

# Half year financial results

30 September 2024

# Key highlights for the six months to 30 September 2024



New mortgage lending

**£646m**

We've lent £646m of mortgages to people so they can buy their own home. This is an increase of 41%, and the highest ever amount of home ownership lending we've reached in the first half of our financial year during our 175 year history.



First time buyers

**3,125**

We've helped 3,125 first time buyers buy their own home, that's 41% more than this time last year.



Profit before tax

**£17.2m**

Our profit before tax grew by 26% to £17.2m with a Common Equity Tier 1 ratio of 17.1%. This strong capital position means we can support more people to buy their own homes and invest for our future customers.



## We've delivered **£23.7m** of member benefits to our customers



### Savers

Our savers earned a total of £21.8m in interest over the average savings rates in the market<sup>1</sup> (30 September 2023: £19.6m). We welcomed 7,640 new savers to the Society (30 September 2023: 3,372), an increase of 127%.

### Borrowers

Our mortgage customers paying our unique Differentiated Standard Variable Rate paid £1.9m less interest than if they'd paid the average rate offered by the market<sup>2</sup> at the end of their mortgage deal (30 September 2023: £1.3m).

<sup>1</sup> Weighted average market rates sourced from Bank of England Bankstats table A6.1 April 24 to Sept 24.

<sup>2</sup> Weighted average market reversion rate sourced from Moneyfacts April 24 to Sept 24.

# Chief Executive Officer's business review



The first half of our financial year has continued to bring changes, opportunities and challenges, and it's been a poignant time particularly as we reflect and celebrate our 175th anniversary. We've had a successful six months during a time where the economy reacted to the first change of Government since 2010, and the Bank of England reduced Bank Rate for the first time in four years.

We've lent a record level of £646m of homeowner mortgages during the first half of our financial year (30 September 2023: £458m) and helped 4,716 customers buy their own home (30 September 2023: 3,497). These amounts become especially meaningful as 66% of these customers were first time buyers. Overall, our lending to first time buyers has increased by 39%, at a time where lending to first time buyers across the mortgage market only increased by 24%<sup>3</sup>.

We're passionate about helping more people buy their first home so we've also introduced a 'new build' mortgage range to support more customers who have a smaller deposit and want to buy a new build property.

Our record level of lending was supported by high numbers of existing customers choosing to keep their mortgage with us, giving us strong growth in our residential mortgage book of £354m in the first half year of our financial year (30 September 2023: £81.0m).

For existing mortgage customers our market-first approach to Standard Variable Rate (SVR), where customers with more equity in their homes are offered a lower rate to switch to at the end of their initial deal, means we can offer customers good value compared to average market SVRs<sup>2</sup>. As mortgage rates have been quite volatile over the past six months this approach has given our customers more flexibility and time before remortgaging. During the first half of our financial year our customers on SVR paid a total of £1.9m less than they would have done on the market average SVR<sup>2</sup> (30 September 2023: £1.3m). On average our rates were around 25% below the market average.

1 Weighted average market rates sourced from Bank of England Bankstats table A6.1 April 24 to Sept 24.

2 Weighted average market reversion rate sourced from Moneyfacts April 24 to Sept 24.

3 UK Finance mortgage completion reporting for September tables BTL22, S1 final.

We've welcomed 7,640 new savers to the Society (30 September 2023: 3,372), an increase of 127%. Our savings rates on average are around one third above the market average<sup>1</sup>, which means overall our customers have received £21.8m more interest than if they'd have been on average savings rates<sup>1</sup> (30 September 2023: £19.6m).

Many of our new savers came through our new products such as our Four Access Saver and Double Access ISA, which give customers more flexibility and better rates for their savings. We've also continued to improve our digital savings portal so that our customers can open and manage their accounts online. These new products and improvements to our digital savings experience has attracted 4,500 new customers, and we now have over 25,000 existing customers managing their accounts online.

Our strong profit before tax of £17.2m has helped to grow our **capital reserves** and means we can continue to support more people to buy their own homes and invest for our future customers (30 September 2023: £13.6m).

Last Autumn we completed a major strategic review to lay out our vision and direction for the next five years and we're now in the first year of delivering our refreshed strategy. At the heart of this is a significant investment in our people and technology to enhance our digital services. Over the past six months we've been running a process to select our technology partners and to recruit and develop the skills we'll need to implement these new digital services. The second half of our financial year will see us start on a major multi-year programme of implementation.

As we invest in this major digital programme, including a £2.0m investment in the period to support its delivery, we're still committed to offering customers the choice of how they wish to be served and will continue to develop products and services for online, on the phone and in our 34 branches. As part of this we've launched a refreshed brand, celebrating our heritage in the West Midlands, with a more contemporary look. And 175 years on, since 20 local people set up the 'West Bromwich Permanent Building Society', we're proud to be bringing 'Building Society' back into our name.

## Our vision and strategy

For this phase of our strategy, our new vision is underpinned by five pillars to guide our strategic direction.

Our vision is that:

### Our customers and communities own a more secure future.

We believe our customers should be able to own their financial future whether that's through a mortgage, savings, or both.

Our five strategic pillars are:

- 1 Help our customers achieve a more financially secure future**  
We offer products, services and a customer experience that enables our customers to achieve a more secure financial future.
- 2 Strengthening our communities**  
As a regional Society, we support customers in the region and play an active role in helping our local communities thrive.
- 3 We are customer centric and purpose driven**  
We have colleagues and a culture that strive to do the right thing for our customers, and we're committed to making our Society a place where our people can flourish and develop.
- 4 Modernise our digital and technology estate**  
We'll embrace sustainable and reliable technology to stay up to date with our increasingly digital world and meet our customers' expectations to serve them how and when they want.
- 5 Keep our business secure and sustainable for the future**  
We'll remain financially resilient and committed to social and environmental sustainability practices.

At the end of the financial year, we'll provide an update on the progress we're making against these pillars.

## Helping you to understand the details of these results

As we explain in the Notes to the accounts our half year reporting is written in a certain way so we meet the International Financial Reporting Standards. Sometimes we'll have to use language or terms that can be quite technical or specific to the banking industry.

It's important to us that our members understand our results from the first half of our financial year, so this is an interactive PDF to explain the technical words or phrases we use. A short description will appear when you hover over one of these words.

## Building on our financial strength

Our strong set of financial results for the six months up to 30 September 2024 means we've the financial strength to offer existing and future customers products and services that work for them. Our profit before tax for the first six months was £17.2m (30 September 2023: £13.6m), a 26% increase on the same period in 2023.

On an underlying basis, after adding back the one-off cost of buying back **Tier 2 subordinated debt** last year, our profit before tax reduced slightly from £18.7m to £17.2m. This reduction is the result of lower net interest income and higher administrative expenses as we invest in our digital transformation, and are partially offset by reduced **impairment costs** and an improved **revaluation gain** on our investment property portfolio.

### Profit before tax

# £17.2m

Profit before tax increased by 26% to £17.2m meaning we can support more home ownership and invest for our future customers.

Our **net interest receivable** reduced by £6.5m as the interest we pay to our savings customers increased by 30% whilst we saw a smaller increase of only 14% in the interest we earn on mortgages.

A slight increase in house prices and a modest improvement in the economic outlook were the main reasons for a £1.0m release of **impairment provisions** for credit losses on residential loans (30 September 2023: release £1.1m). We also recorded a reduced charge of £1.7m against our **closed commercial lending book** (30 September 2023: charge £8.1m) which further increased the **provision coverage** to 45.2% (31 March 2024: 43.4%).

Our administrative expenses rose by 16.2% to £32.3m (30 September 2023: £27.8m) meaning our **management expense ratio** increased from 0.95% to 1.04%. This was largely because of an increase in the number of colleagues needed to support the Society's digital strategy and we've invested £2.0m to support the delivery of transformation in the period. This is an investment in our future and ensures we're able to provide services to our customers how and when they want.

Our investment in residential property saw a small **revaluation gain** of £1.1m (30 September 2023: loss £2.5m) as the housing market proved to be resilient and bounced back from the small fall in prices seen 12 months earlier.

In September, we raised £300m of wholesale funding through a successful **residential mortgage-backed security issuance**. The deal was well received by the financial markets and represents a valuable diversification of funding to complement our retail savings and support our lending ambitions.

Our capital position remains strong, and at the end of September 2024, our **Common Equity Tier 1 ratio** was 17.1% (31 March 2024: 17.8%) showing our financial strength and enabling us to invest in the digital programme we're undertaking.

## CET 1 ratio

# 17.1%

We maintained a strong CET 1 ratio allowing us to invest for the future.

## Regulatory capital resources

	Transitional basis (including unaudited interim profit) <sup>1</sup> 30 Sep 24 £m	Transitional basis (excluding unaudited interim profit) <sup>1</sup> 30 Sep 24 £m	Transitional basis (including audited year end profit) <sup>1</sup> 31 Mar 24 £m
Members' interests and equity	447.9	435.0	444.7
Permanent interest bearing shares (PIBS) deduction	(3.9)	(3.9)	(7.8)
Other adjustments <sup>2</sup>	(34.8)	(34.8)	(34.6)
<b>Common Equity Tier 1 (CET 1) capital</b>	<b>409.2</b>	<b>396.3</b>	402.3
Additional Tier 1 capital	-	-	-
<b>Total Tier 1 capital</b>	<b>409.2</b>	<b>396.3</b>	402.3
Tier 2 capital <sup>3</sup>	2.0	2.0	2.0
<b>Total regulatory capital resources</b>	<b>411.2</b>	<b>398.3</b>	404.3
<b>Risk weighted assets (RWA)</b>	<b>2,390.1</b>	<b>2,390.1</b>	2,258.8
<b>Leverage ratio exposure including claims on central banks</b>	<b>6,392.5</b>	<b>6,392.5</b>	5,939.0
<b>Leverage ratio exposure excluding claims on central banks</b>	<b>5,832.8</b>	<b>5,832.8</b>	5,399.0
<b>Capital ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Common Equity Tier 1 ratio (as a percentage of RWA)</b>	<b>17.1</b>	<b>16.6</b>	17.8
<b>Common Equity Tier 1 before IFRS 9 transitional arrangements (as a percentage of RWA)</b>	<b>17.1</b>	<b>16.6</b>	17.8
<b>Tier 1 ratio (as a percentage of RWA)</b>	<b>17.1</b>	<b>16.6</b>	17.8
<b>Total capital ratio (as a percentage of RWA)</b>	<b>17.2</b>	<b>16.7</b>	17.9
<b>Leverage ratio including claims on central banks</b>	<b>6.4</b>	<b>6.2</b>	6.8
<b>Leverage ratio excluding claims on central banks</b>	<b>7.0</b>	<b>6.8</b>	7.5

- 1 The 'Transitional' basis includes the effect of **IFRS 9 transitional arrangements**. For regulatory reporting purposes, profit is not recognised as capital until audited.
- 2 Other adjustments mainly comprise **IFRS 9 transitional arrangements** and deductions for **intangible assets, deferred tax assets** and the **retirement benefit asset**.
- 3 Tier 2 capital comprises **subordinated liabilities** excluding accrued interest.

## Supporting our people

Delivering the transformation project needs the support of our colleagues, as well as bringing in new skills. Our flexible model of employment means we can access and recruit key skills from a broader catchment area. This has increased the number of colleagues at the Society to 736 (30 September 2023: 699).

Our commitment to develop our colleagues has been recognised with the Investors in People Gold accreditation for the ninth year in a row. We continue to invest in our colleagues' development to encourage a culture of growth and innovation, with 23 completing apprenticeships from Level 3 to Level 7.

Our colleague-led Connect group works to promote equity, inclusion and diversity within the Society, broadening the understanding and acceptance of the differences between us. Connect has several working groups including our established LGBTQ+, Black Colleague Focus Group, and Dyslexia Support Group and we're proud to be introducing a new Women's network very soon.

We're committed to supporting social mobility, so we've signed up to the Business in the Community's 'Ban the Box' campaign. This makes it easier for anyone with a criminal record to apply for a role with us, managing any potential conflict or risk to the business on a role-by-role basis.

## Supporting our communities

Since April 2024, as part of our ongoing commitment to provide financial education, we've been able to reach 750 students in 18 schools. We've also developed a new financial education session to help support vulnerable adults who are experiencing financial hardship.

Earlier this year, we announced our partnership with Jericho, an incredible Birmingham based charity that helps people facing challenges in our community. They provide vital support and activities to help reduce isolation, support recovery, and promote inclusion to transform lives and help people become more employable.

We've supported over 40 different charities in our local communities over the last six months through fundraising, grants, and donations. Our colleagues have further supported these charities through over 790 hours of volunteering within the local community.

## Principal risks and uncertainties

Right now, there's a lot of uncertainty in the economy and the wider world.

This report provides an update on the **principal risks** and uncertainties set out on pages 38 to 55 of the 2024 Annual Report and Accounts, with a focus only on key developments during the first six months.

### Business environment and economic conditions

The outlook for the UK economy is one of modest, but stable, growth although there remains significant global uncertainties linked to conflicts in Ukraine and the Middle East.

Despite the potential effects of both the Autumn Budget and of the threat of future US trade tariffs on the UK economy, inflationary pressures have started to ease and mortgage rates have fallen from their peak. Many people face financial pressures as their household finances, including mortgage and housing costs, continue to be strained.

Despite these pressures the housing market has shown resilience and house prices remain relatively stable.

### Volunteering hours

# 790

We've supported charities in our local communities with over 790 hours of volunteering.

## Principal risks

The principal risks affecting our Society remain consistent with those included in the 2024 Annual Report and Accounts. Our focus remains on credit risk, margin compression risk and operational resilience as well as a significant de-risking of our Pension liability risk. The Board monitors these areas closely using our risk management framework.

No new principal risks have been identified.

### Credit risk

We're committed to working with our mortgage customers to keep them in their home and to make sure repossession is only ever as a last resort. Where we provide help to customers in the form of **forbearance**, we go beyond the minimum requirements set out by the Financial Conduct Authority and we continue to develop our approach to support customers in financial difficulty.

The number of mortgage customers falling behind with payments, as measured by our core residential arrears of 0.97%, is marginally higher than the industry average of 0.93%<sup>4</sup> (31 March 2024: 0.89% and 0.91% respectively). This figure is increased by the relatively higher arrears in our closed buy to let lending. Arrears in our homeowner lending are significantly lower at 0.60% at 30 September 2024 (31 March 2024: 0.57%), well below the industry average for homeowner lending of 0.97% (31 March 2024: 0.94%)<sup>4</sup>.

Our closed commercial lending remains particularly susceptible to future economic shock. The combination of provisions set aside and capital we've allocated directly to these exposures remains significant, and the provision coverage stands at 45.2% (31 March 2024: 43.4%).

### Margin compression risk

The volatile interest rate environment has seen an increase in the risk of margin compression and, as explained on page 5, we did see our net interest receivable reduce over the last year.

The wholesale funding raised in September 2024 reduces our reliance on retail funding from savers and helps to diversify this risk.

### Operational resilience

In the face of increasing external risks, ensuring we continue to provide the services our customers rely upon remains a key focus. Our approach has included testing of severe but plausible scenarios and is continuously evolving to make sure our operations remain resilient whilst also meeting the expectations of our regulators. During the period we've had no incidents that have materially impacted our services to customers, and we continue to respond to increasing cyberthreats by ensuring our customers' data is kept safe and secure.

### Pension liability risk

We took a significant step to de-risk our pension liability by purchasing an insurance policy to cover the future payments due to defined benefit pensioners. This provides greater certainty for the Society by transferring many of the associated risks to the insurer and securing benefits for the scheme's pensioners.

## Outlook

As the structural imbalance between housing demand and supply remains in the UK, we are enthusiastic about the Government's commitment to increase the housing supply and their manifesto pledge to double the size of the mutual sector. We're committed to expanding the ways we can help those who are underserved own a home and will be launching further mortgage products to help customers struggling to save for a house deposit.

Over the next six months and beyond, we'll be progressing with our technology transformation programme initially focused on developing digital savings in collaboration with our selected technology partners. We'll also continue to enhance our existing savings portal by improving the registration process and the services we offer.

Whether members are looking to own their first home or build up savings they can rely on, we'll continue to make this happen, as we have done for 175 years.

### Jonathan Westhoff

Chief Executive Officer

## Forward-looking statements

Certain statements in this half-yearly report are forward-looking. Although the West Brom believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be an accurate reflection of actual results.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond our control. As a result, our 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.

<sup>4</sup> As reported by UK Finance a trade association for the UK banking and financial services sector.

## Condensed consolidated half-yearly Income Statement

for the six months ended 30 September 2024

	Notes	6 months ended 30 Sep 24 unaudited £m	6 months ended 30 Sep 23 unaudited £m	Year ended 31 Mar 24 audited £m
Interest receivable and similar income				
Calculated using the effective interest method		135.8	106.9	229.4
On instruments measured at fair value through profit or loss		21.2	31.1	57.6
<b>Total interest receivable and similar income</b>		<b>157.0</b>	<b>138.0</b>	<b>287.0</b>
Interest expense and similar charges		(109.6)	(84.1)	(183.4)
<b>Net interest receivable</b>		<b>47.4</b>	<b>53.9</b>	<b>103.6</b>
Fees and commissions receivable		0.4	0.6	1.1
Other operating income		2.1	2.3	4.6
Fair value (losses)/gains on financial instruments		(0.9)	0.7	(0.4)
<b>Total income</b>		<b>49.0</b>	<b>57.5</b>	<b>108.9</b>
Administrative expenses		(29.1)	(25.2)	(54.0)
Depreciation and amortisation	10	(3.2)	(2.6)	(5.5)
<b>Operating profit before revaluation losses, impairment and provisions</b>		<b>16.7</b>	<b>29.7</b>	<b>49.4</b>
Gains/(losses) on investment properties	11	1.1	(2.5)	2.5
Impairment on loans and advances	6	(0.7)	(8.5)	(14.7)
Cost on debt buyback	16	-	(5.1)	(5.1)
Provisions for liabilities	7	0.1	-	-
<b>Profit before tax</b>		<b>17.2</b>	<b>13.6</b>	<b>32.1</b>
Taxation		(4.3)	(3.5)	(7.7)
<b>Profit for the period</b>		<b>12.9</b>	<b>10.1</b>	<b>24.4</b>

## Condensed consolidated half-yearly Statement of Comprehensive Income

for the six months ended 30 September 2024

	6 months ended 30 Sep 24 unaudited £m	6 months ended 30 Sep 23 unaudited £m	Year ended 31 Mar 24 audited £m
<b>Profit for the period</b>	<b>12.9</b>	<b>10.1</b>	<b>24.4</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Fair value through other comprehensive income investments			
Valuation gains taken to equity	-	0.5	1.3
Taxation	-	(0.1)	(0.3)
<b>Items that will not subsequently be reclassified to profit or loss</b>			
Actuarial losses on defined benefit obligations	(4.3)	-	(7.2)
Taxation	1.0	-	1.7
<b>Other comprehensive income for the period, net of tax</b>	<b>(3.3)</b>	<b>0.4</b>	<b>(4.5)</b>
<b>Total comprehensive income for the period</b>	<b>9.6</b>	<b>10.5</b>	<b>19.9</b>

## Condensed consolidated half-yearly Statement of Financial Position

at 30 September 2024

	Notes	30 Sep 24 unaudited £m	30 Sep 23 unaudited £m	31 Mar 24 audited £m
<b>Assets</b>				
Cash and balances with the Bank of England		547.3	446.3	491.6
Loans and advances to credit institutions		71.0	45.9	46.3
Investment securities		376.2	403.7	391.5
Derivative financial instruments		46.5	107.3	61.8
Loans and advances to customers	8	5,159.3	4,432.7	4,785.1
Deferred tax assets		15.7	21.6	19.0
Trade and other receivables		4.2	3.7	3.9
Intangible assets	10	17.6	11.6	13.9
Investment properties	11	145.1	145.9	148.7
Property, plant and equipment	10	21.4	22.1	21.8
Retirement benefit assets	9	1.6	10.9	6.1
<b>Total assets</b>		<b>6,405.9</b>	<b>5,651.7</b>	<b>5,989.7</b>
<b>Liabilities</b>				
Shares		4,933.6	4,391.0	4,670.6
Amounts due to credit institutions		627.4	645.7	788.2
Amounts due to other customers		36.2	137.2	37.0
Derivative financial instruments		27.8	5.0	12.8
Debt securities in issue	12	300.4	-	-
Current tax liabilities		0.9	0.6	2.0
Deferred tax liabilities		13.1	15.6	14.2
Trade and other payables		16.2	16.0	17.6
Provisions for liabilities	7	0.3	0.5	0.5
Subordinated liabilities	16	2.1	2.1	2.1
<b>Total liabilities</b>		<b>5,958.0</b>	<b>5,213.7</b>	<b>5,545.0</b>
<b>Members' interests and equity</b>				
Core capital deferred shares	13	127.0	127.0	127.0
Subscribed capital	15	3.9	7.8	7.8
General reserves		312.8	299.5	305.7
Revaluation reserve		3.2	3.3	3.2
Fair value reserve		1.0	0.4	1.0
<b>Total members' interests and equity</b>		<b>447.9</b>	<b>438.0</b>	<b>444.7</b>
<b>Total members' interests, equity and liabilities</b>		<b>6,405.9</b>	<b>5,651.7</b>	<b>5,989.7</b>

## Condensed consolidated Statement of Changes in Members' Interests and Equity

for the six months ended 30 September 2024

6 months ended 30 September 2024 (unaudited)						
	Core capital deferred shares	Subscribed capital	General reserves	Revaluation reserve	Fair value reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2024	127.0	7.8	305.7	3.2	1.0	444.7
Profit for the period	-	-	12.9	-	-	12.9
Other comprehensive income - Retirement benefit obligations	-	-	(3.3)	-	-	(3.3)
<b>Total comprehensive income for the period</b>	-	-	9.6	-	-	9.6
Distribution to the holders of core capital deferred shares	-	-	(2.9)	-	-	(2.9)
Buyback and cancellation of subscribed capital	-	(3.9)	0.4	-	-	(3.5)
<b>At 30 September 2024</b>	<b>127.0</b>	<b>3.9</b>	<b>312.8</b>	<b>3.2</b>	<b>1.0</b>	<b>447.9</b>

6 months ended 30 September 2023 (unaudited)						
	Core capital deferred shares	Subscribed capital	General reserves	Revaluation reserve	Fair value reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	127.0	7.8	292.4	3.3	-	430.5
Profit for the period	-	-	10.1	-	-	10.1
Other comprehensive income - Fair value of investments	-	-	-	-	0.4	0.4
<b>Total comprehensive income for the period</b>	-	-	10.1	-	0.4	10.5
Distribution to the holders of core capital deferred shares	-	-	(3.0)	-	-	(3.0)
<b>At 30 September 2023</b>	<b>127.0</b>	<b>7.8</b>	<b>299.5</b>	<b>3.3</b>	<b>0.4</b>	<b>438.0</b>

Year ended 31 March 2024 (audited)						
	Core capital deferred shares	Subscribed capital	General reserves	Revaluation reserve	Fair value reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2023	127.0	7.8	292.4	3.3	-	430.5
Profit for the financial year	-	-	24.4	-	-	24.4
Other comprehensive income for the year (net of tax)	-	-	-	-	-	-
Retirement benefit obligations	-	-	(5.5)	-	-	(5.5)
Realisation of previous revaluation gains	-	-	0.1	(0.1)	-	-
Fair value through other comprehensive income investments	-	-	-	-	1.0	1.0
<b>Total other comprehensive income</b>	-	-	(5.4)	(0.1)	1.0	(4.5)
<b>Total comprehensive income for the year</b>	-	-	19.0	(0.1)	1.0	19.9
Distribution to the holders of core capital deferred shares	-	-	(5.7)	-	-	(5.7)
<b>At 31 March 2024</b>	<b>127.0</b>	<b>7.8</b>	<b>305.7</b>	<b>3.2</b>	<b>1.0</b>	<b>444.7</b>

## Condensed consolidated half-yearly Statement of Cash Flows

for the six months ended 30 September 2024

	6 months ended 30 Sep 24 unaudited £m	6 months ended 30 Sep 23 unaudited £m	Year ended 31 Mar 24 audited £m
<b>Net cash (outflow)/inflow from operating activities (below)</b>	<b>(300.4)</b>	<b>(69.5)</b>	<b>(13.8)</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities	(142.3)	(117.9)	(333.0)
Proceeds from disposal of investment securities	165.4	90.9	258.4
Proceeds from disposal of investment properties	5.4	4.7	7.4
Purchase of property, plant and equipment, intangible assets and investment properties	(7.2)	(4.0)	(9.7)
<b>Net cash flows from investing activities</b>	<b>21.3</b>	<b>(26.3)</b>	<b>(76.9)</b>
<b>Cash flows from financing activities</b>			
Repurchase of subordinated liabilities	-	(20.4)	(20.4)
Purchase of debt securities in issue	300.4	3.5	-
Interest paid on subordinated liabilities	(0.1)	(1.6)	(1.8)
Payment of lease liabilities	(0.2)	(0.2)	(0.4)
Distribution to the holders of core capital deferred shares	(2.9)	(3.0)	(5.8)
Buyback and cancellation of subscribed capital	(3.9)	-	-
<b>Net cash flows from financing activities</b>	<b>293.3</b>	<b>(21.7)</b>	<b>(28.4)</b>
Net increase/(decrease) in cash	14.2	(117.5)	(119.1)
Cash and cash equivalents at beginning of period	640.4	657.0	657.0
<b>Cash and cash equivalents at end of period</b>	<b>654.6</b>	<b>539.5</b>	<b>537.9</b>

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

	30 Sep 24 unaudited £m	30 Sep 23 unaudited £m	31 Mar 24 audited £m
<b>Cash and cash equivalents</b>			
Cash in hand (including Bank of England Reserve account)	547.3	432.9	491.6
Loans and advances to credit institutions	71.0	45.9	46.3
Investment securities	36.3	60.7	-
	<b>654.6</b>	<b>539.5</b>	<b>537.9</b>

The Group is required to maintain certain mandatory balances with the Bank of England which, at 30 September 2024, amounted to £nil (30 September 2023: £13.4m and 31 March 2024: £nil). Cash ratio deposits are mandatory deposits with the Bank of England which are not available for use in the Group's day-to-day operations. The Cash ratio deposit scheme was closed in 2023/24 and replaced by the Bank of England Levy. The movement in these balances is included within cash flows from operating activities.

The Group's loans and advances to credit institutions includes £nil (30 September 2023: £nil and 31 March 2024: £nil) of balances belonging to the Society's structured entities which are not available for general use by the Society.

for the six months ended 30 September 2024

	6 months ended 30 Sep 24 unaudited £m	6 months ended 30 Sep 23 unaudited £m	Year ended 31 Mar 24 audited £m
<b>Cash flows from operating activities</b>			
Profit before tax	17.2	13.6	32.1
<b>Adjustments for non-cash items included in profit before tax</b>			
Impairment on loans and advances	(1.2)	8.5	14.7
Depreciation, amortisation and impairment	3.2	2.6	5.5
Disposal of property, plant and equipment	-	-	0.1
Revaluation (gains)/losses on investment properties and related disposals	(1.1)	2.5	(2.5)
Changes in provision for liabilities	(0.2)	-	-
Interest on subordinated liabilities	0.1	0.6	0.8
Fair value (gains)/losses on equity release portfolio	-	(0.2)	(0.2)
Changes in fair value	(26.1)	9.4	(36.7)
	<b>(8.1)</b>	<b>37.0</b>	<b>13.8</b>
<b>Changes in operating assets and liabilities</b>			
Loans and advances to customers	(347.0)	(79.4)	(391.9)
Loans and advances to credit institutions	-	0.6	14.0
Derivative financial instruments	30.3	(8.5)	44.8
Shares	263.0	84.7	364.3
Deposits and other borrowings	(161.6)	(109.9)	(64.1)
Trade and other receivables	(0.3)	7.0	6.8
Trade and other payables	(75.1)	(1.0)	0.9
Retirement benefit obligations	1.2	-	(2.4)
Tax paid	(2.8)	-	-
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>(300.4)</b>	<b>(69.5)</b>	<b>(13.8)</b>

# Notes to condensed consolidated half-yearly financial information

for the six months ended 30 September 2024

## 1. General information

These half-yearly financial results do not constitute statutory accounts within the meaning of the Building Societies Act 1986. A copy of the statutory accounts for the year ended 31 March 2024 has been delivered to the Financial Conduct Authority and the relevant information in this report has been extracted from these statutory accounts. The statutory accounts for the year ended 31 March 2024 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 2024 and 30 September 2023 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 2024 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with the UK adopted International Accounting Standards (IAS 34 'Interim Financial Reporting'). The half-yearly condensed consolidated financial report should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2024, which have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

## 3. Going concern and business viability statement

Details of the Group's objectives, policies and processes for managing its exposure to risk are contained in the Risk Management Report of the 2023/24 Annual Report and Accounts. The Directors also include statements in the Directors' Report in respect of going concern and longer-term business viability on page 70 and 71 of the 2023/24 Annual Report and Accounts.

The Directors have reviewed the latest plans and forecasts for the Group giving consideration to liquidity and capital adequacy. They are satisfied that the Group has adequate resources to meet both the normal demands of the business and the requirements which might arise in stressed circumstances for the next 12 months and that the longer-term business viability statement in the 2023/24 Annual Report and Accounts remains appropriate. Accordingly they continue to adopt the going concern basis in preparing these half-yearly financial results.

## 4. Accounting policies

The accounting policies adopted by the Group in the consolidated half-yearly information are consistent with those disclosed in the Annual Report & Accounts for the year ended 31 March 2024 (details provided on page 112 to 124).

### Critical accounting estimates and judgements in applying accounting policies

In the process of applying accounting policies, the Group makes various judgements, estimates and assumptions which affect the amounts recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the half year accounts, tax has been charged on the statutory profit before tax at the UK standard rate of 25%. A full review of the tax position of the Society and its subsidiaries will be carried out at the year end date. The significant judgements in applying accounting policies and key sources of estimation uncertainty at 30 September 2024 are unchanged from those existing at 31 March 2024.

## 5. Business segments

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

The Group has three main business segments:

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

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

There were no changes to reportable segments during the period.

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

## 5. Business segments (continued)

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 2024 (unaudited)

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Interest receivable and similar income					
Calculated using the effective interest method	139.4	4.9	-	(8.5)	135.8
On instruments measured at fair value through profit or loss	21.2	-	-	-	21.2
Total interest receivable and similar income	160.6	4.9	-	(8.5)	157.0
Interest expense and similar charges	(109.7)	(7.2)	(1.2)	8.5	(109.6)
<b>Net interest receivable/(expense)</b>	<b>50.9</b>	<b>(2.3)</b>	<b>(1.2)</b>	<b>-</b>	<b>47.4</b>
Fees and commissions receivable	0.4	-	-	-	0.4
Other operating income	0.2	-	1.9	-	2.1
Fair value gains/(losses) on financial instruments	0.2	(1.1)	-	-	(0.9)
<b>Total income</b>	<b>51.7</b>	<b>(3.4)</b>	<b>0.7</b>	<b>-</b>	<b>49.0</b>
Administrative expenses	(28.7)	(0.2)	(0.2)	-	(29.1)
Depreciation and amortisation	(3.2)	-	-	-	(3.2)
<b>Operating profit/ (loss) before revaluation losses, impairment and provisions</b>	<b>19.8</b>	<b>(3.6)</b>	<b>0.5</b>	<b>-</b>	<b>16.7</b>
Loss on investment properties	-	-	1.1	-	1.1
Impairment on loans and advances	1.0	(1.7)	-	-	(0.7)
Provisions for liabilities	0.1	-	-	-	0.1
<b>Profit/(Loss) before tax</b>	<b>20.9</b>	<b>(5.3)</b>	<b>1.6</b>	<b>-</b>	<b>17.2</b>
<b>Total assets</b>	<b>6,510.7</b>	<b>145.2</b>	<b>148.5</b>	<b>(398.5)</b>	<b>6,405.9</b>
<b>Total liabilities</b>	<b>6,100.0</b>	<b>368.7</b>	<b>113.1</b>	<b>(623.8)</b>	<b>5,958.0</b>

## 5. Business segments (continued)

6 months ended 30 September 2023 (unaudited)

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

## 5. Business segments (continued)

Year ended 31 March 2024 (audited)

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Interest receivable and similar income					
Calculated using the effective interest method	238.1	8.3	-	(17.0)	229.4
On instruments measured at fair value through profit or loss	57.5	0.1	-	-	57.6
Total interest receivable and similar income	295.6	8.4	-	(17.0)	287.0
Interest expense and similar charges	(183.3)	(14.4)	(2.7)	17.0	(183.4)
Net interest receivable/(expense)	112.3	(6.0)	(2.7)	-	103.6
Fees and commissions receivable	1.1	-	-	-	1.1
Other operating income	0.5	-	4.1	-	4.6
Fair value gains on financial instruments	(2.3)	1.9	-	-	(0.4)
Total income	111.6	(4.1)	1.4	-	108.9
Administrative expenses	(52.9)	(0.9)	(0.2)	-	(54.0)
Depreciation and amortisation	(5.5)	-	-	-	(5.5)
Operating profit before revaluation gains, impairment and provisions	53.2	(5.0)	1.2	-	49.4
Gains on investment properties	-	-	2.5	-	2.5
Impairment on loans and advances	(0.5)	(14.2)	-	-	(14.7)
Provisions for liabilities	(5.1)	-	-	-	(5.1)
Profit/(Loss) before tax	47.6	(19.2)	3.7	-	32.1
Total assets	6,100.3	148.9	152.1	(411.6)	5,989.7
Total liabilities	5,694.6	370.7	118.4	(638.7)	5,545.0

## 6. Allowance for losses on loans and advances to customers

	6 months ended 30 Sep 24 unaudited £m	6 months ended 30 Sep 23 unaudited £m	Year ended 31 Mar 24 audited £m
Impairment charge for the period	0.7	8.5	14.7
<b>Impairment provision at end of period</b>			
Loans fully secured on residential property	10.1	11.0	10.9
Loans fully secured on land	91.7	86.5	92.1
<b>Total</b>	<b>101.8</b>	<b>97.5</b>	<b>103.0</b>

In accordance with IFRS 9, 'Financial instruments', forecasts of future economic conditions are integral to the Expected Credit Loss (ECL) calculations. At 30 September 2024, the Group modelled four forward-looking macroeconomic scenarios: central, upside, downside and severe with the respective probability weightings the same as those applied at 31 March 2024 following review. The Group's scenario weightings as at 30 September 2024 are 50% for the central scenario, 5% for the upside scenario, 30% for the downside scenario and 15% for the severe scenario (31 March 2024 and 30 September 2023: central scenario 50%, upside scenario 5%, downside scenario 30% and severe scenario 15%). Individual economic variables within the scenarios are regularly reviewed and updated to reflect the current economic outlook.

In addition to the scenario weightings and account-specific factors that impact cashflows, the key model assumption for commercial provisioning is considered to be the exit yield requirement, which is used to estimate the cash flows arising from realisation of the property values on sale. While interest rates also have a significant impact on the ECL, via the discount factor applied in the model, compensating economic hedge arrangements would substantially offset the movement in profit or loss terms with an opposing fair value movement. Compared with the central economic forecast, the exit yield requirement for each loan increases by 0.8% and 1.9% in the downside and severe scenarios respectively and reduces by 0.2% in the upside scenario. This compares to an average exit yield of 8%.

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

	Scenario weighting	Current scenario (%)			Increase/(decrease) in provision with		
		2024/25	2025/26	5 year average	100% scenario weighting (£m)	10% increase in weighting* (£m)	
<b>Central scenario</b>	50%	Bank Rate	4.3	3.5	3.7	(7.3)	-
		HPI	1.1	1.5	2.6		
		Unemployment	4.4	4.5	4.5		
		GDP	1.1	1.4	1.4		
<b>Upside scenario</b>	5%	Bank Rate	4.5	3.5	3.5	(9.9)	(0.3)
		HPI	3.3	5.1	4.6		
		Unemployment	4.1	3.9	3.9		
		GDP	1.4	1.9	2.1		
<b>Downside scenario</b>	30%	Bank Rate	6.3	6.0	5.5	5.4	1.3
		HPI	(3.6)	(6.0)	(0.8)		
		Unemployment	4.6	5.2	5.9		
		GDP	-	0.8	0.8		
<b>Severe scenario</b>	15%	Bank Rate	6.5	1.5	1.8	16.7	2.4
		HPI	(5.1)	(13.8)	(3.7)		
		Unemployment	7.6	8.3	7.8		
		GDP	(2.0)	(2.0)	0.3		

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

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

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

	6 months ended 30 September 2024 (unaudited)				6 months ended 30 September 2023 (unaudited)				12 months ended 31 March 2024 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Residential expected credit loss allowance</b>												
At start of period	1.1	6.1	3.7	10.9	1.1	6.7	2.4	10.2	1.1	6.7	2.4	10.2
Transfers due to increased credit risk:												
From stage 1 to stage 2	(0.1)	0.9	-	0.8	-	0.7	-	0.7	(0.1)	1.6	-	1.5
From stage 1 to stage 3	-	-	0.1	0.1	(0.1)	-	0.3	0.2	(0.1)	-	0.6	0.5
From stage 2 to stage 3	-	(0.1)	0.2	0.1	-	(0.1)	0.3	0.2	-	(0.2)	0.7	0.5
Transfers due to decreased credit risk:												
From stage 2 to stage 1	0.1	(0.1)	-	-	-	(0.1)	-	(0.1)	-	(0.2)	-	(0.2)
From stage 3 to stage 2	-	-	(0.1)	(0.1)	-	-	-	-	-	0.1	(0.1)	-
Remeasurement of expected credit losses with no stage transfer	0.1	(0.5)	0.3	(0.1)	0.5	-	0.1	0.6	0.4	(0.2)	1.0	1.2
Redemptions	(0.1)	(0.1)	(0.6)	(0.8)	(0.2)	-	(0.2)	(0.4)	(0.2)	(0.1)	(0.5)	(0.8)
Amounts written off	-	-	-	-	(0.1)	-	0.2	0.1	-	-	(0.3)	(0.3)
Other movements	(0.1)	(0.2)	(0.5)	(0.8)	0.1	-	(0.2)	(0.1)	0.2	(0.1)	(0.1)	-
Movement in provision overlays	(0.1)	0.1	-	-	(0.2)	(0.2)	-	(0.4)	(0.2)	(1.5)	-	(1.7)
<b>At end of period</b>	<b>0.9</b>	<b>6.1</b>	<b>3.1</b>	<b>10.1</b>	<b>1.1</b>	<b>7.0</b>	<b>2.9</b>	<b>11.0</b>	<b>1.1</b>	<b>6.1</b>	<b>3.7</b>	<b>10.9</b>

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

	6 months ended 30 September 2024 (unaudited)				6 months ended 30 September 2023 (unaudited)				12 months ended 31 March 2024 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Commercial expected credit loss allowance</b>												
At start of period	0.1	1.1	90.9	92.1	-	0.2	79.0	79.2	-	0.2	79.0	79.2
Transfers due to decreased credit risk:												
From stage 2 to stage 1	0.9	(1.0)	-	(0.1)	0.1	(0.2)	-	(0.1)	0.1	(0.2)	-	(0.1)
From stage 3 to stage 2	-	-	-	-	-	0.5	(0.5)	-	-	1.1	(0.6)	0.5
Remeasurement of expected credit losses with no stage transfer	0.1	-	1.6	1.7	-	-	9.0	9.0	-	-	14.9	14.9
Amounts written off	-	-	(2.0)	(2.0)	-	-	-	-	-	-	(0.8)	(0.8)
Movement in provision overlays	-	-	-	-	-	-	(1.6)	(1.6)	-	-	(1.6)	(1.6)
<b>At end of period</b>	<b>1.1</b>	<b>0.1</b>	<b>90.5</b>	<b>91.7</b>	<b>0.1</b>	<b>0.5</b>	<b>85.9</b>	<b>86.5</b>	<b>0.1</b>	<b>1.1</b>	<b>90.9</b>	<b>92.1</b>

## 7. Provisions for liabilities

	6 months ended 30 Sep 24 unaudited	6 months ended 30 Sep 23 unaudited	Year ended 31 Mar 24 audited
	£m	£m	£m
At beginning of period	0.4	0.5	0.5
Release for the period	(0.1)	-	-
<b>At end of period</b>	<b>0.3</b>	<b>0.5</b>	<b>0.5</b>

### Provisions for liabilities

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

## 8. Loans and advances to customers

	30 Sep 24 unaudited	30 Sep 23 unaudited	31 Mar 24 audited
	£m	£m	£m
<b>Amortised cost</b>			
Loans fully secured on residential property	5,055.6	4,381.6	4,701.4
Loans fully secured on land	214.0	227.7	220.6
	<b>5,269.6</b>	<b>4609.3</b>	<b>4,922.0</b>
<b>Fair value through profit or loss</b>			
Loans fully secured on residential property	6.4	7.7	7.0
	<b>5,276.0</b>	<b>4,617.0</b>	<b>4,929.0</b>
Fair value adjustment for hedged risk	(14.9)	(86.8)	(40.9)
Less: impairment provisions	(101.8)	(97.5)	(103.0)
	<b>5,159.3</b>	<b>4,432.7</b>	<b>4,785.1</b>

Included within loans and advances to customers are £216.3m (31 March 2024: £223.0m) of commercial lending balances of which £4.6m (31 March 2024: £5.0m) have been sold by the Group to bankrupt remote structured entities.

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

### At 30 September 2024 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
<b>Residential loans held at amortised cost</b>			
Stage 1	4,288.3	0.9	0.02
Stage 2			
> 30 days past due	17.2	0.3	1.74
Other SICR indicators	661.1	1.8	0.27
Provision overlays	-	4.0	-
Stage 3	88.4	3.1	3.51
	<b>5,055.0</b>	<b>10.1</b>	<b>0.20</b>

### At 30 September 2023 (unaudited)

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

## 8. Loans and advances to customers (continued)

At 31 March 2024 (audited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Residential loans held at amortised cost			
Stage 1	4,008.7	1.1	0.03
Stage 2			
> 30 days past due	16.7	0.2	1.20
Other SICR indicators	590.9	2.0	0.34
Provision overlays	-	3.9	-
Stage 3	84.8	3.7	4.36
	4,701.1	10.9	0.23

At 30 September 2024 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	33.6	1.1	3.27
Stage 2			
Other SICR indicators	1.3	0.1	7.45
Stage 3	179.7	90.5	50.36
	214.6	91.7	42.73

At 30 September 2023 (unaudited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	26.0	0.1	0.50
Stage 2			
Other SICR indicators	8.7	0.5	5.75
Stage 3	195.6	85.9	43.92
	230.3	86.5	37.56

At 31 March 2024 (audited)

	Gross exposure £m	Expected credit loss provision £m	Provision coverage %
Commercial loans held at amortised cost			
Stage 1	29.6	0.1	0.34
Stage 2			
Other SICR indicators	7.2	1.1	15.48
Stage 3	186.8	90.9	48.66
	223.6	92.1	41.20

## 9. Retirement benefit obligations

	6 months ended 30 Sep 24 unaudited £m	Year ended 31 Mar 24 audited £m	Year ended 31 Mar 23 audited £m	Year ended 31 Mar 22 audited £m	Year ended 31 Mar 21 audited £m
<b>Group</b>					
Net defined benefit pension scheme asset	(1.6)	(6.1)	(10.9)	(14.9)	(1.1)

The amounts recognised in the Statement of Financial Position are as follows:

	6 months ended 30 Sep 24 unaudited £m	Year ended 31 Mar 24 audited £m	Year ended 31 Mar 23 audited £m	Year ended 31 Mar 22 audited £m	Year ended 31 Mar 21 audited £m
<b>Group</b>					
Present value of funded obligations	76.7	82.3	83.9	109.7	119.9
Present value of unfunded obligations	0.5	0.5	0.5	0.7	0.8
	77.2	82.8	84.4	110.4	120.7
Fair value of scheme assets	(78.8)	(88.9)	(95.3)	(125.3)	(121.8)
Net asset in the Statement of Financial Position	(1.6)	(6.1)	(10.9)	(14.9)	(1.1)

The amounts recognised in the Income Statement are as follows:

	6 months ended 30 Sep 24 unaudited £m	Year ended 31 Mar 24 audited £m	Year ended 31 Mar 23 audited £m
<b>Group</b>			
Interest cost	3.8	3.9	3.0
Interest receivable on plan assets	(3.9)	(4.5)	(3.5)
Running costs	0.3	0.5	0.5
Total pension fund cost	0.2	(0.1)	-

The amounts recognised in the Statement of Comprehensive Income are as follows:

	6 months ended 30 Sep 24 unaudited £m	Year ended 31 Mar 24 audited £m
<b>Group</b>		
Actuarial (gains)/losses arising from:		
Financial assumptions	(2.6)	(1.2)
Demographic assumptions	-	(0.7)
Experience adjustments	(3.0)	0.4
Loss on plan assets (excluding interest)	9.9	8.7
Total amount recognised in Other Comprehensive Income	4.3	7.2

During the period the defined benefit Staff Retirement Scheme (SRS) underwent a Buy In, whereby an insurance policy was purchased in relation to the scheme. This provides greater certainty for the Society by transferring many of the associated risks to the insurance market, whilst securing all SRS pension member benefits with a highly regarded insurer.

At 31 March 2024 assets of £3.6m were held by the SRS to cover the potential cost of equalising payments to early retirees which arose due to an inconsistency in legal documents dating back as far as 2005. In June 2024 the High Court found in our favour, extinguishing the potential liability. The extinguishing of this liability has been recognised as a gain in the Statement of Comprehensive Income and reverses the charge recognised in 2022/23. The Society is seeking to recover the costs incurred, in making this successful High Court claim, from our legal representatives at that time.

## 10. Property, plant, equipment and intangible assets

6 months ended 30 September 2024 (unaudited)

	Intangible assets	Property, plant and equipment
	£m	£m
Net book value at 1 April 2024	13.9	21.8
Additions	5.9	0.6
Depreciation, amortisation, impairment and other movements	(2.2)	(1.0)
<b>Net book value at 30 September 2024</b>	<b>17.6</b>	<b>21.4</b>

6 months ended 30 September 2023 (unaudited)

	Intangible assets	Property, plant and equipment
	£m	£m
Net book value at 1 April 2023	9.9	22.7
Additions	3.4	0.3
Depreciation, amortisation, impairment and other movements	1.7	(0.9)
<b>Net book value at 30 September 2023</b>	<b>15.0</b>	<b>22.1</b>

Year ended 31 March 2024 (audited)

	Intangible assets	Property, plant and equipment
	£m	£m
Net book value at 1 April 2023	9.9	22.7
Additions	7.6	1.1
Disposals	0.2	-
Depreciation, amortisation, impairment and other movements	(3.6)	(2.0)
Write off of previously capitalised costs	(0.2)	-
<b>Net book value at 31 March 2024</b>	<b>13.9</b>	<b>21.8</b>

### Capital commitments

The Group has placed contracts amounting to a total of £1.3m (30 September 2023: £0.6m) for future expenditure that was not provided in the financial statements.

## 11. Investment properties

	6 months ended 30 Sep 24 unaudited	6 months ended 30 Sep 23 unaudited	Year ended 31 Mar 24 audited
	£m	£m	£m
<b>Valuation</b>			
At beginning of period	148.7	152.7	152.7
Additions	0.3	0.4	1.0
Disposals	(5.0)	(4.7)	(7.5)
Revaluation gains/(losses)	1.1	(2.5)	2.5
<b>At end of period</b>	<b>145.1</b>	<b>145.9</b>	<b>148.7</b>

## 12. Debt securities in issue

	30 Sep 24 unaudited	30 Sep 23 unaudited	31 Mar 24 audited
	£m	£m	£m
Non-recourse finance on securitised advances	300.4	-	-

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

## 13. Core capital deferred shares (CCDS)

	Number of shares	CCDS nominal amount	Share premium	Total
		£m	£m	£m
<b>At 30 September 2024 (unaudited)</b>	<b>1,288,813</b>	<b>1.3</b>	<b>125.7</b>	<b>127.0</b>
At 30 September 2023 (unaudited)	1,288,813	1.3	125.7	127.0
At 31 March 2024 (audited)	1,288,813	1.3	125.7	127.0

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

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

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

## 13. Core capital deferred shares (continued)

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

A final distribution of £2.25 per CCDS in respect of the period to 31 March 2024 was paid in August 2024. This distribution has been recognised in the Statement of Changes in Members' Interests and Equity.

Subsequent to the balance sheet date, the Directors have announced their intention to declare an interim distribution of £2.25 per CCDS in respect of the period to 30 September 2024 which would be paid in February 2025. The interim distribution is not reflected in the members reserves of these financial statements as distributions to the CCDS holders are recognised with reference to the date they are declared, although they are accrued for in capital calculations.

## 14. Related party transactions

Related party transactions for the six months to 30 September 2024 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 2024, with the exception that new securities were issued through Kenrick No.4 Plc. This is a subsidiary which is a special purpose vehicle created solely for the issuance of residential mortgage-backed securities.

## 15. Subscribed capital

	30 Sep 24 unaudited £m	30 Sep 23 unaudited £m	31 Mar 24 audited £m
Permanent Interest Bearing Shares			
At beginning of year	7.8	7.8	7.8
Purchase and cancellation of PIBS	(3.9)	-	-
At end of year	3.9	7.8	7.8

The 6.15% Permanent Interest Bearing Shares (PIBS) comprise 3,938 PIBS of £1,000 each issued at a price of 99.828% of their principal amount, with the issue premium amortised. In August 2024 the Society purchased and cancelled 3,909 of its remaining PIBS.

A resolution was passed in September 2024 to make an interest payment on the PIBS of 1.5414%, which was paid on 5 October 2024. This was in line with the indicative distribution policy, as detailed in the statement issued on 20 January 2020 and available on the Society's website.

## 16. Subordinated liabilities

	30 Sep 24 unaudited £m	30 Sep 23 unaudited £m	31 Mar 24 audited £m
Subordinated notes due 2038 – 11.0%	2.1	2.1	2.1

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

## 17. Financial instruments

### Fair values of financial assets and financial liabilities

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

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

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

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

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

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

## 17. Financial instruments (continued)

### Financial assets and financial liabilities held at amortised cost

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

At 30 September 2024 (unaudited)

	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Loans and advances to credit institutions	71.0	-	71.0	-	71.0
Loans and advances to customers	5,152.9	-	-	5,729.7	5,729.7
	5,223.9	-	71.0	5,729.7	5,800.7
<b>Financial liabilities</b>					
Shares	4,933.6	-	-	4,923.5	4,923.5
Amounts due to credit institutions	627.4	-	627.4	-	627.4
Amounts due to other customers	36.2	-	31.3	4.8	36.1
Debt securities in issue	300.4	300.1	-	-	300.1
Subordinated liabilities	2.1	-	2.1	-	2.1
	5,899.7	300.1	660.8	4,928.3	5,889.2

At 30 September 2023 (unaudited)

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

## 17. Financial instruments (continued)

At 31 March 2024 (audited)

	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Loans and advances to credit institutions	46.3	-	46.3	-	46.3
Loans and advances to customers	4,778.1	-	-	4,866.9	4,866.9
	4,824.4	-	46.3	4,866.9	4,913.2
<b>Financial liabilities</b>					
Shares	4,670.6	-	-	4,650.6	4,650.6
Amounts due to credit institutions	788.2	-	788.2	-	788.2
Amounts due to other customers	37.0	-	31.8	5.0	36.8
Subordinated liabilities	2.1	-	2.1	-	2.1
	5,497.9	-	822.1	4,655.6	5,477.7

### 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 2024.

### 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 2024.

### 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.

## 17. Financial instruments (continued)

### Financial assets and financial liabilities held at fair value

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

At 30 September 2024 (unaudited)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Investment securities				
At fair value through other comprehensive income	375.9	-	-	<b>375.9</b>
At fair value through profit or loss	0.3	-	-	<b>0.3</b>
Derivative financial instruments	-	46.5	-	<b>46.5</b>
Loans and advances to customers	-	-	6.4	<b>6.4</b>
	<b>376.2</b>	<b>46.5</b>	<b>6.4</b>	<b>429.1</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	<b>27.8</b>	-	<b>27.8</b>

At 30 September 2023 (unaudited)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Investment securities				
At fair value through other comprehensive income	403.3	-	-	403.3
At fair value through profit or loss	0.4	-	-	0.4
Derivative financial instruments	-	107.3	-	107.3
Loans and advances to customers	-	-	7.7	7.7
	<b>403.7</b>	<b>107.3</b>	<b>7.7</b>	<b>518.7</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	5.0	-	5.0

At 31 March 2024 (audited)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Investment securities				
At fair value through other comprehensive income	391.1	-	-	391.1
At fair value through profit or loss	0.4	-	-	0.4
Derivative financial instruments	-	61.8	-	61.8
Loans and advances to customers	-	-	7.0	7.0
	<b>391.5</b>	<b>61.8</b>	<b>7.0</b>	<b>460.3</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	12.8	-	12.8

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

	6 months ended 30 Sep 24 unaudited £m	6 months ended 30 Sep 23 unaudited £m	Year ended 31 Mar 24 audited £m
<b>Equity release portfolio</b>			
At beginning of period	<b>7.0</b>	8.6	8.6
Items recognised in the Income Statement			
Interest receivable and similar income	<b>0.4</b>	0.5	0.9
Changes in fair value	-	0.2	0.2
Redemption payments	<b>(1.0)</b>	(1.6)	(2.7)
At end of period	<b>6.4</b>	7.7	7.0

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

## 18. Statement of Directors' responsibilities

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

- DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events during the first six months of the financial year and the description of principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the *Disclosure and Transparency Rules*, being an indication of any material related party transactions that have taken place in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The Directors of West Bromwich Building Society are listed in the West Bromwich Building Society Annual Report for the year ended 31 March 2024.

Signed on behalf of the Board of Directors:

**Jonathan Westhoff**  
Chief Executive Officer

**Alex Pawley**  
Group Financial Officer

Thursday 28 November 2024



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West Bromwich Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.  
Register No: 104877. 'the West Brom' and 'West Brom Building Society' are trading names of West Bromwich Building Society.