Condensed consolidated half-yearly financial information

30 September 2017

the West Brom

Chief Executive's Business Review

I am pleased to announce the West Brom's results for the six months ended 30 September 2017, a period of solid progress against our traditional building society principles with an 11% growth in prime owner occupied mortgage balances to £2.6bn.

Performance summary

In the first half of the year, the Group reported a statutory and underlying profit before tax of £4.2m (30 September 2016: statutory loss of £23.7m, underlying profit of £3.8m).

£4.2m

Profit before tax (30 September 2016: loss of £23.7m)

The results for the six months ended 30 September 2016 included a charge of £27.5m in relation to the reimbursement of interest charged on certain buy to let mortgages.

The table below is a comparison of the underlying performance, excluding the impact of the buy to let reimbursement, which shows that underlying net interest income and pre-tax profit have each improved against the comparative period by 11%.

Half 1 2017/18

	As reported £m	Buy to let case impact £m	Underlying £m
Net interest income	28.4	-	28.4
Profit before tax	4.2	-	4.2

Half 1 2016/17

	As reported £m	Buy to let case impact £m	Underlying £m
Net interest income	26.8	(1.2)	25.6
(Loss)/Profit before tax	(23.7)	27.5	3.8

Income statement

At £28.4m, net interest income was 6% higher than in the comparative period (30 September 2016: £26.8m) reflecting an uplift in net interest margin from 0.93% to 0.98%, as a result of the positive impact of growth in residential lending balances and the availability of funding via the Bank of England's Term Funding Scheme. As a mutual, the strategy is not to maximise net interest margin but to maintain it at a level which balances the immediate and long-term benefits to both our borrowing and saving members.

0.98%

An uplift in the net interest margin (30 September 2016: 0.93%)

Fees, commissions and other operating income remained at similar levels to the first half of 2016/17 and comprised income earned on insurance, investment and protection products, together with rent receivable on a portfolio of investment properties.

Management expenses for the first half of 2017/18 totalled £25.8m (30 September 2016: £25.0m), increasing as a consequence of higher depreciation charges as a result of investment in the future of the Society, including the development of a more efficient and resilient IT infrastructure. This strategic spending contributed to a slight increase in the management expenses ratio from 0.87% to 0.89%.

Positive house price movements delivered a £3.0m revaluation gain on the Group's residential investment property portfolio (30 September 2016: £3.3m).

Impairment charges of £6.3m included £5.6m (30 September 2016: £3.8m) on the non-core commercial loan book, incorporating an uplift in collective provisions to take account of uncertainties in the market outlook. With arrears levels remaining low the residential mortgage impairment charge was just £0.7m (30 September 2016: credit of £3.0m).

For the six months ended 30 September 2016, provisions for liabilities of £29.3m included the charge of £27.5m in relation to the reimbursement of interest charged on certain buy to let mortgages. The 2017/18 half year provisions charge of £0.5m solely comprised the Society's estimated share of Financial Services Compensation Scheme (FSCS) costs, which fell from £1.3m in the comparative period. The annual amounts levied on deposit takers are primarily driven by interest on HM Treasury loans and are therefore reducing in line with the repayment of these loans by the FSCS.

In the previous financial year, the Society provided further for expected Payment Protection Insurance (PPI) redress through to the August 2019 deadline by which all complaints must be submitted. The Society has continued to monitor the provision and concluded that, as at 30 September 2017, no additional amounts were required to be set aside (30 September 2016: £0.5m).

For the half year accounts, tax has been charged on the statutory profit before tax at the UK standard rate of 19%. A full review of the tax position of the Society and its subsidiaries will be carried out at the year end date.

Balance sheet

Firm in its commitment to promote home ownership and the objective to grow owner occupied residential lending, the Society advanced £478m in the six month period (30 September 2016: £441m), of which 28% (30 September 2016: 20%) was to first time buyers.

£478m

Advanced for new mortgage lending (30 September 2016: £441m)

28%

Increased support for first time buyers, representing 28% of all new lending during the period (30 September 2016: 20%)

High quality liquid assets are held, on and off-balance sheet, such that the Society is positioned to meet its financial obligations as they fall due under both normal and severe, but plausible, stressed scenarios. The key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR). At 139% (31 March 2017: 127%), the Group's LCR was considerably above the 90% current minimum level set by the regulator.

As a traditional building society, the West Brom remains primarily funded by retail savings balances and, at 30 September 2017, 80.0% (31 March 2017: 84.0%) of total shares and borrowings were in the form of members' retail savings.

The Society, together with other financial services institutions, has participated in Bank of England schemes which aim to stimulate the mortgage markets by providing low cost term funding to lenders.

Asset quality

Asset quality remained strong with residential mortgage arrears falling from 0.81% at 31 March 2017 to just 0.67% at 30 September 2017, significantly below the market average. These percentages report the proportion of residential loans in arrears by more than three months. Only one loan originated since the West Brom's re-entry to the mortgage market over five years ago met this definition at the reporting date (31 March 2017: none).

The Group has made further progress in its objective to de-risk the balance sheet. Non-core commercial lending balances have reduced by £46m since the year end to £542m, of which £60m (31 March 2017: £73m) was securitised, thereby transferring the risk out of the Group and reducing its remaining exposure to £482m. Provisions set aside for potential losses equated to 9.3% of total commercial loan balances outstanding (31 March 2017: 6.7%).

Internal policy dictates that the Society's treasury investment portfolio contains only instruments rated single A or better or held with a Global Systemically Important Counterparty. The Group has no exposure to non-UK sovereign debt or to any mortgage market outside the UK. No impairment losses were incurred against treasury assets during the current or preceding half year.

Capital

A financial institution holds capital as the ultimate protection for depositors. Throughout the reporting period, the Society's capital has been maintained at levels which comfortably exceed minimum internal and regulatory requirements.

The following table illustrates the Group's capital ratios at 30 September 2017 and 31 March 2017, presented as currently calculated under CRD IV transitional rules and also with the full impact of CRD IV implementation:

	Transitional CRD IV rules 30 Sep 17 %	Full implementation of CRD IV 30 Sep 17 %
Common Equity Tier 1 ratio	14.1	14.1
Tier 1 ratio	15.5	14.1
Total capital ratio	16.2	14.8
Leverage ratio	6.9	6.3

	Transitional CRD IV rules 31 Mar 17 %	Full implementation of CRD IV 31 Mar 17 %
Common Equity Tier 1 ratio	13.8	13.8
Tier 1 ratio	15.2	13.8
Total capital ratio	16.0	14.5
Leverage ratio	6.8	6.2

The two key measures of capital, each being an indication of an entity's financial resilience in terms of its ability to absorb unexpected losses, are the Common Equity Tier 1 (CET1) and leverage ratios.

There has been a strengthening of the CET1 ratio from 13.8% at 31 March 2017 to 14.1% at 30 September 2017, including unaudited interim profits. The stable leverage ratio of 6.9% (31 March 2017: 6.8%) compares favourably with others in the sector and is significantly above the current regulatory minimum.

In the last Annual Report and Accounts, it was communicated that the Society was seeking clarification from the European Banking Authority (EBA) on the capital treatment of Profit Participating Deferred Shares (PPDS), in light of a challenge received from a third party. The EBA's response is pending.

The Board remains of the view that the PPDS are eligible CET1 capital and has agreed with the regulator (the Prudential Regulation Authority) that it is appropriate to continue to treat PPDS as CET1. Were the EBA to determine that the PPDS do not meet the criteria to be categorised as CET1, it is possible that the Society would have to reduce the degree to which the PPDS would count towards its CET1 by 50% immediately and thereafter by 10% per annum on each 1 January. Under this scenario, the immediate impact on the Society's CET1 ratio would be a reduction from 14.1% at 30 September 2017 to 10.8%. The total capital ratio of the Society would be unchanged at 16.2% as at that date because the element of PPDS that would be deemed not to qualify for CET1 would instead qualify as Tier 2 capital.

Until confirmation is obtained from the EBA, the Board believes that it is prudent to manage the Society so that it is protected from the possibility of an unexpected outcome. To this end, the Society continues to consider its options to help guard against the possibility of the EBA deciding that the PPDS do not comply with the criteria to qualify as CET1, including engaging as appropriate with PPDS holders.

Currently, the Society applies the Standardised Approach and is making significant progress on its regulatory project to move to the Internal Ratings Based (IRB) Approach to calculating its capital requirements for credit risk which commenced in October 2015.

Following a further assessment of the positive progress made to date on the IRB project the Society's Board has re-affirmed its commitment to the continued investment on the project and is indicatively targeting a submission of its application for IRB Permission to the Prudential Regulation Authority in 2018.

It is the Society's current expectation that, given the nature of the Society's residential exposures, the capital required to support its credit risk should reduce under the IRB Approach, resulting in a positive impact on the Society's already robust capital ratios.

Member value

The principles of mutuality have guided and shaped the West Brom since its foundation in 1849. Mutuality means that all of our decision-making and direction is driven by looking after the interests of members.

Persistent low interest rates have contributed to creating great deals for borrowers. We have offered a broad selection of competitive products throughout the half year, with features such as fees assisted legal services, free valuations and cashbacks, as well as products catering for borrowers with lower deposits. We have offered particularly competitive 5 year fixed rate mortgages over the last six months, which have been very popular with those customers seeking peace of mind at a time of uncertainty where future interest rates are concerned.

In contrast, the prolonged low interest rate environment and the availability of low cost funding to the sector, as a result of government stimuli, have not been good news for savings rates. While we were compelled to react to these market forces, our depositing members continued to receive an average interest rate above the average paid across the cash savings market, as a whole, and we were delighted to receive a nomination in the Best Building Society Savings Provider category at the 2017 Moneyfacts Awards. We offer a wide range of savings products via branch, post and online channels. Our fixed rate bonds and limited access accounts enable savers to secure higher rates while instant access products give greater flexibility where required. We welcomed the increase in the annual ISA allowance to £20,000 from April 2017, improving tax-efficient savings opportunities for our members.

The West Brom is dedicated to offering members a personally relevant all-round service and does so in partnership with other leading providers. We are one of the few high street financial institutions providing access to independent financial advice, which is delivered via our branches by experts from Wren Sterling.

Producing the best results for our members means not only offering the right products but striving for excellence in every step of the customer journey. This continuous desire to improve saw branch customers and callers to Customer Services rate us an impressive 9 out of 10 for satisfaction. This has only been achievable through the quality of our colleagues and we were delighted to receive the Gold Investors in People accreditation standard for the second time during the period.

Gold standard

External recognition for our approach to people management from Investors in People, receiving the Gold accreditation standard.

The Society has various ways for members to tell us what they think about our products and services. We have regular face-to-face events such as Members' ViewPoint and our Annual General Meeting. There are also satisfaction surveys and comment cards while the innovation of our Customer Panel is a great example of how feedback from members can help us develop better products and services which meet their needs. Having concern for our members' needs goes hand in hand with caring for the communities in which they live, whether that be via charitable fundraising, affinity savings accounts or staff volunteering. In recognition of our products and achievements, we were very proud to be Highly Commended in the categories of Best Regional Building Society and Community Services in the recent Mortgage Finance Gazette Awards.

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 Society's activities are governed by its constitution, principles and values. The Directors have also agreed a set of statements which describe the Board's risk appetite in terms of a number of principal risk categories: business, credit, capital, liquidity, market, basis, operational, retail conduct, pension liability and information (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 influence the Society's long-term performance, together with the Society's approach to managing them, remain as outlined on pages 23 to 27 of the Annual Report and Accounts for the year ended 31 March 2017. There have been no significant changes in the Society's approach to risk management during the six months ended 30 September 2017 and none are anticipated for the remainder of the financial year.

The main areas of uncertainty impacting the West Brom, and common to most UK financial services providers, are described within the Outlook section below.

Outlook

Early Brexit discussions have done little to alleviate market uncertainty. Following an indecisive result to the snap general election, there is a real possibility that the UK government, although currently optimistic, will be unable to negotiate a trade deal with the EU, an eventuality with, as yet, unknown consequences.

Despite the doubt enshrouding the overall economy, the residential mortgage markets appear reasonably buoyant. Whilst the Term Funding Scheme (TFS), launched in 2016/17, has supported the market by providing low cost four year funding, it has contributed to highly competitive mortgage pricing. After the TFS closes to new commitments this financial year, the markets will need to adjust to the removal of this Bank of England stimulus. The Society will continue to monitor developments in this area and consider the impact on its lending and funding plans.

The non-core commercial loan book has historically proven sensitive to a downturn in the economic environment. While the Group's exposure to this sector is steadily reducing, there remains the risk of further commercial impairment provision requirements.

Residential borrowers have experienced a squeeze on earnings, with inflation outstripping wage increases, and the first interest rate rise in over 10 years to 0.5% in November 2017. The markets anticipate that rates will rise further, albeit following a gradual upward trend. The West Brom's residential mortgage portfolios are of a high credit quality and therefore able to withstand some deterioration in economic conditions before losses are incurred. The new accounting standard IFRS 9 'Financial Instruments', which the Group will apply from 1 April 2018, encapsulates a range of economic scenarios in its determination of impairment provision requirements which must be recognised on an expected, rather than incurred, loss basis. An intended consequence of IFRS 9 is that banks and building societies will recognise credit losses earlier than under current accounting standards. The Society's IFRS 9 project is progressing to timetable.

The Society recognises the ongoing need to invest in its technological capabilities. Technology is fundamental to delivering growth, excellent customer service and a robust defence against cyber risks.

Against the recent backdrop of low interest rates, political upheaval and economic uncertainty the West Brom has demonstrated the ability to grow its prime residential mortgage book, exit non-core activities in a controlled manner, deliver healthy and sustainable underlying profits, invest in the future and comfortably meet all regulatory capital and liquidity requirements. The Society will move forward with each of these critical objectives for the remainder of the financial year maintaining emphasis, as always, on helping more borrowers to purchase their own homes and enabling savers to prepare and plan for a secure future.

Jonathan Westhoff
Chief Executive

Forward looking statements

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

Condensed consolidated half-yearly Income Statement

for the six months ended 30 September 2017

	Notes	6 months ended 30 Sep 17 unaudited £m	6 months ended 30 Sep 16 unaudited £m	Year ended 31 Mar 17 audited £m
Interest receivable and similar income		**48.7**	57.5	108.9
Interest expense and similar charges		**(20.3)**	(30.7)	(53.6)
Net interest receivable		**28.4**	26.8	55.3
Fees and commissions receivable		**1.2**	1.2	2.7
Other operating income		**1.9**	2.1	4.1
Fair value gains/(losses) on financial instruments		**2.3**	(2.3)	(0.2)
Net realised profits		**-**	0.3	0.5
Total income		**33.8**	28.1	62.4
Administrative expenses		**(22.1)**	(22.0)	(44.4)
Depreciation and amortisation	10	**(3.7)**	(3.0)	(5.7)
Operating profit before revaluation gains, impairment and provisions		**8.0**	3.1	12.3
Gains on investment properties	11	**3.0**	3.3	5.4
Impairment on loans and advances	6	**(6.3)**	(0.8)	(7.6)
Provisions for liabilities	7	**(0.5)**	(29.3)	(29.9)
Profit/(Loss) before tax		**4.2**	(23.7)	(19.8)
Taxation		**(0.8)**	(6.8)	(6.0)
Profit/(Loss) for the period		**3.4**	(30.5)	(25.8)

Condensed consolidated half-yearly Statement of Comprehensive Income

for the six months ended 30 September 2017

	6 months ended 30 Sep 17 unaudited £m	6 months ended 30 Sep 16 unaudited £m	Year ended 31 Mar 17 audited £m
Profit/(Loss) for the period	**3.4**	(30.5)	(25.8)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Available for sale investments			
Valuation (losses)/gains taken to equity	**(0.2)**	0.6	0.5
Amounts transferred to Income Statement	**-**	(0.3)	(0.5)
Cash flow hedge gains/(losses) taken to equity	**2.5**	(0.6)	(0.5)
Taxation	**(0.4)**	-	0.1
Items that will not subsequently be reclassified to profit or loss			
Gains on revaluation of land and buildings	**-**	-	0.6
Actuarial losses on defined benefit obligations	**-**	-	(10.4)
Amortisation of original discount on subscribed capital	**-**	-	0.1
Taxation	**-**	-	1.7
Other comprehensive income for the period, net of tax	**1.9**	(0.3)	(8.4)
Total comprehensive income for the period	**5.3**	(30.8)	(34.2)
As a percentage of mean total assets	**%**	%	%
Profit/(Loss) for the period	**0.06**	(0.53)	(0.44)
Management expenses (annualised)	**0.89**	0.87	0.86

Condensed consolidated half-yearly Statement of Financial Position

at 30 September 2017

	Notes	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 audited £m
Assets				
Cash and balances with the Bank of England		**212.4**	145.5	294.8
Loans and advances to credit institutions		**143.8**	198.6	174.0
Investment securities		**316.0**	380.8	385.0
Derivative financial instruments		**11.2**	8.2	6.3
Loans and advances to customers	8	**4,866.3**	4,816.2	4,776.5
Deferred tax assets		**15.0**	14.4	16.4
Trade and other receivables		**3.3**	3.9	3.5
Intangible assets	10	**13.7**	9.6	13.3
Investment properties	11	**131.6**	126.9	128.9
Property, plant and equipment	10	**31.1**	31.9	32.1
Retirement benefit assets		**-**	0.7	-
Total assets		**5,744.4**	5,736.7	5,830.8
Liabilities				
Shares	9	**4,160.0**	4,398.9	4,427.3
Amounts due to credit institutions		**683.9**	279.0	450.3
Amounts due to other customers		**189.2**	179.0	132.7
Derivative financial instruments		**53.0**	89.8	69.0
Debt securities in issue	12	**169.3**	306.3	263.2
Deferred tax liabilities		**4.9**	5.4	5.0
Trade and other payables		**7.7**	8.5	10.2
Provisions for liabilities	7	**2.5**	2.9	3.1
Retirement benefit obligations		**5.1**	-	6.5
Total liabilities		**5,275.6**	5,269.8	5,367.3
Equity				
Profit participating deferred shares	13	**173.8**	171.9	173.0
Subscribed capital	15	**75.0**	74.9	75.0
General reserves		**213.7**	216.4	211.0
Revaluation reserve		**3.4**	3.4	3.5
Available for sale reserve		**1.5**	1.2	1.7
Cash flow hedging reserve		**1.4**	(0.9)	(0.7)
Total equity attributable to members		**468.8**	466.9	463.5
Total liabilities and equity		**5,744.4**	5,736.7	5,830.8
As a percentage of shares and borrowings		**%**	%	%
Gross capital		**9.3**	9.6	9.3
Free capital		**6.3**	6.6	6.2
Total liquidity		**13.4**	14.9	17.0

Condensed consolidated Statement of Changes in Members' Interest

for the six months ended 30 September 2017

6 months ended 30 September 2017 (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 2017	**173.0**	**75.0**	**211.0**	**3.5**	**1.7**	**(0.7)**	**463.5**
Profit for the period	0.8	-	2.6	-	-	-	**3.4**
Other comprehensive income for the period							
Realisation of previous revaluation gains	-	-	0.1	(0.1)	-	-	**-**
Available for sale investments: current period movement net of tax	-	-	-	-	(0.2)	-	**(0.2)**
Cash flow hedge gains	-	-	-	-	-	2.1	**2.1**
Total other comprehensive income	**-**	**-**	**0.1**	**(0.1)**	**(0.2)**	**2.1**	**1.9**
Total comprehensive income for the period	**0.8**	**-**	**2.7**	**(0.1)**	**(0.2)**	**2.1**	**5.3**
At 30 September 2017	**173.8**	**75.0**	**213.7**	**3.4**	**1.5**	**1.4**	**468.8**

6 months ended 30 September 2016 (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 2016	179.5	74.9	239.3	3.4	0.9	(0.3)	497.7
Loss for the period	(7.6)	-	(22.9)	-	-	-	(30.5)
Other comprehensive income for the period							
Available for sale investments: current period movement net of tax	-	-	-	-	0.3	-	0.3
Cash flow hedge losses	-	-	-	-	-	(0.6)	(0.6)
Total other comprehensive income	-	-	-	-	0.3	(0.6)	(0.3)
Total comprehensive income for the period	(7.6)	-	(22.9)	-	0.3	(0.6)	(30.8)
At 30 September 2016	171.9	74.9	216.4	3.4	1.2	(0.9)	466.9

Condensed consolidated Statement of Changes in Members' Interest (continued)

Year ended 31 March 2017 (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 2016	179.5	74.9	239.3	3.4	0.9	(0.3)	497.7
Loss for the period	(6.5)	-	(19.3)	-	-	-	(25.8)
Other comprehensive income for the period							
Amortisation of original discount on subscribed capital	-	0.1	-	-	-	-	0.1
Available for sale investments: reallocation of tax*	-	-	(0.8)	-	0.8	-	-
Actuarial losses on defined benefit obligations	-	-	(8.5)	-	-	-	(8.5)
Gains on revaluation of land and buildings	-	-	-	0.4	-	-	0.4
Realisation of previous revaluation gains	-	-	0.3	(0.3)	-	-	-
Cash flow hedge losses	-	-	-	-	-	(0.4)	(0.4)
Total other comprehensive income	-	0.1	(9.0)	0.1	0.8	(0.4)	(8.4)
Total comprehensive income for the period	(6.5)	0.1	(28.3)	0.1	0.8	(0.4)	(34.2)
At 31 March 2017	173.0	75.0	211.0	3.5	1.7	(0.7)	463.5

* Tax in relation to available for sale investments has been reallocated to reflect the underlying transactions.

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 2017

	6 months ended 30 Sep 17 unaudited £m	6 months ended 30 Sep 16 unaudited £m	Year ended 31 Mar 17 audited £m
Net cash (outflow)/inflow from operating activities (below)	**(91.9)**	(40.0)	138.7
Cash flows from investing activities			
Purchase of investment securities	**(37.8)**	(115.5)	(230.4)
Proceeds from disposal of investment securities	**124.8**	118.0	213.1
Proceeds from disposal of investment properties	**0.3**	0.1	0.2
Purchase of property, plant and equipment and intangible assets	**(2.9)**	(2.9)	(9.6)
Proceeds from disposal of property, plant and equipment	**-**	0.5	0.5
Net cash flows from investing activities	**84.4**	0.2	(26.2)
Cash flows from financing activities			
Repayment of mortgage backed loan notes	**(86.9)**	(62.7)	(106.0)
Net cash flows from financing activities	**(86.9)**	(62.7)	(106.0)
Net (decrease)/increase in cash and cash equivalents	**(94.4)**	(102.5)	6.5
Cash and cash equivalents at beginning of period	**475.3**	468.8	468.8
Cash and cash equivalents at end of period	**380.9**	366.3	475.3

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

	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 audited £m
Cash and cash equivalents			
Cash in hand (including Bank of England Reserve account)	**205.4**	138.4	287.6
Loans and advances to credit institutions	**143.8**	198.6	174.0
Investment securities	**31.7**	29.3	13.7
	380.9	366.3	475.3

The Group is required to maintain certain mandatory balances with the Bank of England which, at 30 September 2017, amounted to £7.0m (30 September 2016: £7.1m and 31 March 2017: £7.2m). The movement in these balances is included within cash flows from operating activities.

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

for the six months ended 30 September 2017

	6 months ended 30 Sep 17 unaudited £m	6 months ended 30 Sep 16 unaudited £m	Year ended 31 Mar 17 audited £m
Cash flows from operating activities			
Profit/(Loss) on ordinary activities before tax from continuing activities	**4.2**	(23.7)	(19.8)
Movement in prepayments and accrued income	**0.3**	(1.2)	(0.8)
Movement in accruals and deferred income	**(2.0)**	(4.9)	(2.6)
Impairment on loans and advances	**6.3**	0.8	7.6
Depreciation and amortisation	**3.7**	3.0	5.7
Revaluation of investment properties	**(3.0)**	(3.3)	(5.4)
Movement in provisions for liabilities	**(0.6)**	0.2	0.4
Movement in derivative financial instruments	**(20.9)**	13.4	(5.5)
Movement in fair value adjustments	**8.0**	(13.3)	(0.7)
Movement in subscribed capital	**-**	-	0.1
Change in retirement benefit obligations	**(1.4)**	0.1	(3.1)
Cash flows from operating activities before changes in operating assets and liabilities	**(5.4)**	(28.9)	(24.1)
Movement in loans and advances to customers	**(111.2)**	(64.6)	(47.7)
Movement in loans and advances to credit institutions	**0.2**	(0.4)	(0.5)
Movement in shares	**(264.8)**	13.7	45.7
Movement in deposits and other borrowings	**290.1**	42.0	167.0
Movement in trade and other receivables	**(0.1)**	-	-
Movement in trade and other payables	**(0.7)**	(1.8)	(1.7)
Net cash (outflow)/inflow from operating activities	**(91.9)**	(40.0)	138.7

Notes to condensed consolidated half-yearly financial information for the six months ended 30 September 2017

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 2017 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 2017 and 30 September 2016 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 2017 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 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Going concern

Details of the Group's objectives, policies and processes for managing its exposure to risk are contained in the Risk Management Report of the 2017 Annual Report and Accounts. The Directors also include a statement in the Directors' Report in respect of going concern on page 32 of the 2017 Annual Report and Accounts.

The Directors have reviewed the plans and forecasts for the Group giving consideration to liquidity and capital adequacy, with due regard given to the economic outlook and the third party challenge over the eligibility of the Society's profit participating deferred shares to be treated as Common Equity Tier 1 capital. The Directors consider the Group has adequate liquidity to meet both the normal demands of the business and the requirements which might arise in stressed circumstances for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these half-yearly financial results.

4. Accounting policies

The accounting policies adopted by the Group in the preparation of its 2017 Interim Financial Report are consistent with those disclosed in the Annual Report and Accounts for the year ended 31 March 2017. There were no new or amended accounting standards in the period which had a material impact on the interim financial statements.

Of the new or amended accounting standards issued but not effective for the six months ended 30 September 2017, the most significant is IFRS 9 'Financial Instruments', which will be adopted in the Group financial statements for the year ended 31 March 2019. The standard introduces new rules for classification and measurement, impairment and hedge accounting for financial instruments. It substantially changes the methodology for calculating loan loss provisions, moving from an incurred to expected credit loss approach and requiring the incorporation of multiple, probability-weighted outcomes including forecasts of future economic conditions.

The Group's IFRS 9 implementation project is progressing to timetable with a number of updates made to the Society's systems and business processes. New models, built to meet the expected credit loss requirements defined in the standard, have been tested and will be subject to parallel running during the second half of the year with supporting governance created to ensure that the models and integral assumptions are properly controlled.

It is not considered appropriate to quantify the financial impact of implementing IFRS 9 in this interim report, as the effect is highly dependent on the portfolios and economic view as at the date of transition. Further details on IFRS 9 can be found on pages 55 to 56 of the Annual Report and Accounts for the year ended 31 March 2017.

5. Business segments

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

The Group has three main business segments:

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

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

There were no changes to reportable segments during the period.

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

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

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

6 months ended 30 September 2017 (unaudited)

	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	50.6	5.3	-	(7.2)	**48.7**
Interest expense and similar charges	(19.7)	(6.3)	(1.5)	7.2	**(20.3)**
Net interest receivable/(expense)	**30.9**	**(1.0)**	**(1.5)**	**-**	**28.4**
Fees and commissions receivable	1.2	-	-	-	**1.2**
Other operating (expense)/income	(0.1)	-	2.0	-	**1.9**
Fair value (losses)/gains on financial instruments	(0.4)	2.7	-	-	**2.3**
Total income/(expense)	**31.6**	**1.7**	**0.5**	**-**	**33.8**
Administrative expenses	(21.3)	(0.7)	(0.1)	-	**(22.1)**
Depreciation and amortisation	(3.7)	-	-	-	**(3.7)**
Operating profit/(loss) before revaluation gains, impairment and provisions	**6.6**	**1.0**	**0.4**	**-**	**8.0**
Gains on investment properties	-	-	3.0	-	**3.0**
Impairment on loans and advances	(0.7)	(5.6)	-	-	**(6.3)**
Provisions for liabilities	(0.5)	-	-	-	**(0.5)**
Profit/(Loss) before tax	**5.4**	**(4.6)**	**3.4**	**-**	**4.2**
Total assets	**5,677.3**	**491.9**	**134.2**	**(559.0)**	**5,744.4**
Total liabilities	**5,217.4**	**544.6**	**124.4**	**(610.8)**	**5,275.6**
Capital expenditure	**3.1**	**-**	**-**	**-**	**3.1**

5. Business segments (continued)

6 months ended 30 September 2016 (unaudited)	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	57.5	8.3	-	(8.3)	57.5
Interest expense and similar charges	(30.0)	(7.5)	(1.6)	8.4	(30.7)
Net interest receivable/(expense)	27.5	0.8	(1.6)	0.1	26.8
Fees and commissions receivable	1.2	-	-	-	1.2
Other operating (expense)/income	(0.1)	-	2.2	-	2.1
Fair value (losses)/gains on financial instruments	(3.1)	0.1	-	0.7	(2.3)
Net realised profits	0.3	-	-	-	0.3
Total income	25.8	0.9	0.6	0.8	28.1
Administrative expenses	(21.1)	(0.8)	(0.1)	-	(22.0)
Depreciation and amortisation	(3.0)	-	-	-	(3.0)
Operating profit before revaluation gains, impairment and provisions	1.7	0.1	0.5	0.8	3.1
Gains on investment properties	-	-	3.3	-	3.3
Impairment on loans and advances	3.0	(3.8)	-	-	(0.8)
Provisions for liabilities	(29.3)	-	-	-	(29.3)
(Loss)/Profit before tax	(24.6)	(3.7)	3.8	0.8	(23.7)
Total assets	5,927.0	520.9	131.2	(842.4)	5,736.7
Total liabilities	5,447.1	619.5	89.4	(886.2)	5,269.8
Capital expenditure	2.9	-	-	-	2.9

5. Business segments (continued)

Year ended 31 March 2017 (audited)

	Retail £m	Commercial £m	Property £m	Consolidation adjustments £m	Total Group £m
Income					
Interest receivable and similar income	107.2	18.2	-	(16.5)	108.9
Interest expense and similar charges	(52.4)	(14.8)	(2.9)	16.5	(53.6)
Net interest receivable/(expense)	54.8	3.4	(2.9)	-	55.3
Fees and commissions receivable	2.7	-	-	-	2.7
Other operating income	37.5	-	4.1	(37.5)	4.1
Fair value (losses)/gains on financial instruments	(0.3)	0.1	-	-	(0.2)
Net realised profits	0.5	-	-	-	0.5
Total income	95.2	3.5	1.2	(37.5)	62.4
Administrative expenses	(42.5)	(1.7)	(0.2)	-	(44.4)
Depreciation and amortisation	(5.7)	-	-	-	(5.7)
Operating profit before revaluation gains, impairment and provisions	47.0	1.8	1.0	(37.5)	12.3
Gains on investment properties	-	-	5.4	-	5.4
Impairment on loans and advances	3.5	(11.1)	-	-	(7.6)
Provisions for liabilities	(67.4)	-	-	37.5	(29.9)
(Loss)/Profit before tax	(16.9)	(9.3)	6.4	-	(19.8)
Total assets	5,744.3	548.8	132.1	(594.4)	5,830.8
Total liabilities	5,295.2	588.6	125.8	(642.3)	5,367.3
Capital expenditure	9.0	-	-	-	9.0

6. Allowance for losses on loans and advances to customers

	6 months ended 30 Sep 17 unaudited £m	6 months ended 30 Sep 16 unaudited £m	Year ended 31 Mar 17 audited £m
Impairment charge for the period	**6.3**	0.8	7.6
Impairment provision at end of period			
Loans fully secured on residential property	**16.4**	17.4	16.3
Loans fully secured on land	**50.6**	42.6	39.4
Total	**67.0**	60.0	55.7

7. Provisions for liabilities

6 months ended 30 September 2017 (unaudited)

	Buy to let £m	FSCS £m	Other £m	Total £m
At beginning of period	-	0.8	2.3	**3.1**
Utilised in the period	-	(0.9)	(0.2)	**(1.1)**
Charge for the period	-	0.5	-	**0.5**
At end of period	**-**	**0.4**	**2.1**	**2.5**

6 months ended 30 September 2016 (unaudited)

	Buy to let £m	FSCS £m	Other £m	Total £m
At beginning of period	-	1.4	1.3	2.7
Utilised in the period	(27.5)	(1.4)	(0.2)	(29.1)
Charge for the period	27.5	1.3	0.5	29.3
At end of period	-	1.3	1.6	2.9

Year ended 31 March 2017 (audited)

	Buy to let £m	FSCS £m	Other £m	Total £m
At beginning of period	-	1.4	1.3	2.7
Utilised in the period	(27.5)	(1.4)	(0.6)	(29.5)
Charge for the period	27.5	0.8	1.6	29.9
At end of period	-	0.8	2.3	3.1

Financial Services Compensation Scheme (FSCS)
In common with all regulated UK deposit takers, the Society pays levies to the FSCS. The provision at 30 September 2017 was calculated based on the Society's share of protected deposits and the FSCS estimate of total management expenses for the scheme year, which reduced significantly following the sale of certain Bradford & Bingley assets, enabling a substantial repayment of the loan from HM Treasury to the FSCS.

Buy to let provision
In December 2013, West Bromwich Mortgage Company (the Company) chose to vary the interest rate margin charged for certain multi-property landlords in line with the terms and conditions of their buy to let mortgages. Certain impacted parties initiated legal proceedings against the Company to challenge this increase. Following a successful defence of this challenge in the High Court a final judgement was made in the Court of Appeal in June 2016 which ruled against the Company. During 2016/17, the interest rate variation applied since December 2013 was refunded in full to all buy to let borrowers affected.

Other provisions
Other provisions primarily relate to Payment Protection Insurance (PPI) redress and represent the amounts expected to be settled based on the Financial Conduct Authority (FCA) introduced deadline of 29 August 2019. Following the Supreme Court's decision in the case of Plevin v Paragon Personal Finance Limited, the FCA has sought to define circumstances whereby the levels of commission earned on PPI sales gave rise to a potentially 'unfair relationship'. Other provisions include the Society's expected obligations under these new FCA rules and guidelines.

8. Loans and advances to customers

	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 audited £m
Loans and receivables			
Loans fully secured on residential property	**4,410.8**	4,242.1	4,253.8
Other loans			
Loans fully secured on land	**474.3**	542.8	506.7
Other loans	**-**	0.1	-
	4,885.1	4,785.0	4,760.5
At fair value through profit or loss			
Other loans			
Loans fully secured on land	**12.2**	18.8	17.8
	4,897.3	4,803.8	4,778.3
Fair value adjustment for hedged risk	**36.0**	72.4	53.9
Less: impairment provisions	**(67.0)**	(60.0)	(55.7)
	4,866.3	4,816.2	4,776.5

Included within loans and advances to customers are £541.9m (31 March 2017: £587.5m) of commercial lending balances of which £60.3m (31 March 2017: £73.4m) have been sold by the Group to bankruptcy remote structured entities. A further £841.6m (31 March 2017: £1,012.6m) of residential mortgage balances, included within loans and advances to customers, have also been sold by the Group to structured entities. The structured entities have been funded by issuing mortgage backed securities (MBSs) of which £721.4m (31 March 2017: £810.5m) are held by the Society.

9. Shares

	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 audited £m
Held by individuals	**4,158.3**	4,391.2	4,423.2
Other shares	**1.1**	1.1	1.1
Fair value adjustment for hedged risk	**0.6**	6.6	3.0
	4,160.0	4,398.9	4,427.3

10. Property, plant, equipment and intangible assets

6 months ended 30 September 2017 (unaudited)		
	Intangible assets £m	**Tangible assets £m**
Net book value at 1 April 2017	**13.3**	**32.1**
Additions	**1.8**	**1.3**
Depreciation, amortisation, impairment and other movements	**(1.4)**	**(2.3)**
Net book value at 30 September 2017	**13.7**	**31.1**

6 months ended 30 September 2016 (unaudited)		
	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2016	8.2	33.9
Additions	2.8	0.1
Disposals	-	(0.5)
Depreciation, amortisation, impairment and other movements	(1.4)	(1.6)
Net book value at 30 September 2016	9.6	31.9

Year ended 31 March 2017 (audited)		
	Intangible assets £m	Tangible assets £m
Net book value at 1 April 2016	8.2	33.9
Additions	7.8	1.2
Disposals	-	(0.6)
Revaluation	-	0.6
Depreciation, amortisation, impairment and other movements	(2.7)	(3.0)
Net book value at 31 March 2017	13.3	32.1

Capital commitments

The Group has placed contracts amounting to a total of £0.3m (31 March 2017: £0.3m) for future expenditure that was not provided in the financial statements.

11. Investment properties

	6 months ended 30 Sep 17 unaudited £m	6 months ended 30 Sep 16 unaudited £m	Year ended 31 Mar 17 audited £m
Valuation			
At beginning of period	**128.9**	123.7	123.7
Disposals	**(0.3)**	(0.1)	(0.2)
Revaluation gains	**3.0**	3.3	5.4
At end of period	**131.6**	126.9	128.9

12. Debt securities in issue

	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 audited £m
Non-recourse finance on securitised advances	**169.3**	306.3	263.2

The non-recourse finance comprises mortgage backed floating rate notes (the Notes) secured over portfolios of mortgage loans secured by first charges over residential and commercial properties in the United Kingdom. Prior to redemption of the Notes on the final interest payment date, the Notes will be subject to mandatory and/or optional redemption, in certain circumstances, on each interest payment date.

13. Profit participating deferred shares

	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 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	**(11.1)**	(4.6)	(4.6)
Share of profit/(loss) for the period	**0.8**	(7.6)	(6.5)
	(10.3)	(12.2)	(11.1)
Net value at end of period	**173.8**	171.9	173.0

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.

14. Related party transactions

Related party transactions for the six months to 30 September 2017 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 2017.

15. Subscribed capital

	30 Sep 17 unaudited £m	30 Sep 16 unaudited £m	31 Mar 17 audited £m
Permanent interest bearing shares	**75.0**	74.9	75.0

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.

16. 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 2017 (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	212.4	212.4	-	-	**212.4**
Loans and advances to credit institutions	143.8	-	143.8	-	**143.8**
Loans and advances to customers	4,854.1	-	-	4,940.1	**4,940.1**
	5,210.3	**212.4**	**143.8**	**4,940.1**	**5,296.3**
Financial liabilities					
Shares	4,160.0	-	-	4,140.0	**4,140.0**
Amounts due to credit institutions	683.9	-	683.9	-	**683.9**
Amounts due to other customers	189.2	-	189.2	-	**189.2**
Debt securities in issue	152.7	143.5	7.2	-	**150.7**
	5,185.8	**143.5**	**880.3**	**4,140.0**	**5,163.8**

16. Financial instruments (continued)

6 months ended 30 September 2016 (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	145.5	145.5	-	-	145.5
Loans and advances to credit institutions	198.6	-	198.6	-	198.6
Loans and advances to customers	4,797.7	-	-	4,755.5	4,755.5
	5,141.8	145.5	198.6	4,755.5	5,099.6
Financial liabilities					
Shares	4,398.9	-	-	4,390.4	4,390.4
Amounts due to credit institutions	279.0	-	279.0	-	279.0
Amounts due to other customers	179.0	-	179.0	-	179.0
Debt securities in issue	288.5	272.7	8.1	-	280.8
	5,145.4	272.7	466.1	4,390.4	5,129.2

Year ended 31 March 2017 (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	294.8	294.8	-	-	294.8
Loans and advances to credit institutions	174.0	-	174.0	-	174.0
Loans and advances to customers	4,758.2	-	-	4,790.0	4,790.0
	5,227.0	294.8	174.0	4,790.0	5,258.8
Financial liabilities					
Shares	4,427.3	-	-	4,416.6	4,416.6
Amounts due to credit institutions	450.3	-	450.3	-	450.3
Amounts due to other customers	132.7	-	132.7	-	132.7
Debt securities in issue	245.8	230.0	8.2	-	238.2
	5,256.1	230.0	591.2	4,416.6	5,237.8

a) Loans and advances to customers
The fair value of loans and advances to customers has been determined taking into account factors such as impairment and interest rates. The fair values have been calculated on a product basis and as such do not necessarily represent the value that could have been obtained for a portfolio if it were sold at 30 September 2017.

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 2017.

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.

16. 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 2017 (unaudited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	316.0	-	**316.0**
Derivative financial instruments	-	11.2	**11.2**
Loans and advances to customers	-	12.2	**12.2**
	316.0	**23.4**	**339.4**
Financial liabilities			
Derivative financial instruments	-	53.0	**53.0**
Debt securities in issue	-	16.6	**16.6**
	-	**69.6**	**69.6**

6 months ended 30 September 2016 (unaudited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	378.8	2.0	380.8
Derivative financial instruments	-	8.2	8.2
Loans and advances to customers	-	18.5	18.5
	378.8	28.7	407.5
Financial liabilities			
Derivative financial instruments	-	89.8	89.8
Debt securities in issue	-	17.8	17.8
	-	107.6	107.6

Year ended 31 March 2017 (audited)

	Level 1 £m	Level 2 £m	Total £m
Financial assets			
Investment securities	385.0	-	385.0
Derivative financial instruments	-	6.3	6.3
Loans and advances to customers	-	18.3	18.3
	385.0	24.6	409.6
Financial liabilities			
Derivative financial instruments	-	69.0	69.0
Debt securities in issue	-	17.4	17.4
	-	86.4	86.4

17. 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 2017. Subsequent to the publication of the Annual Report, Claire Hafner resigned from the Board on 27 July 2017.

Signed on behalf of the Board of Directors:

Jonathan Westhoff
Chief Executive

Ashraf Piranie
Group Finance & Operations Director

28 November 2017

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