and in their long-term best interests. I remain extremely thankful to the efforts of my colleagues and their determination to continually deliver the Society's Purpose.

Jonathan Westhoff
Chief Executive

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 2022

	Notes	**6 months ended 30 Sep 22 unaudited £m**	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
Interest receivable and similar income				
Calculated using the effective interest method		**61.7**	50.5	100.0
On instruments measured at fair value through profit or loss		**5.0**	(7.3)	(12.7)
Total interest receivable and similar income		**66.7**	43.2	87.3
Interest expense and similar charges		**(30.5)**	(11.7)	(25.2)
Net interest receivable		**36.2**	31.5	62.1
Fees and commissions receivable		**0.9**	1.0	1.9
Other operating income		**2.1**	1.8	3.7
Fair value gains on financial instruments		**17.6**	3.9	10.6
Total income		**56.8**	38.2	78.3
Administrative expenses		**(24.0)**	(19.4)	(45.5)
Depreciation and amortisation	10	**(3.8)**	(5.0)	(7.4)
Operating profit before revaluation gains, impairment and provisions		**29.0**	13.8	25.4
Gains on investment properties	11	**5.9**	0.4	5.8
Impairment on loans and advances	6	**(16.8)**	0.3	(8.1)
Provisions for liabilities	7	**-**	0.1	0.1
Profit before tax		**18.1**	14.6	23.2
Taxation		**(3.4)**	(2.7)	1.2
Profit for the period		**14.7**	11.9	24.4

Condensed consolidated half-yearly Statement of Comprehensive Income

for the six months ended 30 September 2022

	6 months ended 30 Sep 22 unaudited £m	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
Profit for the period	**14.7**	11.9	24.4
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Fair value through other comprehensive income investments			
Valuation losses taken to equity	**(1.4)**	(0.3)	(1.0)
Taxation	**0.3**	0.1	0.2
Items that will not subsequently be reclassified to profit or loss			
Actuarial gains on defined benefit obligations	**-**	-	9.6
Taxation	**-**	-	(2.9)
Other comprehensive income for the period, net of tax	**(1.1)**	(0.2)	5.9
Total comprehensive income for the period	**13.6**	11.7	30.3

Condensed consolidated half-yearly Statement of Financial Position

at 30 September 2022

	Notes	30 Sep 22 unaudited £m	30 Sep 21 unaudited £m	31 Mar 22 audited £m
Assets				
Cash and balances with the Bank of England		**628.8**	482.2	652.0
Loans and advances to credit institutions		**142.8**	85.7	73.2
Investment securities		**378.5**	276.6	286.9
Derivative financial instruments		**165.3**	11.8	52.4
Loans and advances to customers	8	**4,339.0**	4,979.0	4,778.3
Current tax assets		**-**	0.2	-
Deferred tax assets		**23.5**	18.5	27.1
Trade and other receivables		**3.4**	3.0	2.2
Intangible assets	10	**9.0**	14.5	10.2
Investment properties	11	**153.4**	141.9	147.3
Property, plant and equipment	10	**22.1**	24.0	22.8
Retirement benefit assets		**17.1**	3.2	14.9
Total assets		**5,882.9**	6,040.6	6,067.3
Liabilities				
Shares	9	**4,217.6**	4,267.7	4,183.6
Amounts due to credit institutions		**850.6**	996.4	1,116.7
Amounts due to other customers		**217.0**	110.4	114.6
Derivative financial instruments		**3.4**	24.9	11.5
Debt securities in issue	12	**113.2**	196.9	171.2
Current tax liabilities		**0.3**	-	0.3
Deferred tax liabilities		**14.4**	7.5	14.7
Trade and other payables		**14.1**	12.8	14.0
Provisions for liabilities	7	**0.4**	0.5	0.5
Subordinated liabilities	16	**22.9**	22.9	22.9
Total liabilities		**5,453.9**	5,640.0	5,650.0
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		**291.9**	261.6	279.1
Revaluation reserve		**3.1**	3.3	3.1
Fair value reserve		**(0.8)**	0.9	0.3
Total members' interests and equity		**429.0**	400.6	417.3
Total members' interests, equity and liabilities		**5,882.9**	6,040.6	6,067.3

Condensed consolidated Statement of Changes in Members' Interests and Equity

for the six months ended 30 September 2022

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**

6 months ended 30 September 2021 (unaudited)

	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2021	127.0	7.8	250.7	3.3	1.1	389.9
Profit for the period	-	-	11.9	-	-	11.9
Other comprehensive income for the period (net of tax)						
Fair value through other comprehensive income investments	-	-	-	-	(0.2)	(0.2)
Total other comprehensive income	-	-	-	-	(0.2)	(0.2)
Total comprehensive income for the period	-	-	11.9	-	(0.2)	11.7
Distribution to the holders of core capital deferred shares	-	-	(1.0)	-	-	(1.0)
At 30 September 2021	127.0	7.8	261.6	3.3	0.9	400.6

Year ended 31 March 2022 (audited)

	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2021	127.0	7.8	250.7	3.3	1.1	389.9
Profit for the financial year	-	-	24.4	-	-	24.4
Other comprehensive income for the year (net of tax)						
Retirement benefit obligations	-	-	6.9	-	-	6.9
Realisation of previous revaluation gains	-	-	-	(0.2)	-	(0.2)
Fair value through other comprehensive income investments	-	-	-	-	(0.8)	(0.8)
Total other comprehensive income	-	-	6.9	(0.2)	(0.8)	5.9
Total comprehensive income for the year	-	-	31.3	(0.2)	(0.8)	30.3
Distribution to the holders of core capital deferred shares	-	-	(2.9)	-	-	(2.9)
At 31 March 2022	127.0	7.8	279.1	3.1	0.3	417.3

Condensed consolidated half-yearly Statement of Cash Flows

for the six months ended 30 September 2022

	6 months ended 30 Sep 22 unaudited £m	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
Net cash inflow from operating activities (below)	**204.5**	166.9	365.7
Cash flows from investing activities			
Purchase of investment securities	**(104.7)**	(38.5)	(101.9)
Proceeds from disposal of investment securities	**68.7**	34.1	86.5
Proceeds from disposal of investment properties	**0.7**	1.5	2.1
Purchase of property, plant and equipment and intangible assets	**(3.2)**	(2.0)	(5.1)
Net cash flows from investing activities	**(38.5)**	(4.9)	(18.4)
Cash flows from financing activities			
Repayment of debt securities in issue	**(59.2)**	(21.6)	(47.4)
Interest paid on subordinated liabilities	**(1.2)**	(1.2)	(2.5)
Payment of lease liabilities	**(0.2)**	(0.2)	(0.4)
Distribution to the holders of core capital deferred shares	**(1.9)**	(1.0)	(2.9)
Net cash flows from financing activities	**(62.5)**	(24.0)	(53.2)
Net increase in cash	**103.5**	138.0	294.1
Cash and cash equivalents at beginning of period	**710.1**	416.0	416.0
Cash and cash equivalents at end of period	**813.6**	554.0	710.1

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 22 unaudited £m	30 Sep 21 unaudited £m	31 Mar 22 audited £m
Cash and cash equivalents			
Cash in hand (including Bank of England Reserve account)	**613.8**	468.3	636.9
Loans and advances to credit institutions	**142.8**	85.7	73.2
Investment securities	**57.0**	-	-
	813.6	554.0	710.1

The Group is required to maintain certain mandatory balances with the Bank of England which, at 30 September 2022, amounted to £15.0m (30 September 2021: £13.9m and 31 March 2022: £15.1m). The movement in these balances is included within cash flows from operating activities.

The Group's loans and advances to credit institutions includes £98.0m (30 September 2021: £43.0m and 31 March 2022: £46.0m) 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 2022

	6 months ended 30 Sep 22 unaudited £m	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
Cash flows from operating activities			
Profit before tax	**18.1**	14.6	23.2
Adjustments for non-cash items included in profit before tax			
Impairment on loans and advances	**16.8**	(0.3)	8.1
Depreciation, amortisation and impairment	**3.8**	5.0	13.0
Disposal of property, plant and equipment	**-**	-	(0.1)
Revaluation of investment properties	**(5.9)**	(0.4)	(5.8)
Changes in provision for liabilities	**(0.1)**	(0.1)	(0.1)
Interest on subordinated liabilities	**1.2**	1.2	2.5
Fair value (gains)/losses on equity release portfolio	**0.2**	(0.5)	(0.2)
Interest paid on lease liabilities	**-**	-	0.1
Changes in fair value	**101.5**	16.2	63.7
	135.6	35.7	104.4
Changes in operating assets and liabilities			
Loans and advances to customers	**320.8**	(142.0)	2.5
Loans and advances to credit institutions	**0.1**	(2.1)	(3.3)
Derivative financial instruments	**(121.0)**	(20.9)	(74.9)
Shares	**34.0**	33.6	(50.5)
Deposits and other borrowings	**(162.5)**	264.7	389.3
Trade and other receivables	**(1.2)**	(0.4)	0.4
Trade and other payables	**0.9**	0.4	1.8
Retirement benefit obligations	**(2.2)**	(2.1)	(4.2)
Tax received	**-**	-	0.2
Net cash inflow from operating activities	**204.5**	166.9	365.7

Notes to condensed consolidated half-yearly financial information for the six months ended 30 September 2022

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 to 31 March 2022 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 2022 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 2022 and 30 September 2021 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 2022 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 2022, 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 2021/22 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 60 of the 2021/22 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 2021/22 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 2022 (details provided on page 100).

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 19%. 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 2022 are unchanged from those existing at 31 March 2022.

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 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 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)

6 months ended 30 September 2021 (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	54.4	3.7	-	(7.6)	50.5
On instruments measured at fair value through profit or loss	(7.3)	-	-	-	(7.3)
Total interest receivable and similar income	47.1	3.7	-	(7.6)	43.2
Interest expense and similar charges	(11.9)	(6.0)	(1.4)	7.6	(11.7)
Net interest receivable/(expense)	35.2	(2.3)	(1.4)	-	31.5
Fees and commissions receivable	1.0	-	-	-	1.0
Other operating income	-	-	1.8	-	1.8
Fair value gains on financial instruments	2.0	1.9	-	-	3.9
Total income	38.2	(0.4)	0.4	-	38.2
Administrative expenses	(18.9)	(0.5)		-	(19.4)
Depreciation and amortisation	(5.0)	-	-	-	(5.0)
Operating profit/(loss) before revaluation gains, impairment and provisions	14.3	(0.9)	0.4	-	13.8
Gains on investment properties	-	-	0.4	-	0.4
Impairment on loans and advances	3.0	(2.7)	-	-	0.3
Provisions for liabilities	0.1	-	-	-	0.1
Profit/(Loss) before tax	17.4	(3.6)	0.8	-	14.6
Total assets	6,103.5	294.2	144.4	(501.5)	6,040.6
Total liabilities	5,750.4	427.6	121.6	(659.6)	5,640.0

5. Business segments (continued)

Year ended 31 March 2022 (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	106.9	7.2	-	(14.1)	100.0
On instruments measured at fair value through profit or loss	(12.7)	-	-	-	(12.7)
Total interest receivable and similar income	94.2	7.2	-	(14.1)	87.3
Interest expense and similar charges	(25.6)	(10.9)	(2.8)	14.1	(25.2)
Net interest receivable/(expense)	68.6	(3.7)	(2.8)	-	62.1
Fees and commissions receivable	1.9	-	-	-	1.9
Other operating income	-	-	3.7	-	3.7
Fair value gains on financial instruments	3.9	6.7	-	-	10.6
Total income	74.4	3.0	0.9	-	78.3
Administrative expenses	(44.5)	(0.9)	(0.1)	-	(45.5)
Depreciation and amortisation	(7.4)	-	-	-	(7.4)
Operating profit before revaluation gains, impairment and provisions	22.5	2.1	0.8	-	25.4
Gains on investment properties	-	-	5.8	-	5.8
Impairment on loans and advances	4.4	(12.5)	-	-	(8.1)
Provisions for liabilities	0.1	-	-	-	0.1
Profit/(Loss) before tax	27.0	(10.4)	6.6	-	23.2
Total assets	6,125.4	257.3	150.6	(466.0)	6,067.3
Total liabilities	5,775.3	406.3	124.8	(656.4)	5,650.0

6. Allowance for losses on loans and advances to customers

	6 months ended 30 Sep 22 unaudited £m	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
Impairment charge/(credit) for the period	**16.8**	(0.3)	8.1
Impairment provision at end of period			
Loans fully secured on residential property	**7.0**	9.0	7.7
Loans fully secured on land	**116.9**	92.8	99.9
Total	**123.9**	101.8	107.6

In accordance with IFRS 9, 'Financial instruments', forecasts of future economic conditions are integral to the Expected Credit Loss calculations (ECL). At 30 September 2022, the Group modelled four forward-looking macroeconomic scenarios: central, upside, downside and severe with respective probability weightings kept the same of those applied at 31 March 2022 following review. The Group's scenario weightings as at 30 September 2022 are 60% for the central scenario, 5% for the upside scenario, 25% for the downside scenario and 10% for the severe scenario (31 March 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 1.9% in the downside and severe scenarios respectively and reduces by 0.2% in the upside scenario. This compares to an average exit yield of 8%.

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)**
			2022/23	**2023/24**	**5 year average**		
Central scenario	**60%**	Bank Rate	5.0	5.3	4.5	(8.5)	-
		HPI	5.9	(2.0)	1.9		
		Unemployment	3.8	4.4	4.7		
		GDP	0.5	(0.2)	0.8		
Upside scenario	**5%**	Bank Rate	3.3	3.5	3.2	(10.0)	(0.4)
		HPI	9.2	3.5	4.9		
		Unemployment	3.7	3.6	3.1		
		GDP	5.5	2.1	3.2		
Downside scenario	**25%**	Bank Rate	6.3	7.0	5.1	10.9	1.8
		HPI	-	(9.7)	(2.4)		
		Unemployment	5.0	6.8	6.3		
		GDP	(1.5)	(2.0)	(0.3)		
Severe scenario	**10%**	Bank Rate	6.3	2.0	1.7	19.7	2.6
		HPI	(4.1)	(15.0)	(4.2)		
		Unemployment	10.0	12.0	8.8		
		GDP	(5.7)	(3.8)	(0.3)		

*(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 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 months ended 30 September 2021 (unaudited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Residential expected credit loss allowance				
At 1 April 2021	1.8	7.4	2.6	11.8
Transfers due to increased credit risk:				
From stage 1 to stage 2	(0.1)	0.3	-	0.2
From stage 1 to stage 3	(0.1)	-	0.3	0.2
From stage 2 to stage 3	-	(0.1)	0.1	-
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.2	(2.5)	-	(2.3)
From stage 3 to stage 2	-	0.1	(0.1)	-
Remeasurement of expected credit losses with no stage transfer	0.2	(0.9)	0.1	(0.6)
Redemptions	(0.2)	(0.1)	(0.1)	(0.4)
Amounts written off	-	-	(0.3)	(0.3)
Other movements	0.1	-	(0.1)	-
Movement in provision overlays	-	0.4	-	0.4
At 30 September 2021	1.9	4.6	2.5	9.0

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

Year ended 31 March 2022 (audited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Residential expected credit loss allowance				
At 1 April 2021	1.8	7.4	2.6	11.8
Transfers due to increased credit risk:				
From stage 1 to stage 2	-	0.4	-	0.4
From stage 1 to stage 3	(0.2)	-	0.5	0.3
From stage 2 to stage 3	-	(0.1)	0.2	0.1
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.2	(2.5)	-	(2.3)
From stage 3 to stage 2	-	-	(0.1)	(0.1)
Remeasurement of expected credit losses with no stage transfer	(0.1)	(1.5)	(0.1)	(1.7)
Redemptions	(0.4)	(0.2)	(0.3)	(0.9)
Amounts written off	-	-	(0.5)	(0.5)
Movement in provision overlays	-	0.6	-	0.6
At 31 March 2022	1.3	4.1	2.3	7.7

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

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**

6 months ended 30 September 2021 (unaudited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Commercial expected credit loss allowance				
At 1 April 2021	-	8.4	83.5	91.9
Transfers due to increased credit risk:				
From stage 1 to stage 3	-	-	1.2	1.2
From stage 2 to stage 3	-	(0.3)	0.4	0.1
Remeasurement of expected credit losses with no stage transfer	-	-	3.7	3.7
Amounts written off	-	-	(1.4)	(1.4)
Other movements	-	-	0.1	0.1
Movement in provision overlays	-	-	(2.8)	(2.8)
At 30 September 2021	-	8.1	84.7	92.8

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

Year ended 31 March 2022 (audited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Commercial expected credit loss allowance				
At 1 April 2021	-	8.4	83.5	91.9
Transfers due to increased credit risk:				
From stage 2 to stage 3	-	(2.7)	1.5	(1.2)
Remeasurement of expected credit losses with no stage transfer	-	3.6	13.7	17.3
Redemptions	-	(0.5)	-	(0.5)
Amounts written off	-	-	(4.8)	(4.8)
Movement in provision overlays	-	-	(2.8)	(2.8)
At 31 March 2022	-	8.8	91.1	99.9

7. Provisions for liabilities

	6 months ended 30 Sep 22 unaudited £m	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
At beginning of period	**0.5**	0.6	0.6
Utilised in the period	**(0.1)**	-	-
Release for the period	**-**	(0.1)	(0.1)
At end of period	**0.4**	0.5	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 22 unaudited £m	30 Sep 22 unaudited £m	31 Mar 22 audited £m
Amortised cost			
Loans fully secured on residential property	**4,299.4**	4,713.6	4,592.1
Loans fully secured on land	**293.1**	345.8	320.3
	4,592.5	5,059.4	4,912.4
Fair value through profit or loss			
Loans fully secured on residential property	**10.0**	11.9	11.5
	4,602.5	5,071.3	4,923.9
Fair value adjustment for hedged risk	**(139.6)**	9.5	(38.0)
Less: impairment provisions	**(123.9)**	(101.8)	(107.6)
	4,339.0	4,979.0	4,778.3

Included within loans and advances to customers are £297.4m (31 March 2022: £348.5m) of commercial lending balances of which £9.7m (31 March 2022: £10.0m) 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 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 30 September 2021 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Residential loans held at amortised cost			
Stage 1	4,131.4	1.9	0.05
Stage 2			
> 30 days past due	7.7	0.1	1.30
Other SICR indicators	501.8	2.4	0.48
Provision overlays	-	2.1	-
Stage 3	58.3	2.5	4.28
	4,699.2	9.0	0.19

At 31 March 2022 (audited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Residential loans held at amortised cost			
Stage 1	4,005.1	1.3	0.03
Stage 2			
> 30 days past due	7.3	0.1	1.37
Other SICR indicators	502.1	1.7	0.34
Provision overlays	-	2.3	-
Stage 3	62.6	2.3	3.67
	4,577.1	7.7	0.17

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**

8. Loans and advances to customers (continued)

At 30 September 2021 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	18.3	-	0.03
Stage 2			
> 30 days past due	-	-	-
Other SICR indicators	80.6	8.1	10.05
Stage 3	279.7	84.7	30.28
	378.6	92.8	24.51

At 31 March 2022 (audited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	47.9	-	-
Stage 2			
> 30 days past due	-	-	-
Other SICR indicators	50.3	8.8	17.50
Stage 3	250.3	91.1	36.40
Provision overlays	-	-	-
	348.5	99.9	28.67

9. Shares

	30 Sep 22 unaudited £m	30 Sep 21 unaudited £m	31 Mar 22 audited £m
Held by individuals	**4,216.5**	4,266.7	4,182.5
Other shares	**1.1**	1.0	1.1
	4,217.6	4,267.7	4,183.6

10. Property, plant, equipment and intangible assets

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**

6 months ended 30 September 2021 (unaudited)

	Intangible assets £m	Property, plant and equipment £m
Net book value at 1 April 2021	16.3	24.9
Additions	1.8	0.5
Depreciation, amortisation, impairment and other movements	(3.6)	(1.4)
Net book value at 30 September 2021	14.5	24.0

Year ended 31 March 2022 (audited)

	Intangible assets £m	Property, plant and equipment £m
Net book value at 1 April 2021	16.3	24.9
Additions	4.2	0.4
Depreciation, amortisation, impairment and other movements	(4.7)	(2.5)
Write off of previously capitalised costs	(5.6)	-
Net book value at 31 March 2022	10.2	22.8

11. Investment properties

	6 months ended 30 Sep 22 unaudited £m	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
Valuation			
At beginning of period	**147.3**	143.0	143.0
Additions	**0.9**	-	0.5
Disposals	**(0.7)**	(1.5)	(2.0)
Revaluation gains	**5.9**	0.4	5.8
At end of period	**153.4**	141.9	147.3

12. Debt securities in issue

	30 Sep 22 unaudited £m	30 Sep 21 unaudited £m	31 Mar 22 audited £m
Non-recourse finance on securitised advances	**113.2**	196.9	171.2
	113.2	196.9	171.2

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. Prior to redemption of the Notes on the final interest payment date, the Notes will be subject to mandatory and/or optional redemption, in certain circumstances, on each interest payment date.

13. Core capital deferred shares

	Number of shares	CCDS nominal amount £m	Share premium £m	Total £m
At 30 September 2022 (unaudited)	**1,288,813**	**1.3**	**125.7**	**127.0**
At 30 September 2021 (unaudited)	1,288,813	1.3	125.7	**127.0**
At 31 March 2022 (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. The Directors declared a final distribution in May 2022 of £1.50 per CCDS in respect of the period to 31 March 2022, which was paid in August 2022. These distributions have 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 2022 which would be paid in February 2023. 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. In the event of a winding up or dissolution of the Society, the share of surplus assets (if any) a CCDS holder would be eligible to receive is determined by the calculation of a core capital contribution proportion, limited to a maximum of the average principal amount, currently £100 per CCDS.

14. Related party transactions

Related party transactions for the six months to 30 September 2022 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 2022.

15. Subscribed capital

	30 Sep 22 unaudited £m	30 Sep 21 unaudited £m	31 Mar 22 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 the indicative PIBS distribution policy, the Society continues to calculate a notional PPDS reserve which was £2.7m at 31 March 2022. As this would have allowed a distribution maximum of 1.48%, or 0.74% on a semi-annual basis, a resolution was passed to make an interest payment on the PIBS of 0.74%, which was paid on 5 October 2022.

16. Subordinated liabilities

	30 Sep 22 unaudited £m	30 Sep 21 unaudited £m	31 Mar 22 audited £m
Subordinated notes due 2038 – 11.0%	**22.9**	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.

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 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**

At 30 September 2021 (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	85.7	-	85.7	-	85.7
Loans and advances to customers	4,967.1	-	-	5,035.7	5,035.7
	5,052.8	-	85.7	5,035.7	5,121.4
Financial liabilities					
Shares	4,267.7	-	-	4,232.0	4,232.0
Amounts due to credit institutions	996.4	-	996.4	-	996.4
Amounts due to other customers	110.4	-	101.6	8.8	110.4
Debt securities in issue	196.9	197.4	0.2	-	197.6
Subordinated liabilities	22.9	-	22.9	-	22.9
	5,594.3	197.4	1,121.1	4,240.8	5,559.3

17. Financial instruments (continued)

At 31 March 2022 (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	73.2	-	73.2	-	73.2
Loans and advances to customers	4,766.8	-	-	4,907.2	4,907.2
	4,840.0	-	73.2	4,907.2	4,980.4
Financial liabilities					
Shares	4,183.6	-	-	4,145.5	4,145.5
Amounts due to credit institutions	1,116.7	-	1,116.7	-	1,116.7
Amounts due to other customers	114.6	-	107.5	7.2	114.7
Debt securities in issue	171.2	171.4	0.2	-	171.6
Subordinated liabilities	22.9	-	22.9	-	22.9
	5,609.0	171.4	1,247.3	4,152.7	5,571.4

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 2022.

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 2022.

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 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**

17. Financial instruments (continued)

At 30 September 2021 (unaudited)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	276.0	-	-	276.0
At fair value through profit or loss	0.6	-	-	0.6
Derivative financial instruments	-	11.8	-	11.8
Loans and advances to customers	-	-	11.9	11.9
	276.6	11.8	11.9	300.3
Financial liabilities				
Derivative financial instruments	-	24.9	-	24.9

At 31 March 2022 (audited)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	286.4	-	-	286.4
At fair value through profit or loss	0.5	-	-	0.5
Derivative financial instruments	-	52.4	-	52.4
Loans and advances to customers	-	-	11.5	11.5
	286.9	52.4	11.5	350.8
Financial liabilities				
Derivative financial instruments	-	11.5	-	11.5

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

Equity release portfolio	**6 months ended 30 Sep 22 unaudited £m**	6 months ended 30 Sep 21 unaudited £m	Year ended 31 Mar 22 audited £m
At beginning of period	**11.5**	12.5	12.5
Items recognised in the Income Statement			
Interest receivable and similar income	**0.4**	0.4	0.7
Changes in fair vaue	**(0.2)**	0.5	0.2
Redemption payments	**(1.7)**	(1.5)	(1.9)
At end of period	**10.0**	11.9	11.5

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 2022.

Signed on behalf of the Board of Directors:

Jonathan Westhoff
Chief Executive

Ashraf Piranie
Group Finance & Operations Director

7 December 2022

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