Condensed consolidated half-yearly financial information

30 September 2015

the West Brom

Chief Executive's Business Review

Jonathan Westhoff

Performance

Profit before tax for the six months to 30 September 2015 was £6.0m (30 September 2014: £6.0m) demonstrating a sound profit performance.

Net interest margin improved to 1.08% (30 September 2014: 1.05%). Although down on the full year margin for 2014/15 of 1.15%, this latter figure was boosted by the recognition of recoverable default interest on a number of impaired commercial loans.

The result for the six months includes a revaluation gain of £2.5m (30 September 2014: £4.9m) on the Group's portfolio of residential rental properties, as a result of the house price increases we have experienced in the period.

Management expenses for the six months to 30 September 2015 have been held flat compared with the first half of 2014/15. Whilst continuing to invest in the future of the business, we have delivered efficiency savings, enabling us to hold down costs. As a result, and despite a reduction in the average assets, which are the denominator in this ratio, the management expenses ratio has been held broadly flat at 0.82% (30 September 2014: 0.81%).

The £3.4m provision for liabilities comprises the Financial Services Compensation Scheme (FSCS) levy of £2.5m (30 September 2014: £3.6m) and an amount set aside for potential Payment Protection Insurance (PPI) claims of £0.9m. We have recently seen an increase in PPI claims being upheld by the Ombudsman. The charge is based on an estimate of the future costs we may see. The Society has only sold regular, monthly premium Mortgage Payment Protection Insurance, which was not a compulsory element of any mortgage product, so the PPI costs we have experienced, even allowing for this charge, remain considerably below those of many other lenders.

The Society has continued to build on its objective to position the West Brom as a major provider of homeowner financing, advancing £295m of gross prime residential lending. Whilst this figure is in line with performance in the comparative period for the 2014/15 financial year, we expect our second half performance to mean that we exceed the total of £446m for 2014/15.

At 14.5%, (31 March 2015: 14.4%) the Group's Common Equity Tier 1 capital ratio remains strong and evidences the progress the Society continues to make in reducing non-core lending balances. The leverage ratio at 8.1% is unchanged from the March year end and remains significantly above the current regulatory minimum of 3%.

Residential mortgage arrears have reduced since 31 March 2015, from 1.63% to just 1.41% for mortgages in arrears by more than three months. This reflects both the high quality of our residential lending book and stable economic conditions. All lending undertaken since the Society re-entered the mortgage market over three years ago has been subject to strict credit criteria and as a result there are no accounts at three months or more in arrears at 30 September 2015 on loans originated in this period. This quality is reflected in a residential provision release of £0.4m for the half year to 30 September 2015 (30 September 2014: charge £0.3m).

The total impairment charge of £4.1m for the half year (30 September 2014: £1.8m) includes a charge of £4.5m relating to the Commercial loan book, which we continue to manage down in a controlled exit from this market. The balances have reduced by £94.1m (11.6%) since the year-end to £718.0m. Provisions set aside for potential losses in this book equated to 6.2% of total commercial loan balances (31 March 2015: 5.7%).

Member value

For mortgage borrowers, we have broadened our product range by adding a choice of highly competitive discounted mortgages to our established selection of two, three and five year fixed rates, with regular mentions in the Best Buy tables.

The Society continues to strengthen its partnerships in the intermediary sector, securing greater geographical reach for mortgage lending outside our West Midlands heartland. We have redesigned and improved the West Brom for Intermediaries website to support online mortgage applications via brokers. The West Brom received commendations in both the Moneyfacts Awards and the Personal Finance Awards for the quality of its fixed rate mortgages.

While still a challenging market, we have endeavoured to support savings members by offering competitive rates of interest, resulting in growth in members' savings balances to £4.05bn (31 March 2015: £3.99bn).

We have added to our range of web-based savings accounts for those who prefer to manage their money online. Our recently launched WeBSave Easy Saver accounts, both taxable and tax-free, have tiered interest rates which reward those who are able to save more with a market leading return and have proven to be the most popular product with our members for the 6 month period.

Funding

As a traditional building society, West Brom continues to be funded predominantly by retail savings with balances of £4.05 bn (31 March 2015: £3.99 bn). At 30 September 2015, 82.3% (31 March 2015: 79.7%) of total shares and borrowings were in the form of members' retail deposits.

Liquidity

Throughout the period the Society has managed its liquidity position to meet all regulatory and internal requirements without holding excess funds, as this would have an adverse impact on interest margins due to the low returns generated by holding liquid assets. During the six months to 30 September 2015 the Society has reduced its liquidity to £613.7m (31 March 2015: £721.6m) resulting in a liquidity ratio of 13.7% (31 March 2015: 15.9%).

At 30 September 2015 and 31 March 2015, 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 15		30 Sep 14		31 Mar 15	
	£m	**%**	£m	%	£m	%
Bank of England	**114.6**	**18.7**	121.2	16.9	251.3	34.8
Supranationals	**55.4**	**9.0**	87.3	12.1	30.2	4.2
Other securities – rated single A or better	**266.9**	**43.5**	316.2	44.0	244.1	33.8
Subsidiary/other liquidity	**176.8**	**28.8**	194.4	27.0	196.0	27.2
Total liquidity	**613.7**	**100.0**	719.1	100.0	721.6	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 2015 and 31 March 2015:

	Transitional CRD IV rules 30 Sep 15 %	**Full implementation of CRD IV 30 Sep 15 %**	Transitional CRD IV rules 31 Mar 15 %	Full implementation of CRD IV 31 Mar 15 %
Common Equity Tier 1 (as a percentage of RWA)	**14.5**	**14.5**	14.4	14.4
Tier 1 (as a percentage of RWA)	**16.4**	**14.5**	16.3	14.4
Total capital (as a percentage of RWA)	**17.0**	**15.1**	16.9	14.9
Leverage ratio	**8.1**	**7.1**	8.1	7.1

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.

The Society's capital ratios exceed regulatory requirements. At 8.1% (31 March 2015: 8.1%), the leverage ratio is particularly strong and compares very favourably with peers in the bank and building society sector.

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 19 to 22 of the Annual Report and Accounts for the year ended 31 March 2015. There have been no significant changes in the Society's approach to risk management during the six months ended 30 September 2015. 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 were initiated by a number of borrowers affected by the adjustment and although the Court upheld the Company's position, an appeal is due to be heard in April 2016. As at 31 March 2015, this 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 £21.0m, including £4.7m for the six months to 30 September 2015.

Outlook

The Society provides a safe home for savers and is now helping an increasing number of borrowing members realise their ambition of home ownership.

The Society continues to manage some legacy issues, such as commercial lending, and is well positioned to meet its plans for growth as the UK economy continues to improve.

The Bank Rate is now predicted to begin to rise in 2016. Although this may not be so welcome for borrowers, the expectations are that the rate rises will be modest. With the Society having followed a prudent lending policy with sensible affordability rules borrowers, who have benefited in recent years from low rates, should be well positioned to deal with any increases in rates. Importantly, this will be welcomed by savers who have seen their returns diminish in recent years.

I am pleased with the continued progress that the Society has made in the first six months of this financial year. We expect to see further growth in our residential lending and we continue to invest in our mortgage and savings systems to enable us to process and fund additional lending.

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 2015

	6 months ended 30 Sep 15 unaudited £m	6 months ended 30 Sep 14 unaudited £m	Year ended 31 Mar 15 audited £m
Interest receivable and similar income	63.4	67.4	136.9
Interest expense and similar charges	(33.5)	(37.8)	(72.2)
Net interest receivable	29.9	29.6	64.7
Fees and commissions receivable	1.5	1.9	4.2
Other operating income	1.9	1.9	3.8
Total operating income	33.3	33.4	72.7
Fair value gains/(losses) on financial instruments	0.1	(4.1)	(16.3)
Net realised profits	0.3	-	0.1
Total income	33.7	29.3	56.5
Administrative expenses	(20.6)	(20.6)	(40.6)
Depreciation and amortisation	(2.1)	(2.4)	(5.4)
Operating profit before impairments, provisions and revaluation gains	11.0	6.3	10.5
Gains on investment properties	2.5	4.9	5.5
Impairment on loans and advances	(4.1)	(1.8)	(0.2)
Provisions for liabilities	(3.4)	(3.4)	(3.4)
Profit before tax	6.0	6.0	12.4
Taxation	(1.3)	(1.3)	(3.2)
Profit for the period	4.7	4.7	9.2

Condensed consolidated half-yearly Statement of Comprehensive Income

for the six months ended 30 September 2015

	6 months ended 30 Sep 15 unaudited	6 months ended 30 Sep 14 unaudited	Year ended 31 Mar 15 audited
	£m	£m	£m
Profit for the period	**4.7**	4.7	9.2
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Available for sale investments			
Valuation loss taken to equity	**(1.6)**	(0.6)	(1.0)
Amounts transferred to Income Statement	**(0.3)**	-	(0.1)
Cash flow hedge losses taken to equity	**(0.3)**	(0.1)	(0.3)
Taxation	**0.4**	0.2	0.2
Items that will not subsequently be reclassified to profit or loss			
Remeasurement losses on defined benefit obligations	**-**	-	(10.7)
Taxation	**-**	-	2.1
Other comprehensive income for the period, net of tax	**(1.8)**	(0.5)	(9.8)
Total comprehensive income for the period	**2.9**	4.2	(0.6)
As a percentage of mean total assets	**%**	%	%
Profit for the period	**0.08**	0.08	0.16
Management expenses (annualised)	**0.82**	0.81	0.82

Condensed consolidated half-yearly Statement of Financial Position

at 30 September 2015

	Notes	30 Sep 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 audited £m
Assets				
Cash and balances with the Bank of England		**103.8**	130.9	260.8
Loans and advances to credit institutions		**187.6**	184.7	186.5
Investment securities		**322.3**	403.5	274.3
Derivative financial instruments		**10.3**	24.7	19.0
Loans and advances to customers	7	**4,692.3**	4,737.2	4,677.4
Deferred tax assets		**23.1**	22.7	23.9
Trade and other receivables		**3.0**	2.8	2.7
Intangible assets	9	**7.1**	7.6	7.0
Investment properties	10	**120.7**	118.2	118.6
Property, plant and equipment	9	**33.0**	22.6	30.2
Retirement benefit assets		**-**	0.8	-
Total assets		**5,503.2**	5,655.7	5,600.4
Liabilities				
Shares	8	**4,048.1**	4,130.2	3,988.0
Amounts due to credit institutions		**282.0**	272.3	393.3
Amounts due to other customers		**149.5**	150.8	152.4
Derivative financial instruments		**68.9**	62.1	80.8
Debt securities in issue	11	**438.1**	528.8	467.1
Deferred tax liabilities		**4.5**	3.6	4.5
Trade and other payables		**10.0**	9.1	12.7
Provisions for liabilities	6	**2.5**	2.1	2.2
Retirement benefit obligations		**4.8**	-	7.5
Total liabilities		**5,008.4**	5,159.0	5,108.5
Equity				
Profit participating deferred shares	12	**178.3**	176.1	177.1
Subscribed capital	14	**74.9**	74.9	74.9
General reserves		**236.6**	238.2	233.1
Revaluation reserve		**3.4**	3.4	3.4
Available for sale reserve		**2.0**	4.0	3.5
Cash flow hedging reserve		**(0.4)**	0.1	(0.1)
Total equity attributable to members		**494.8**	496.7	491.9
Total liabilities and equity		**5,503.2**	5,655.7	5,600.4

As a percentage of shares and borrowings	**%**	%	%
Gross capital	**11.0**	10.9	10.8
Free capital	**7.9**	8.0	7.8
Total liquidity	**13.7**	15.8	15.9

Condensed consolidated Statement of Changes in Members' Interest

for the six months ended 30 September 2015

6 months ended 30 September 2015 (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 2015	177.1	74.9	233.1	3.4	3.5	(0.1)	**491.9**
Comprehensive income for the period	1.2	-	3.5	-	(1.5)	(0.3)	**2.9**
At 30 September 2015	**178.3**	**74.9**	**236.6**	**3.4**	**2.0**	**(0.4)**	**494.8**

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

Year ended 31 March 2015 (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 2014	174.7	74.9	234.9	3.4	4.4	0.2	492.5
Comprehensive income for the period	2.4	-	(1.8)	-	(0.9)	(0.3)	(0.6)
At 31 March 2015	177.1	74.9	233.1	3.4	3.5	(0.1)	491.9

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.

Condensed consolidated half-yearly Statement of Cash Flows

for the six months ended 30 September 2015

	6 months ended 30 Sep 15 unaudited £m	6 months ended 30 Sep 14 unaudited £m	Year ended 31 Mar 15 audited £m
Net cash flows from operating activities (below)	**(69.1)**	31.0	103.9
Cash flows from investing activities			
Purchase of investment securities	**(114.4)**	(100.6)	(187.9)
Proceeds from disposal of investment securities	**122.0**	111.1	305.6
Proceeds from disposal of investment properties	**0.4**	1.8	2.1
Purchase of property, plant and equipment and intangible assets	**(5.0)**	(5.5)	(16.8)
Net cash flows from investing activities	**3.0**	6.8	103.0
Cash flows from financing activities			
Repayment of mortgage backed loan notes	**(29.0)**	(72.6)	(134.1)
Net repayment of other debt securities	**-**	(2.0)	-
Net cash flows from financing activities	**(29.0)**	(74.6)	(134.1)
Net (decrease)/increase in cash and cash equivalents	**(95.1)**	(36.8)	72.8
Cash and cash equivalents at beginning of period	**444.1**	371.3	371.3
Cash and cash equivalents at end of period	**349.0**	334.5	444.1

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

	30 Sep 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 audited £m
Cash and cash equivalents			
Cash in hand (including Bank of England Reserve account)	**96.8**	123.4	253.6
Loans and advances to credit institutions	**187.6**	184.7	186.5
Investment securities	**64.6**	26.4	4.0
	349.0	334.5	444.1

The Group is required to maintain certain mandatory balances with the Bank of England which, at 30 September 2015, amounted to £7.0m (30 September 2014: £7.5m and 31 March 2015: £7.2m). 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 2015

	6 months ended 30 Sep 15 unaudited £m	6 months ended 30 Sep 14 unaudited £m	Year ended 31 Mar 15 audited £m
Cash flows from operating activities			
Profit on ordinary activities before tax from continuing activities	**6.0**	6.0	12.4
Movement in prepayments and accrued income	**(0.5)**	-	0.3
Movement in accruals and deferred income	**(3.5)**	(4.8)	-
Impairment on loans and advances	**4.1**	0.9	0.2
Depreciation and amortisation	**2.1**	2.4	5.4
Disposal of fixed assets and investment properties	**-**	0.1	-
Revaluation of investment properties	**(2.5)**	(4.9)	(5.5)
Movement in provisions for liabilities	**0.3**	(3.0)	(2.9)
Movement in derivative financial instruments	**(3.2)**	9.2	33.6
Movement in fair value adjustments	**12.5**	1.0	(14.0)
Change in retirement benefit obligations	**(2.7)**	(2.2)	(4.6)
Cash flows from operating activities before changes in operating assets and liabilities	**12.6**	4.7	24.9
Movement in loans and advances to customers	**(35.9)**	(63.5)	13.2
Movements in loans and advances to credit institutions	**0.3**	0.7	1.0
Movement in shares	**67.6**	(100.0)	(242.3)
Movement in deposits and other borrowings	**(114.2)**	188.9	308.5
Movement in trade and other receivables	**0.2**	-	(0.2)
Movement in trade and other payables	**0.7**	0.2	0.3
Tax paid	**(0.4)**	-	(1.5)
Net cash (outflow)/inflow from operating activities	**(69.1)**	31.0	103.9

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

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 2015 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 2015 and 30 September 2014 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 2015 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 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Accounting policies
The accounting policies adopted by the Group in the preparation of its 2015 Interim Financial Report are consistent with those disclosed in the Annual Report and Accounts for the year ended 31 March 2015, except for the adoption of new accounting policies and new standards or interpretations effective as of 1 April 2015 which were not previously adopted. The following new or amended accounting standards and interpretations, have been adopted during the period to 30 September 2015 but have had no impact on the interim accounts:

• *IAS 19 Defined Benefit Plans: Employee contributions.*
The revised standard clarifies the treatment of netting employee contributions against service cost. As the defined benefit pension scheme has been closed and there are no further employee contributions, this has no impact on the Society.

• *Annual improvements to IFRSs 2010-2012 Cycle*
Minor amendments and clarifications to seven accounting standards, none of which materially impacts the Society's financial statements.

• *Annual improvements to IFRSs 2011-2013 Cycle*
Minor amendments and clarifications to four accounting standards, none of which materially impacts the Society's financial statements.

With the exception of the changes set out above, the accounting policies adopted in the preparation of the half-yearly financial information are consistent with those disclosed in the Annual Report and Accounts for the year ended 31 March 2015.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

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 2015 (unaudited)

	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	62.2	9.6	-	(8.4)	**63.4**
Interest expense and similar charges	(32.5)	(7.7)	(1.6)	8.3	**(33.5)**
Net interest receivable/(expense)	**29.7**	**1.9**	**(1.6)**	**(0.1)**	**29.9**
Fees and commissions receivable	1.5	-	-	-	**1.5**
Other operating (expense)/income	(0.2)	-	2.1	-	**1.9**
Total operating income/(expense)	**31.0**	**1.9**	**0.5**	**(0.1)**	**33.3**
Fair value (losses)/gains on financial instruments	(0.8)	0.4	-	0.5	**0.1**
Net realised profits	0.3	-	-	-	**0.3**
Total income	**30.5**	**2.3**	**0.5**	**0.4**	**33.7**
Administrative expenses	(19.6)	(0.9)	(0.1)	-	**(20.6)**
Depreciation and amortisation	(2.1)	-	-	-	**(2.1)**
Operating profit before impairments, provisions and revaluation gains	**8.8**	**1.4**	**0.4**	**0.4**	**11.0**
Gains on investment properties	-	-	2.5	-	**2.5**
Impairment on loans and advances	0.4	(4.5)	-	-	**(4.1)**
Provisions for liabilities	(3.4)	-	-	-	**(3.4)**
Profit/(Loss) before tax	**5.8**	**(3.1)**	**2.9**	**0.4**	**6.0**
Total assets	**5,664.7**	**620.4**	**126.0**	**(907.9)**	**5,503.2**
Total liabilities	**5,126.6**	**712.5**	**91.6**	**(922.3)**	**5,008.4**
Capital expenditure	**5.0**	**-**	**-**	**-**	**5.0**

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

4. Business segments (continued)

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/(expense)	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 2015

4. Business segments (continued)

Year ended 31 March 2015 (audited)

	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	131.7	26.2	-	(21.0)	136.9
Interest expense and similar charges	(70.4)	(19.6)	(3.3)	21.1	(72.2)
Net interest receivable/(expense)	61.3	6.6	(3.3)	0.1	64.7
Fees and commissions receivable	4.1	0.1	-	-	4.2
Other operating income/(expense)	0.8	-	3.9	(0.9)	3.8
Total operating income/(expense)	66.2	6.7	0.6	(0.8)	72.7
Fair value losses on financial instruments	(5.0)	(11.1)	-	(0.2)	(16.3)
Net realised gains	0.1	-	-	-	0.1
Total income/(expense)	61.3	(4.4)	0.6	(1.0)	56.5
Administrative expenses	(38.6)	(1.8)	(0.2)	-	(40.6)
Depreciation and amortisation	(5.4)	-	-	-	(5.4)
Operating profit/(loss) before impairments, provisions and revaluation gains	17.3	(6.2)	0.4	(1.0)	10.5
Gains on investment properties	-	-	5.5	-	5.5
Impairment on loans and advances	(0.7)	0.6	-	(0.1)	(0.2)
Provisions for liabilities	(3.4)	-	-	-	(3.4)
Profit/(Loss) before tax	13.2	(5.6)	5.9	(1.1)	12.4
Total assets	5,736.8	725.2	123.2	(984.8)	5,600.4
Total liabilities	5,202.7	813.9	91.1	(999.2)	5,108.5
Capital expenditure	15.5	-	-	-	15.5

5. Allowance for losses on loans and advances to customers

	6 months ended 30 Sep 15 unaudited £m	6 months ended 30 Sep 14 unaudited £m	Year ended 31 Mar 15 audited £m
Impairment charge for the period	**4.1**	1.8	0.2
Impairment provision at end of period			
Loans fully secured on residential property	**22.3**	25.5	24.5
Other loans	**43.8**	58.6	45.2
Total	**66.1**	84.1	69.7

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

6. Provisions for liabilities

6 months ended 30 September 2015 (unaudited)

	FSCS £m	Onerous contracts £m	Other £m	Total £m
At beginning of period	1.8	-	0.4	**2.2**
Utilised in the period	(3.0)	-	(0.1)	**(3.1)**
Charge for the period	2.5	-	0.9	**3.4**
At end of period	**1.3**	**-**	**1.2**	**2.5**

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

Year ended 31 March 2015 (audited)

	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)	(1.8)	(6.3)
Charge/(Release) for the period	3.6	0.1	(0.3)	3.4
At end of period	1.8	-	0.4	2.2

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.

Other provisions and contingent liabilities

The £0.9m charge is for PPI claims. The provision balance under 'other' also includes £0.3m relating to customer redress for mortgage redemption interest charged in previous years' accounts.

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 £21.0m to Group interest receivable from the application of the rate change in December 2013 to 30 September 2015, of which £4.7m has been recognised in the 6 months ended 30 September 2015. The Company believes that it has a robust defence to such claim and judgement has been received in Court which has upheld the Society's view, although it should be noted that an appeal will be heard in April 2016. No provision has been recognised in these financial statements for this matter.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

7. Loans and advances to customers

	30 Sep 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 audited £m
Loans and receivables			
Loans fully secured on residential property	**4,025.5**	3,956.3	3,921.4
Other loans			
Loans fully secured on land	**640.4**	757.2	713.1
Other loans	**0.1**	0.1	0.1
	4,666.0	4,713.6	4,634.6
At fair value through profit or loss			
Other loans			
Loans fully secured on land	**36.0**	49.9	44.5
	4,702.0	4,763.5	4,679.1
Fair value adjustment for hedged risk	**56.4**	57.8	68.0
Less: impairment provisions	**(66.1)**	(84.1)	(69.7)
	4,692.3	4,737.2	4,677.4

Included within loans and advances to customers are £111.9m (30 September 2014: £153.1m) of commercial mortgage balances and £1,251.2m (30 September 2014: £1,413.8m) of residential mortgage balances that the Group has sold to bankruptcy remote structured entities. The structured entities have been funded by issuing mortgage backed securities (MBSs) of which £918.9m (30 September 2014: £1,037.6m) are held by the Group.

The Group has made subordinated loans to the structured entities 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 structured entities 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 in accordance with IAS 39.

8. Shares

	30 Sep 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 audited £m
Held by individuals	**4,038.0**	4,111.6	3,970.0
Other shares	**1.1**	1.1	1.1
Fair value adjustment for hedged risk	**9.0**	17.5	16.9
	4,048.1	4,130.2	3,988.0

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

9. Property, plant, equipment and intangible assets

6 months ended 30 September 2015 (unaudited)

	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2015	**7.0**	**30.2**
Additions	**1.3**	**3.7**
Depreciation, amortisation, impairment and other movements	**(1.2)**	**(0.9)**
Net book value at 30 September 2015	**7.1**	**33.0**

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

Year ended 31 March 2015 (audited)

	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2014	8.7	18.4
Additions	1.1	14.4
Depreciation, amortisation, impairment and other movements	(2.8)	(2.6)
Net book value at 31 March 2015	7.0	30.2

Capital commitments

The Group has placed contracts amounting to a total of £4.0m (30 September 2014: £1.4m) for future expenditure that was not provided in the financial statements.

10. Investment properties

	6 months ended 30 Sep 15 unaudited £m	6 months ended 30 Sep 14 unaudited £m	Year ended 31 Mar 15 audited £m
Valuation			
At beginning of period	**118.6**	115.2	115.2
Disposals	**(0.4)**	(1.9)	(2.1)
Net gains from fair value adjustments	**2.5**	4.9	5.5
At end of period	**120.7**	118.2	118.6

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

11. Debt securities in issue

	30 Sep 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 audited £m
Certificates of deposit	**-**	1.0	-
Non-recourse finance on securitised advances	**438.1**	527.8	467.1
	438.1	528.8	467.1

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 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 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	**(7.0)**	(9.4)	(9.4)
Share of profit for the period	**1.2**	1.4	2.4
	(5.8)	(8.0)	(7.0)
Net value at end of period	**178.3**	176.1	177.1

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.

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

13. Related party transactions

Related party transactions for the six months to 30 September 2015 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 2015.

14. Subscribed capital

	30 Sep 15 unaudited £m	30 Sep 14 unaudited £m	31 Mar 15 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 2015 (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	103.8	103.8	-	-	**103.8**
Loans and advances to credit institutions	187.6	-	187.6	-	**187.6**
Loans and advances to customers	4,658.2	-	-	4,649.7	**4,649.7**
	4,949.6	**103.8**	**187.6**	**4,649.7**	**4,941.1**
Financial liabilities					
Shares	4,048.1	-	-	4,026.5	**4,026.5**
Amounts due to credit institutions	282.0	-	282.0	-	**282.0**
Amounts due to other customers	149.5	-	149.5	-	**149.5**
Debt securities in issue	438.1	352.5	80.0	-	**432.5**
	4,917.7	**352.5**	**511.5**	**4,026.5**	**4,890.5**

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

15. Financial instruments (continued)

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	4,889.2
Financial liabilities					
Shares	4,130.2	-	-	4,114.5	4,114.5
Amounts due to credit institutions	272.3	-	272.3	-	272.3
Amounts due to other customers	150.8	-	150.8	-	150.8
Debt securities in issue	528.8	408.8	114.2	-	523.0
	5,082.1	408.8	537.3	4,114.5	5,060.6

Year ended 31 March 2015 (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	260.8	260.8	-	-	260.8
Loans and advances to credit institutions	186.5	-	186.5	-	186.5
Loans and advances to customers	4,634.8	-	-	4,604.5	4,604.5
	5,082.1	260.8	186.5	4,604.5	5,051.8
Financial liabilities					
Shares	3,988.0	-	-	3,982.1	3,982.1
Amounts due to credit institutions	393.3	-	393.3	-	393.3
Amounts due to other customers	152.4	-	152.4	-	152.4
Debt securities in issue	428.5	417.4	7.8	-	425.2
	4,962.2	417.4	553.5	3,982.1	4,953.0

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 2015.

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 2015.

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 2015

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 2015 (unaudited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	322.3	-	**322.3**
Derivative financial instruments	-	10.3	**10.3**
Loans and advances to customers	-	34.1	**34.1**
	322.3	**44.4**	**366.7**
Financial liabilities			
Derivative financial instruments	-	68.9	**68.9**
Debt securities in issue	-	30.4	**30.4**
	-	**99.3**	**99.3**

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

Year ended 31 March 2015 (audited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	274.3	-	274.3
Derivative financial instruments	-	19.0	19.0
Loans and advances to customers	-	42.6	42.6
	274.3	61.6	335.9
Financial liabilities			
Derivative financial instruments	-	80.8	80.8
Debt securities in issue	-	38.6	38.6
	-	119.4	119.4

Notes to condensed consolidated half-yearly financial information
for the six months ended 30 September 2015

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 2015.

By order of the Board

Jonathan Westhoff
Chief Executive

Mark Gibbard
Group Finance & Operations Director

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

To find out more, visit your local branch, call us on the number above, or visit our website

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