Condensed consolidated half-yearly financial information

30 September 2014

the West Brom

Chief Executive's Business Review

Jonathan Westhoff

Performance

Profit before tax for the six months to 30 September 2014 was £6.0m (30 September 2013 restated: loss of £7.6m) representing a significant year on year improvement in performance.

The West Brom has continued to deliver against its strategic objectives, achieving over £300m of gross residential lending in the six months to 30 September 2014 which surpasses the £214m reported for the full year to 31 March 2014.

At 13.4%, (31 March 2014: 13.4%) the Group's Common Equity Tier 1 capital ratio remains strong and evidences the Society's success in de-risking the balance sheet to establish a secure platform for growth. The leverage ratio – another key measure of financial stability – at 7.5% is also unchanged from the March year end, and remains one of the strongest amongst UK banks and building societies.

Net interest margin grew to 1.05% (30 September 2013: 0.67%) demonstrating an ongoing upward trend in core performance. Competition for funding has softened over the past year, leading to a reduction in our interest costs, but just over half of the margin improvement has been due to the rate adjustment which was applied to non-consumer buy to let mortgages held in the West Bromwich Mortgage Company from 1 December 2013.

Positive house price movements in the period resulted in a revaluation gain of £4.9m (30 September 2013: £2.0m) on the West Bromwich Homes Limited portfolio of rental properties.

Management expenses for the six months to 30 September 2014 have been held relatively flat, compared with the first half of 2013/14. This has been achieved whilst investing in the modernisation of the entire branch network and updating lending systems. The Society is also looking forward to completion of a new Head Office building in 2015. This cost control has been achieved as we have continued to maintain a clear focus on operational efficiencies, and the investments themselves are important in delivering this.

The management expenses ratio of 0.81% (30 September 2013: 0.75%) has increased year on year as, although expenditure has been contained, there has been a reduction in the average assets, which are the denominator in this ratio.

The West Brom takes its obligations as a responsible lender very seriously. The Society works to support those borrowers experiencing financial difficulties by offering, wherever possible, sustainable arrangements which reduce the level of debt over time. The arrears performance, taking into account careful forbearance measures and economic factors such as slow wage growth, remains encouraging with just 1.76% of residential mortgages in arrears by more than three months at 30 September 2014 (31 March 2014: 1.74%). All lending undertaken since the Society re-entered the mortgage market two years ago has met strict affordability assessments, with no accounts at three months or more in arrears at 30 September 2014.

The underlying level of impairment costs is a combination of the impairment figure shown in the Income Statement and the fair value movement of the derivative financial instruments held in respect of non-performing commercial loans (analysed in the segmental analysis in note 4). The underlying impairment on loans and advances fell from £8.1m for the six months to 30 September 2013 to £6.2m, comprising £0.3m residential provisions charges (30 September 2013: £1.8m), £1.5m commercial impairment (30 September 2013: £10.0m) and £4.4m of adverse derivative fair value movements in relation to non-performing commercial loans (30 September 2013: £3.7m favourable).

Residential impairment charges have benefited from the overall quality of the loan book, increases in property values and the Society's decision to reduce its Standard Variable Rate (SVR).

A combination of the modest improvement in economic conditions through 2014 and close account management also led to some improvement in underlying commercial impairment charges. Whilst this has been the case for the last six months, experience has shown that the performance of a commercial loan book can deteriorate relatively quickly in response to any level of economic downturn and the Board has therefore maintained its prudent approach to provisioning. At 30 September 2014, funds set aside for potential losses equated to 6.6% of total commercial loan balances (31 March 2014: 6.2%).

Member value

The Board's goal is to balance the provision of long-term member value with its commitment to offering a range of competitive mortgage, investment and savings products and excellent service standards.

In addition to its recent reduction in SVR, the Society has firmly re-established itself as a mortgage provider, with a product range that has consistently attracted Best Buy coverage.

In the six months to 30 September 2014, the West Brom has continued to look after its saving members, increasing rates on those accounts most affected by falling interest rates and maintaining a regular presence in the Best Buy tables. When the ISA limit increased in July 2014, members with fixed rate ISAs opened in 2014/15 were allowed to make additional deposits for a three month period, ensuring they did not miss the chance to increase their tax-free savings.

The Society's commitment to quality and choice was recognised on the national stage with the West Brom winning Best No Notice Account Provider, and being shortlisted in four other categories, at the prestigious annual Moneyfacts Awards.

Funding

In line with the traditional building society model, retail savings are the main component of the West Brom's funding base. At 30 September 2014, 81.3% (31 March 2014: 83.5%) of total shares and borrowings were in the form of members' retail deposits.

Savings rates remained suppressed for the first half of 2014/15 as lenders continued to have access to relatively low cost funding, partly as a result of government initiatives. While the easing of competition in the retail savings markets has contributed to an improvement in net interest margin, the West Brom has endeavoured to support its saving members by continually offering a range of attractive products which meet their needs.

Liquidity

The West Brom manages its liquidity position to meet all regulatory and internal requirements without holding excess funds, which would have an adverse impact on interest margins due to the low returns generated by holding liquid assets.

Following the introduction of the government's Funding for Lending Scheme (FLS), additional regulatory liquidity is available to lending institutions – which hold eligible collateral for security – in the form of treasury bills. The treasury bills, although they provide a very ready source of liquidity, do not appear on the balance sheet unless drawn against to raise wholesale funding. Thus the Society's liquidity ratio of 15.8% as at 30 September 2014 (31 March 2014: 17.2%) does not provide a complete picture of its liquidity resources.

At 30 September 2014 and 31 March 2014, all of the Society's treasury investments were rated single A or better with no exposure to any non-UK sovereigns or mortgage markets. There were no impairment charges against liquid assets during the current or comparative periods.

The table below shows an analysis of the Group's liquidity portfolio:

	30 Sep 14		30 Sep 13		31 Mar 14	
	£m	**%**	£m	%	£m	%
Buffer liquidity						
Bank of England Reserve	**121.2**	**16.9**	193.0	20.3	126.0	16.4
Supranationals	**87.3**	**12.1**	200.1	21.1	127.5	16.6
Total buffer liquidity	**208.5**	**29.0**	393.1	41.4	253.5	33.0
Other securities – rated single A or better	**316.2**	**44.0**	357.4	37.6	334.1	43.6
Subsidiary/other liquidity	**194.4**	**27.0**	199.1	21.0	179.7	23.4
Total liquidity	**719.1**	**100.0**	949.6	100.0	767.3	100.0

Capital

Capital is held to provide protection for depositors at levels which exceed internal and minimum regulatory requirements at all times.

The following table shows the Group's capital ratios at 30 September 2014 and 31 March 2014:

	Transitional CRD IV rules 30 Sep 14 %	**Full implementation of CRD IV 30 Sep 14 %**	Transitional CRD IV rules 31 Mar 14 %	Full implementation of CRD IV 31 Mar 14 %
Common Equity Tier 1 (as a percentage of RWA)	**13.4**	**14.2**	13.4	14.3
Tier 1 (as a percentage of RWA)	**15.6**	**14.2**	15.7	14.3
Total capital (as a percentage of RWA)	**16.2**	**14.8**	16.2	14.9
Leverage ratio	**7.5**	**6.8**	7.5	6.9

The two key measures of capital, under the legislative reforms introduced in 2014 to strengthen regulatory standards on capital adequacy, are the Common Equity Tier 1 (CET1) and leverage ratios, both currently calculated under transitional rules.

Each of the Society's capital ratios exceeds regulatory requirements. At 7.5% (31 March 2014: 7.5%), the leverage ratio is particularly strong and compares very favourably with peers in the bank and building society sector. The CET1 ratio of 13.4% is further evidence of the West Brom's robust capital position, which strengthens to 14.2% when projecting forward the full impact of the CRD IV rules.

Principal risks and uncertainties

Effective management of risks and opportunities is essential to achieving the Society's strategic objectives. The Society aims to manage effectively all of the risks that arise from its activities and believes that its approach to risk management reflects an understanding of actual and potential risk exposures, the quantification of the impact of such exposures and the development and implementation of appropriate controls to manage these exposures within the Board's agreed risk appetite.

The Directors have agreed a set of statements which describe the Board's risk appetite in terms of a number of key risk categories: business, capital, liquidity, credit, market, operational, pension liability and conduct (the Society's Risk Appetite Statements).

These Risk Appetite Statements drive corporate planning activity, including capital and liquidity planning, as well as providing the basis for key risk measures.

The principal risks and uncertainties which could impact the Society's long-term performance remain those outlined on pages 21 to 24 of the Annual Report and Accounts for the year ended 31 March 2014. There have been no significant changes in the Society's approach to risk management during the six months ended 30 September 2014. Since 1 December 2013 a rate adjustment has been applied to non-consumer buy to let loans held in West Bromwich Mortgage Company. Legal proceedings have been initiated by a number of borrowers affected by the adjustment and a court date has now been set for 21 January 2015. As at 31 March 2014, this action was reported as a contingent liability, and has also been classified as such for these half year accounts (see note 6). The total cumulative value of the rate adjustment is £11.0m, including £6.3m for the six months to 30 September 2014.

Outlook

Having maintained its capital strength and profitability for the six months to 30 September 2014, the Society is set to make further progress against strategic objectives for the rest of the financial year.

In recent months, the leverage ratio – considered to be an essential part of the framework for assessing capital adequacy – has been a subject of regulatory focus. The West Brom's leverage ratio is one of the strongest in the UK bank and building society sector and is expected to remain at this level going forwards. Therefore, while the Society continues to face some legacy challenges and remains vigilant to the possibility of a slowdown in the UK economic recovery, it is well positioned to achieve its current and future plans for growth.

Residential lending activity and house prices have increased throughout the period with rising competition in the mortgage markets expected to intensify further in the latter part of the year. With a range of mortgages that provide genuine value and choice, the West Brom is on track to accomplish its lending objectives and has already passed the £300m milestone in the first half of 2014/15. This is without any compromise of the sensible affordability criteria in place which ensure that borrowers can manage repayments on their chosen mortgage both now and in the future, should interest rates rise.

The timing of an increase in Bank Rate remains a topic of considerable speculation, given uncertainty over the long-term health of the UK economy and the threats posed by financial instability in Europe and beyond. The Society has taken the necessary action to enable it to operate profitably in the current protracted low interest-rate environment. Nevertheless, the widely anticipated interest rate increases will be welcomed in terms of the positive impact on both margins and returns for savers, who have seen their rates fall significantly over the past year.

In an industry facing considerable public scrutiny and where mistakes are proving commonplace, the West Brom is proud of its traditional building society model and commitment to achieving fair outcomes for customers. The continuation of the strategic investment programme will ensure the Society delivers long-term member value, enabling home ownership and providing a safe home for members' savings for many years to come.

Jonathan Westhoff
Chief Executive

Forward looking statements
Certain statements in this half-year 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 2014

	6 months ended 30 Sep 14 unaudited £m	6 months ended 30 Sep 13* unaudited £m	Year ended 31 Mar 14 audited £m
Interest receivable and similar income	**67.4**	67.8	135.9
Interest expense and similar charges	**(37.8)**	(47.3)	(87.7)
Net interest receivable	**29.6**	20.5	48.2
Fees and commissions receivable	**1.9**	2.5	5.7
Other operating income	**1.9**	1.8	3.6
Total operating income	**33.4**	24.8	57.5
Fair value (losses)/gains on financial instruments	**(4.1)**	3.8	4.6
Net realised profits/(losses)	**-**	0.1	(0.2)
Total income	**29.3**	28.7	61.9
Administrative expenses	**(20.6)**	(20.4)	(40.6)
Depreciation and amortisation	**(2.4)**	(2.3)	(4.4)
Operating profit before impairments, provisions and revaluation gains	**6.3**	6.0	16.9
Gains on investment properties	**4.9**	2.0	5.1
Impairment on loans and advances	**(1.8)**	(11.8)	(13.6)
Provisions for liabilities	**(3.4)**	(3.8)	(6.3)
Profit/(Loss) before tax	**6.0**	(7.6)	2.1
Taxation	**(1.3)**	2.1	(1.1)
Profit/(Loss) for the period	**4.7**	(5.5)	1.0

* Restated due to a change in accounting policy as described in note 3.

Condensed consolidated half-yearly Statement of Comprehensive Income

for the six months ended 30 September 2014

	6 months ended 30 Sep 14 unaudited £m	6 months ended 30 Sep 13* unaudited £m	Year ended 31 Mar 14 audited £m
Profit/(Loss) for the period	**4.7**	(5.5)	1.0
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Available for sale investments			
Valuation loss taken to equity	**(0.6)**	(4.1)	(6.2)
Amounts transferred to Income Statement	**-**	(0.1)	0.2
Cash flow hedge (losses)/gains taken to equity	**(0.1)**	(0.5)	0.2
Taxation	**0.2**	1.1	1.0
Items that will not subsequently be reclassified to profit or loss			
Gains on revaluation of land and buildings	**-**	-	0.5
Actuarial loss on retirement benefit obligations	**-**	-	(6.2)
Taxation	**-**	-	1.4
Other comprehensive income for the period, net of tax	**(0.5)**	(3.6)	(9.1)
Total comprehensive income for the period	**4.2**	(9.1)	(8.1)
As a percentage of mean total assets	**%**	**%**	**%**
Profit/(Loss) for the period	**0.08**	(0.09)	0.02
Management expenses (annualised)	**0.81**	0.75	0.76

* Restated due to a change in accounting policy as described in note 3.

Condensed consolidated half-yearly Statement of Financial Position

at 30 September 2014

	Notes	30 Sep 14 unaudited £m	30 Sep 13* unaudited £m	31 Mar 14 audited £m
Assets				
Cash and balances with the Bank of England		**130.9**	203.7	136.3
Loans and advances to credit institutions		**184.7**	188.4	169.4
Investment securities		**403.5**	557.5	461.6
Derivative financial instruments		**24.7**	29.3	33.8
Loans and advances to customers	7	**4,737.2**	4,805.6	4,680.5
Deferred tax assets		**22.7**	26.6	23.8
Trade and other receivables		**2.8**	3.0	2.8
Intangible assets	9	**7.6**	7.5	8.7
Investment properties	10	**118.2**	113.6	115.2
Property, plant and equipment	9	**22.6**	16.9	18.4
Retirement benefit assets		**0.8**	2.7	-
Total assets		**5,655.7**	5,954.8	5,650.5
Liabilities				
Shares	8	**4,130.2**	4,369.1	4,235.6
Amounts due to credit institutions		**22.1**	15.7	38.7
Amounts due to other customers		**150.8**	134.9	121.0
Derivative financial instruments		**62.1**	72.8	62.0
Debt securities in issue	11	**779.0**	855.1	677.0
Deferred tax liabilities		**3.6**	4.3	3.6
Trade and other payables		**9.1**	8.7	13.6
Provisions for liabilities	6	**2.1**	2.7	5.1
Retirement benefit obligations		**-**	-	1.4
Total liabilities		**5,159.0**	5,463.3	5,158.0
Equity				
Profit participating deferred shares	12	**176.1**	173.0	174.7
Subscribed capital	14	**74.9**	74.9	74.9
General reserves		**238.2**	234.1	234.9
Revaluation reserve		**3.4**	3.7	3.4
Available for sale reserve		**4.0**	6.2	4.4
Cash flow hedging reserve		**0.1**	(0.4)	0.2
Total equity attributable to members		**496.7**	491.5	492.5
Total liabilities and equity		**5,655.7**	5,954.8	5,650.5
As a percentage of shares and borrowings		**%**	%	%
Gross capital		**10.9**	10.5	11.0
Free capital		**8.0**	7.9	8.2
Total liquidity		**15.8**	20.2	17.2

* Restated due to a change in accounting policy as described in note 3.

Condensed consolidated Statement of Changes in Members' Interest

for the six months ended 30 September 2014

6 months ended 30 September 2014 (unaudited)

	Profit participating deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Available for sale reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2014	174.7	74.9	234.9	3.4	4.4	0.2	**492.5**
Comprehensive income for the period	1.4	-	3.3	-	(0.4)	(0.1)	**4.2**
At 30 September 2014	**176.1**	**74.9**	**238.2**	**3.4**	**4.0**	**0.1**	**496.7**

6 months ended 30 September 2013 (unaudited)

	Profit participating deferred shares* £m	Subscribed capital £m	General reserves* £m	Revaluation reserve £m	Available for sale reserve £m	Cash flow hedging reserve £m	Total* £m
At 1 April 2013 (as reported)	173.7	74.9	236.1	3.7	9.4	-	497.8
Change in accounting policy	0.7	-	2.1	-	-	-	2.8
At 1 April 2013 (restated)	174.4	74.9	238.2	3.7	9.4	-	500.6
Comprehensive income for the period	(1.4)	-	(4.1)	-	(3.2)	(0.4)	(9.1)
At 30 September 2013	173.0	74.9	234.1	3.7	6.2	(0.4)	491.5

Year ended 31 March 2014 (audited)

	Profit participating deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Available for sale reserve £m	Cash flow hedging reserve £m	Total £m
At 1 April 2013	174.4	74.9	238.2	3.7	9.4	-	500.6
Comprehensive income for the period	0.3	-	(3.3)	(0.3)	(5.0)	0.2	(8.1)
At 31 March 2014	174.7	74.9	234.9	3.4	4.4	0.2	492.5

Under the terms of the profit participating deferred shares (PPDS), 25% of the annual post-tax profits or losses are allocated against the PPDS reserve.

* Restated due to a change in accounting policy as described in note 3.

Condensed consolidated half-yearly Statement of Cash Flows

for the six months ended 30 September 2014

	6 months ended 30 Sep 14 unaudited £m	6 months ended 30 Sep 13* unaudited £m	Year ended 31 Mar 14 audited £m
Net cash flows from operating activities (overleaf)	**(144.7)**	(235.4)	(235.0)
Cash flows from investing activities			
Purchase of investment securities	**(100.6)**	(58.0)	(141.8)
Proceeds from disposal of investment securities	**111.1**	55.4	229.3
Proceeds from disposal of investment properties	**1.8**	0.9	2.3
Purchase of property, plant and equipment and intangible assets	**(5.5)**	(2.6)	(6.2)
Proceeds from disposal of property, plant and equipment	**-**	0.4	0.5
Net cash flows from investing activities	**6.8**	(3.9)	84.1
Cash flows from financing activities			
Issue of mortgage backed loan notes	**-**	380.0	380.0
Repayment of mortgage backed loan notes	**(72.6)**	(30.6)	(105.8)
Net repayment of other debt securities	**173.7**	(199.4)	(302.3)
Net cash flows from financing activities	**101.1**	150.0	(28.1)
Net decrease in cash and cash equivalents	**(36.8)**	(89.3)	(179.0)
Cash and cash equivalents at beginning of period	**371.3**	550.3	550.3
Cash and cash equivalents at end of period	**334.5**	461.0	371.3

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	30 Sep 14 unaudited £m	30 Sep 13* unaudited £m	31 Mar 14 audited £m
Cash and cash equivalents			
Cash in hand (including Bank of England Reserve account)	**123.4**	195.3	128.1
Loans and advances to credit institutions	**184.7**	188.4	169.4
Investment securities	**26.4**	77.3	73.8
	334.5	461.0	371.3

The Group is required to maintain certain mandatory balances with the Bank of England which, at 30 September 2014, amounted to £7.5m (30 September 2013: £8.4m and 31 March 2014: £8.2m). The movement in this balance is included within cash flows from operating activities.

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

for the six months ended 30 September 2014

	6 months ended 30 Sep 14 unaudited £m	6 months ended 30 Sep 13* unaudited £m	Year ended 31 Mar 14 audited £m
Cash flows from operating activities			
Profit/(Loss) on ordinary activities before tax from continuing activities	**6.0**	(7.6)	2.1
Movement in prepayments and accrued income	**-**	(0.5)	(0.1)
Movement in accruals and deferred income	**(4.8)**	(3.3)	1.2
Impairment on loans and advances	**0.9**	11.8	13.6
Depreciation and amortisation	**2.4**	2.3	4.4
Disposal of fixed assets and investment properties	**0.1**	(0.1)	-
Revaluation of investment properties	**(4.9)**	(2.0)	(5.1)
Movement in provisions for liabilities	**(3.0)**	(0.6)	1.9
Movement in derivative financial instruments	**9.2**	(26.4)	(41.7)
Movement in fair value adjustments	**1.0**	22.6	40.3
Change in retirement benefit obligations	**(2.2)**	(2.3)	(4.4)
Cash flows from operating activities before changes in operating assets and liabilities	**4.7**	(6.1)	12.2
Movement in loans and advances to customers	**(63.5)**	125.6	237.9
Movements in loans and advances to credit institutions	**0.7**	(2.8)	(2.6)
Movement in shares	**(100.0)**	(281.0)	(418.9)
Movement in deposits and other borrowings	**13.2**	(70.9)	(62.8)
Movement in trade and other receivables	**-**	0.3	0.1
Movement in trade and other payables	**0.2**	(0.5)	(0.9)
Net cash outflow from operating activities	**(144.7)**	(235.4)	(235.0)

* Restated due to a change in accounting policy as described in note 3.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

1. General information
These half-yearly financial results do not constitute statutory accounts as defined in section 81A of the Building Societies Act 1986. A copy of the statutory accounts for the year to 31 March 2014 has been delivered to the Financial Conduct Authority and the relevant information in this report has been extracted from these statutory accounts. These accounts 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 2014 and 30 September 2013 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 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Accounting policies
The following new or amended accounting standards and interpretations, have been adopted during the period to 30 September 2014 but have had no impact on the interim accounts:

- *IAS 27 (revised) 'Separate Financial Statements'*

The revised standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9.

- *IAS 28 (revised) 'Investments in Associates and Joint Ventures'*

The revised standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- *IFRS 10 'Consolidated Financial Statements'*

The new standard introduces a single consolidation model for all entities based on control.

- *IFRS 11 'Joint Arrangements'*

The new standard requires a party to a joint arrangement to account for its rights and obligations in accordance with the type of joint arrangement.

- *IFRS 12 'Disclosure of Interests in Other Entities'*

The new standard requires extensive disclosures with respect to interests in other entities. No consequential amendments were made to IAS 34 on issuance of IFRS 12 and, as such, the requirements of IFRS 12 do not directly apply to interim financial statements.

- *Amendment to IAS 32 'Financial Instruments: Presentation'*

The amendment clarifies requirements for offsetting financial assets and financial liabilities.

- *Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'*

This amendment limits the circumstances for which disclosure of recoverable amounts for non-financial assets is required.

- *Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'*

This amendment makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

3. Accounting policies (continued)

The following new or amended accounting standards and interpretations have been issued but are not effective for the six months ended 30 September 2014:

- *Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'*

This amendment is applicable to annual periods beginning on or after 1 July 2014 and clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

- *Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'*

This amendment is applicable to annual periods beginning on or after 1 January 2016 and requires an acquirer of an interest in a joint operation, which constitutes a business, to apply the principles and disclosure requirements of other relevant IFRSs.

- *Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'*

This amendment is applicable to annual periods beginning on or after 1 January 2016 and confirms the inappropriateness of certain depreciation and amortisation methods.

The following accounting standard was neither adopted by the European Union nor effective for the six months ended 30 September 2014:

- *IFRS 9 'Financial Instruments'*

This standard introduces new requirements with respect to classification and measurement of financial instruments. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. The standard is currently expected to be effective for annual periods beginning on or after 1 January 2018. The Group is monitoring developments and considering the associated impact.

The Group has applied IFRIC 21 in these interim statements. The implementation constitutes a change in accounting policy and is therefore retrospectively applied. The table below details the restatement of prior period comparatives:

	Previously published 30 Sep 13 £m	IFRIC 21 adjustment 30 Sep 13 £m	Restated 30 Sep 13 £m
Income Statement			
Provisions for liabilities	(1.4)	(2.4)	(3.8)
Loss before tax	(5.2)	(2.4)	(7.6)
Loss for the financial period	(3.6)	(1.9)	(5.5)
Statement of Financial Position			
Deferred tax assets	26.8	(0.2)	26.6
Total assets	5,955.0	(0.2)	5,954.8
Provisions for liabilities	3.8	(1.1)	2.7
Total liabilities	5,464.4	(1.1)	5,463.3
Profit participating deferred shares	172.8	0.2	173.0
General reserves	233.4	0.7	234.1
Total equity attributable to members	490.6	0.9	491.5
Total liabilities and equity	5,955.0	(0.2)	5,954.8
Statement of Cash Flows			
Loss on ordinary activities before tax from continuing activities	(5.2)	(2.4)	(7.6)
Movement in provisions for liabilities	(3.0)	2.4	(0.6)

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

4. 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 – 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, funding, 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 2014 (unaudited)

	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	66.5	11.5	-	(10.6)	**67.4**
Interest expense and similar charges	(36.8)	(10.1)	(1.6)	10.7	**(37.8)**
Net interest receivable/(expense)	**29.7**	**1.4**	**(1.6)**	**0.1**	**29.6**
Fees and commissions receivable	1.8	0.1	-	-	**1.9**
Other operating (expense)/income	(0.1)	-	2.0	-	**1.9**
Total operating income	**31.4**	**1.5**	**0.4**	**0.1**	**33.4**
Fair value gains/(losses) on financial instruments	0.3	(4.4)	-	-	**(4.1)**
Total income/(expense)	**31.7**	**(2.9)**	**0.4**	**0.1**	**29.3**
Administrative expenses	(19.4)	(1.1)	(0.1)	-	**(20.6)**
Depreciation and amortisation	(2.4)	-	-	-	**(2.4)**
Operating profit/(loss) before impairments, provisions and revaluation gains	**9.9**	**(4.0)**	**0.3**	**0.1**	**6.3**
Gains on investment properties	-	-	4.9	-	**4.9**
Impairment on loans and advances	(0.3)	(1.5)	-	-	**(1.8)**
Provisions for liabilities	(3.4)	-	-	-	**(3.4)**
Profit/(Loss) before tax	**6.2**	**(5.5)**	**5.2**	**0.1**	**6.0**
Total assets	**5,556.5**	**794.8**	**124.8**	**(820.4)**	**5,655.7**
Total liabilities	**5,021.0**	**865.0**	**93.9**	**(820.9)**	**5,159.0**
Capital expenditure	**5.5**	**-**	**-**	**-**	**5.5**

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

4. Business segments (continued)

6 months ended 30 September 2013 (unaudited)	Retail* £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group* £m
Income					
Interest receivable and similar income	67.2	12.2	-	(11.6)	67.8
Interest expense and similar charges	(43.2)	(14.2)	(1.6)	11.7	(47.3)
Net interest receivable/(expense)	24.0	(2.0)	(1.6)	0.1	20.5
Fees and commissions receivable	2.3	0.2	-	-	2.5
Other operating (expense)/income	(0.1)	1.1	1.9	(1.1)	1.8
Total operating income/(expense)	26.2	(0.7)	0.3	(1.0)	24.8
Fair value gains on financial instruments	0.2	3.6	-	-	3.8
Net realised profits	0.1	-	-	-	0.1
Total income	26.5	2.9	0.3	(1.0)	28.7
Administrative expenses	(18.8)	(1.5)	(0.1)	-	(20.4)
Depreciation and amortisation	(2.3)	-	-	-	(2.3)
Operating profit before impairments, provisions and revaluation gains	5.4	1.4	0.2	(1.0)	6.0
Gains on investment properties	-	-	2.0	-	2.0
Impairment on loans and advances	(1.8)	(10.0)	-	-	(11.8)
Provisions for liabilities	(3.8)	-	-	-	(3.8)
(Loss)/Profit before tax	(0.2)	(8.6)	2.2	(1.0)	(7.6)
Total assets	5,828.4	931.5	117.8	(922.9)	5,954.8
Total liabilities	5,287.6	1,006.9	94.5	(925.7)	5,463.3
Capital expenditure	2.6	-	-	-	2.6

* Restated due to a change in accounting policy as described in note 3.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

4. Business segments (continued)

Year ended 31 March 2014 (audited)

	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	134.4	24.3	-	(22.8)	135.9
Interest expense and similar charges	(85.4)	(21.9)	(3.1)	22.7	(87.7)
Net interest receivable/(expense)	49.0	2.4	(3.1)	(0.1)	48.2
Fees and commissions receivable	5.4	0.3	-	-	5.7
Other operating (expense)/income	(0.3)	1.1	3.9	(1.1)	3.6
Total operating income/(expense)	54.1	3.8	0.8	(1.2)	57.5
Fair value gains on financial instruments	4.6	-	-	-	4.6
Net realised losses	(0.2)	-	-	-	(0.2)
Total income/(expense)	58.5	3.8	0.8	(1.2)	61.9
Administrative expenses	(37.8)	(2.6)	(0.2)	-	(40.6)
Depreciation and amortisation	(4.4)	-	-	-	(4.4)
Operating profit/(loss) before impairments, provisions and revaluation gains	16.3	1.2	0.6	(1.2)	16.9
Gains on investment properties	-	-	5.1	-	5.1
Impairment on loans and advances	(2.7)	(10.9)	-	-	(13.6)
Provisions for liabilities	(6.3)	-	-	-	(6.3)
Profit/(Loss) before tax	7.3	(9.7)	5.7	(1.2)	2.1
Total assets	5,526.9	863.6	120.6	(860.6)	5,650.5
Total liabilities	4,995.7	932.5	93.7	(863.9)	5,158.0
Capital expenditure	6.9	-	-	-	6.9

5. Allowance for losses on loans and advances to customers

	6 months ended 30 Sep 14 unaudited £m	6 months ended 30 Sep 13 unaudited £m	Year ended 31 Mar 14 audited £m
Impairment charge for the period	**1.8**	11.8	13.6
Impairment provision at end of period			
Loans fully secured on residential property	**25.5**	36.1	27.5
Other loans	**58.6**	66.8	57.7
Total	**84.1**	102.9	85.2

The charge for the six months ended 30 September 2014 should be viewed in conjunction with the £4.4m fair value losses (30 September 2013: gains of £3.7m) on financial instruments held to economically hedge impaired loans. These provisions are deducted from the appropriate asset values in the Statement of Financial Position.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

6. Provisions for liabilities

6 months ended 30 September 2014 (unaudited)

	FSCS £m	Onerous contracts £m	Other £m	Total £m
At beginning of period	2.1	0.5	2.5	**5.1**
Utilised in the period	(3.9)	(0.6)	(1.9)	**(6.4)**
Charge/(Release) for the period	3.6	0.1	(0.3)	**3.4**
At end of period	**1.8**	**-**	**0.3**	**2.1**

6 months ended 30 September 2013 (unaudited)

	FSCS* £m	Onerous contracts £m	Other £m	Total* £m
At beginning of period	2.4	0.8	-	3.2
Utilised in the period	(4.1)	(0.2)	-	(4.3)
Charge for the period	3.8	-	-	3.8
At end of period	2.1	0.6	-	2.7

Year ended 31 March 2014 (audited)

	FSCS £m	Onerous contracts £m	Other £m	Total £m
At beginning of period	2.4	0.8	-	3.2
Utilised in the period	(4.1)	(0.3)	-	(4.4)
Charge for the period	3.8	-	2.5	6.3
At end of period	2.1	0.5	2.5	5.1

* Restated due to a change in accounting policy as described in note 3 and overleaf.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

6. Provisions for liabilities (continued)

Financial Services Compensation Scheme (FSCS)

In common with all regulated UK deposit takers, the Society pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims against it. The FSCS levy consists of two parts: a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. During 2008 and 2009 claims were triggered against the FSCS in relation to Bradford & Bingley plc, Kaupthing Singer and Friedlander, Heritable Bank plc, Landsbanki Islands hf, London Scottish Bank plc and Dunfermline Building Society.

The FSCS met these claims by way of loans received from HM Treasury. The terms of these loans were interest only for the first three years, and the FSCS recovers the interest cost, together with ongoing management expenses, by way of annual management levies on members.

The Society FSCS provision reflects market participation up to the reporting date. Following the early application of IFRIC 21, which impacts the trigger date for recognition of FSCS levies, the provision at 30 September 2014 represents the estimated management expenses levy for the scheme year 2014/15. This provision was calculated based on the Society's current share of protected deposits and the FSCS estimate of total management expenses for the scheme year. See note 3 for details of the prior period adjustment arising on implementation of IFRIC 21.

Onerous contracts

The provision for onerous contracts covers the loss anticipated in connection with future lease expenses from non-cancellable lease commitments in branches that the Society has, as part of its branch restructure, decided are no longer required.

Other provisions and contingent liabilities

Other provisions represent the Group's best estimate of customer redress arising from a review of its interest charging policy on mortgage redemptions, primarily in respect of mortgages advanced from 2001 to 2007. The calculation was based on a series of assumptions, including the number of affected accounts, appropriate level of remediation and resulting administrative costs.

Certain external parties have initiated legal proceedings against West Bromwich Mortgage Company Limited (the Company) in relation to an interest rate increase on the non-consumer buy to let portfolio. The rate uplift contributed £11.0m to Group interest receivable from the application of the rate change in December 2013 to 30 September 2014, of which £6.3m has been recognised in the 6 months ended 30 September 2014. As the Company believes that it has a robust defence to such claims, no provision has been recognised in these financial statements. A number of cases have been referred to the Financial Ombudsman Service (FOS) by individuals for adjudication. A decision has been issued by the Ombudsman in respect of one of these adjudications taken to appeal, and that decision, which is a matter of public record, was determined in favour of the Company.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

7. Loans and advances to customers

	30 Sep 14 unaudited £m	30 Sep 13 unaudited £m	31 Mar 14 audited £m
Loans and receivables			
Loans fully secured on residential property	**3,963.8**	3,928.1	3,860.1
Other loans			
Loans fully secured on land	**806.5**	915.8	846.5
Other loans	**0.1**	0.1	0.1
	4,770.4	4,844.0	4,706.7
At fair value through profit or loss			
Other loans			
Loans fully secured on land	**50.9**	64.5	59.0
	4,821.3	4,908.5	4,765.7
Less: impairment provisions	**(84.1)**	(102.9)	(85.2)
	4,737.2	4,805.6	4,680.5

Included within loans and advances to customers are £153.1m (30 September 2013: £199.9m) of commercial mortgage balances and £1,413.8m (30 September 2013: £1,581.9m) of residential mortgage balances that the Group has sold to bankruptcy remote special purpose entities (SPEs). The SPEs have been funded by issuing mortgage backed securities (MBSs) of which £1,037.6m (30 September 2013: £1,113.9m) are held by the Group.

The Group has made subordinated loans to the SPEs to provide some level of credit enhancement to the MBSs. In future periods the Group will earn interest income on the subordinated loans and fees for managing the loans. The Group will earn deferred consideration once the cash flows generated by the SPEs have been used to pay interest and capital to the holders of the MBSs. Since the Group maintains substantially all of the risks (key risk being an exposure to credit risk through the subordinated loan agreements) and rewards emanating from the mortgages, they have been retained on the Group's Statement of Financial Position.

8. Shares

	30 Sep 14 unaudited £m	30 Sep 13 unaudited £m	31 Mar 14 audited £m
Held by individuals	**4,129.1**	4,368.0	4,234.5
Other shares	**1.1**	1.1	1.1
	4,130.2	4,369.1	4,235.6

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

9. Property, plant, equipment and intangible assets

6 months ended 30 September 2014 (unaudited)

	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2014	**8.7**	**18.4**
Additions	**0.2**	**5.5**
Depreciation, amortisation, impairment and other movements	**(1.3)**	**(1.3)**
Net book value at 30 September 2014	**7.6**	**22.6**

6 months ended 30 September 2013 (unaudited)

	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2013	7.9	16.5
Additions	0.7	2.0
Disposals	-	(0.3)
Depreciation, amortisation, impairment and other movements	(1.1)	(1.3)
Net book value at 30 September 2013	7.5	16.9

Year ended 31 March 2014 (audited)

	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2013	7.9	16.5
Additions	3.1	3.8
Disposals	-	(0.3)
Depreciation, amortisation, impairment and other movements	(2.3)	(1.6)
Net book value at 31 March 2014	8.7	18.4

Capital commitments

The Group has placed contracts amounting to a total of £1.4m (30 September 2013: £0.7m) for future expenditure that was not provided in the financial statements.

10. Investment properties

	6 months ended 30 Sep 14 unaudited £m	6 months ended 30 Sep 13 unaudited £m	Year ended 31 Mar 14 audited £m
Valuation			
At beginning of period	**115.2**	112.5	112.5
Disposals	**(1.9)**	(0.9)	(2.4)
Net gains from fair value adjustments	**4.9**	2.0	5.1
At end of period	**118.2**	113.6	115.2

11. Debt securities in issue

	30 Sep 14 unaudited £m	30 Sep 13 unaudited £m	31 Mar 14 audited £m
Certificates of deposit	**1.0**	6.0	3.0
Other debt securities	**250.2**	175.4	74.5
Non-recourse finance on securitised advances	**527.8**	673.7	599.5
	779.0	855.1	677.0

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.

12. Profit participating deferred shares

	30 Sep 14 unaudited £m	30 Sep 13* unaudited £m	31 Mar 14 audited £m
Book value			
Nominal value	**182.5**	182.5	182.5
Cumulative fair value adjustments at date of transition	**3.8**	3.8	3.8
Capitalised issue costs	**(2.2)**	(2.2)	(2.2)
	184.1	184.1	184.1
Cumulative reserve deficit			
At beginning of period	**(9.4)**	(9.7)	(9.7)
Share of profit/(loss) for the period	**1.4**	(1.4)	0.3
	(8.0)	(11.1)	(9.4)
Net value at end of period	**176.1**	173.0	174.7

The profit participating deferred shares (PPDS) are entitled to receive a distribution, at the discretion of the Society, of up to 25% of the Group's post-tax profits in the future (calculated prior to payment of the PPDS dividend). No such distribution may be made if the cumulative reserves are in deficit.

* Restated due to a change in accounting policy as described in note 3.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

13. Related party transactions

Related party transactions for the six months to 30 September 2014 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 2014.

14. Subscribed capital

	30 Sep 14 unaudited £m	30 Sep 13 unaudited £m	31 Mar 14 audited £m
Permanent interest bearing shares	**74.9**	74.9	74.9

In a winding up or dissolution of the Society the claims of the holders of permanent interest bearing shares (PIBS) would rank behind all other creditors of the Society, with the exception of holders of profit participating deferred shares (PPDS) with which the PIBS rank pari-passu, and the claims of members holding shares as to principal and interest. The holders of PIBS are not entitled to any share in any final surplus upon winding up or dissolution of the Society.

With respect to future interest payments, as a condition of the PPDS, the Society has undertaken to pay an amount which, when annualised, represents the lower of: 6.15% of the outstanding principal amount of the PIBS and the dividend yield attributable to the PPDS with respect to the prior financial year ending 31 March whose payment is at the discretion of the Society.

15. 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.

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.

6 months ended 30 September 2014 (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					
Cash and balances with the Bank of England	**130.9**	130.9	-	-	**130.9**
Loans and advances to credit institutions	**184.7**	-	184.7	-	**184.7**
Loans and advances to customers	**4,688.4**	-	-	4,573.6	**4,573.6**
	5,004.0	**130.9**	**184.7**	**4,573.6**	**4,899.2**
Financial liabilities					
Shares	**4,130.2**	-	-	4,114.5	**4,114.5**
Amounts due to credit institutions	**22.1**	-	22.1	-	**22.1**
Amounts due to other customers	**150.8**	-	150.8	-	**150.8**
Debt securities in issue	**779.0**	408.8	364.4	-	**773.2**
	5,082.1	**408.8**	**537.3**	**4,114.5**	**5,060.6**

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

15. Financial instruments (continued)

6 months ended 30 September 2013 (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					
Cash and balances with the Bank of England	203.7	203.7	-	-	203.7
Loans and advances to credit institutions	188.4	-	188.4	-	188.4
Loans and advances to customers	4,744.3	-	-	4,545.6	4,545.6
	5,136.4	203.7	188.4	4,545.6	4,937.7
Financial liabilities					
Shares	4,369.1	-	-	4,356.3	4,356.3
Amounts due to credit institutions	15.7	-	15.7	-	15.7
Amounts due to other customers	134.9	-	134.9	-	134.9
Debt securities in issue	855.1	518.4	315.1	-	833.5
	5,374.8	518.4	465.7	4,356.3	5,340.4

Year ended 31 March 2014 (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					
Cash and balances with the Bank of England	136.3	136.3	-	-	136.3
Loans and advances to credit institutions	169.4	-	169.4	-	169.4
Loans and advances to customers	4,624.0	-	-	4,551.2	4,551.2
	4,929.7	136.3	169.4	4,551.2	4,856.9
Financial liabilities					
Shares	4,235.6	-	-	4,223.4	4,223.4
Amounts due to credit institutions	38.7	-	38.7	-	38.7
Amounts due to other customers	121.0	-	121.0	-	121.0
Debt securities in issue	623.6	532.2	83.0	-	615.2
	5,018.9	532.2	242.7	4,223.4	4,998.3

a) Loans and advances to customers

The fair value of loans and advances to customers has been calculated on an individual loan basis, 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 2014.

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 2014.

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.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

15. Financial instruments (continued)

Financial assets and financial liabilities held at fair value through profit or loss

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.

6 months ended 30 September 2014 (unaudited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	391.8	11.7	**403.5**
Derivative financial instruments	-	24.7	**24.7**
Loans and advances to customers	-	48.8	**48.8**
	391.8	**85.2**	**477.0**
Financial liabilities			
Derivative financial instruments	-	62.1	**62.1**
Debt securities in issue	-	45.1	**45.1**
	-	**107.2**	**107.2**

6 months ended 30 September 2013 (unaudited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	557.5	-	557.5
Derivative financial instruments	-	29.3	29.3
Loans and advances to customers	-	61.3	61.3
	557.5	90.6	648.1
Financial liabilities			
Derivative financial instruments	-	72.8	72.8
Debt securities in issue	-	54.5	54.5
	-	127.3	127.3

Year ended 31 March 2014 (audited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	438.6	23.0	461.6
Derivative financial instruments	-	33.8	33.8
Loans and advances to customers	-	56.5	56.5
	438.6	113.3	551.9
Financial liabilities			
Derivative financial instruments	-	62.0	62.0
Debt securities in issue	-	53.4	53.4
	-	115.4	115.4

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2014

16. 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' as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of West Bromwich Building Society are listed in the West Bromwich Building Society Annual Report for the year ended 31 March 2014.

By order of the Board

Jonathan Westhoff
Chief Executive

Mark Gibbard
Group Finance Director

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To find out more, visit your local branch, call us on the number above or visit our website at www.westbrom.co.uk

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