UK Asset Resolution Limited Group

Interim Financial Report

for the 6 months to 30 September 2017

30 November 2017

UKAR Group Overview

Introduction

UK Asset Resolution Limited ('UKAR') is the holding company established on 1 October 2010 to bring together the government-owned businesses of Bradford & Bingley plc ('B&B') and NRAM plc. These businesses are both closed to new business and are in run-off. UKAR is wholly owned by Her Majesty's Treasury ('HM Treasury'), whose shareholding is managed by UK Financial Investments Limited ('UKFI').

In addition, UKAR Corporate Services Limited ('UKARcs'), a subsidiary business of UKAR, is responsible for the administration of the government's Help to Buy: mortgage guarantee scheme and Help to Buy: ISA scheme on behalf of HM Treasury. The schemes are managed on a nil-gain nil-loss basis with all costs being fully reimbursed by HM Treasury.

On 5 May 2016, UKAR sold NRAM plc to affiliates of Cerberus Capital Management LP (‘Cerberus’). Prior to the sale, on 30 April 2016, assets and liabilities not included in the transaction were transferred from NRAM plc to a newly established subsidiary of UKAR, known as NRAM (No.1) Limited. On 18 July 2016, NRAM (No.1) Limited changed its name to NRAM Limited. Throughout these Interim Financial Reports ‘NRAM’ refers to the underlying business.

On 6 June 2016 UKAR commenced a seven year contract with Computershare Mortgage Services Limited (‘Computershare’), which owns the UK's largest third-party mortgage administration business, for the outsourcing of mortgage servicing operations. As part of this process, c.1,700 colleagues transferred to Computershare. The cost base for the first half of 2016/17, therefore, included staff costs for the 1,700 colleagues until 6 June, at which point outsourcing fees commenced. This is evident in the breakdown of costs on page 11.

The 2017 Annual Reports & Accounts of UKAR, B&B and NRAM, and these Interim Financial Reports for the six months ended 30 September 2017, are available on UKAR’s website www.ukar.co.uk.

This UKAR Group Interim Financial Report for the six months to 30 September 2017 incorporates the Interim Financial Report of the B&B Group in Section B and the Interim Financial Report of the NRAM Group in Section C. As NRAM has listed debt in issue, NRAM is required by the Financial Conduct Authority's ('FCA's') Disclosure and Transparency Rules to publish its Interim Financial Report and this has been prepared in accordance with IAS 34 'Interim Financial Reporting'. UKAR and B&B have no listed debt in issue and therefore are not required to issue Interim Financial Reports, but have voluntarily issued the information contained in this UKAR Group Interim Financial Report; the B&B Interim Financial Report has however been prepared in accordance with IAS 34.

These results are for the six month reporting period to 30 September 2017. Where appropriate to show half year and full year comparisons, the unaudited six month period to 30 September 2016 ('H1 2016/17') and audited 12 month period to 31 March 2017 ('FY 2016/17') are used respectively in these interim accounts.

Mission and Purpose

Mission	**"To Maximise Value for the Taxpayer"**
Vision	**“Achieving Success Together"**
Strategic objectives	1. Reduce and protect the Balance Sheet. 2. Challenge and maximise cost effectiveness and efficiency. 3. Working with our partners to ensure continued excellence in customer service and debt management. 4. Be a great place to work. Whilst treating all stakeholders fairly.
Values	Straightforward, Positive, Caring, Responsible, Inspiring

Contents

Section A

Summary Results of the UK Asset Resolution Limited Group for the 6 months to 30 September 2017

Key Highlights

During the period we have made significant progress against all our key objectives and overall mission of maximising value for the taxpayer. Internally, UKAR measures its financial performance against the following four key performance indicators:

Financial Measure	6 months to September 2017	6 months to September 2016	12 months to March 2017
Underlying Profit Before Tax	**£238.0m**	£401.5m	£706.0m
Net Government Loan Repayments	**£13.1bn**	£1.1bn	£3.3bn
3m+ Residential Arrears	**4,196**	5,629	4,617
Administrative Expenses*	**£76.2m**	£82.8m	£161.8m

** Excluding UKARcs costs of £3.1m (H1 2016/17: £2.9m; FY 2016/17: £5.7m).*

Underlying profit before tax for the six months has decreased by £163.5m from September 2016 to £238.0m (H1 2016/17: £401.5m; FY 2016/17: £706.0m). The reduction was primarily driven by lower net interest income as a result of the shrinking Balance Sheet. Underlying profit is an internal performance measure which excludes the remediation of inherited regulatory defects, certain gains or losses such as the sale of assets at a premium or discount and movements in fair value and hedge ineffectiveness relating to financial instruments.

Government loan repayments of £13.1bn were £12.0bn higher than the prior half year (H1 2016/17: £1.1bn; FY 2016/17: £3.3bn). This was primarily from the £11.4bn proceeds received in April 2017 following the sale of two separate B&B asset portfolios to Prudential and funds managed by Blackstone, which was agreed on 30 March 2017. This brings total government loan repayments to £36.8bn since the formation of UKAR in October 2010.

Arrears levels for both B&B and NRAM continue to fall as a direct consequence of proactive arrears management coupled with the continued low interest rate environment. The total number of mortgage accounts three or more months in arrears, including those in possession, reduced by 9.1% from 4,617 at 31 March 2017 to 4,196 cases as at 30 September 2017. The proportion of total accounts 3 or more months in arrears has decreased from 2.92% at 31 March 2017 to 2.82% at 30 September 2017 (H1 2016/17: 2.06%). The increase from 30 September 2016 primarily reflects the good quality of the loans sold in March 2017.

Administrative expenses (excluding £3.1m UKARcs costs) were £76.2m for the six months to September 2017, which is 8.0% lower than the six months to September 2016 (H1 2016/17: £82.8m; FY 2016/17: £161.8m).

	6 months to September 2017	6 months to September 2016	12 months to March 2017
Statutory Profit Before Tax	**£216.8m**	£480.4m	£346.9m

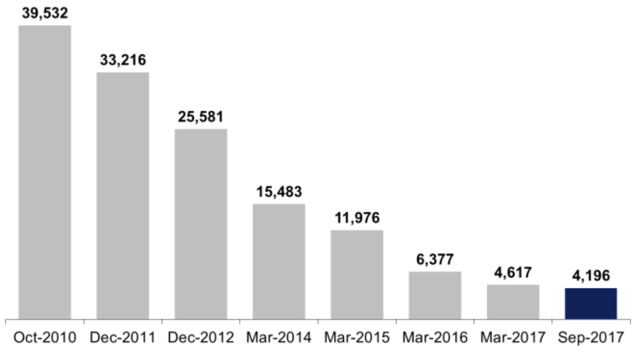
For the six months to September 2017, statutory profit before tax of £216.8m (H1 2016/17: £480.4m; FY 2016/17: £346.9m) includes a £43.5m increase in Payment Protection Insurance ('PPI') provisions and £20.6m credits for hedge ineffectiveness and fair value movements. The £263.6m reduction in statutory profit before tax compared to the prior half year primarily reflects the lower underlying profit and the prior period benefiting from a £51.0m profit on sale of loans and an insurance recovery of £50.0m.

Post the half year end, B&B launched a further asset sales process that, subject to market conditions and value for money, is expected to result in the full repayment of the FSCS loan.

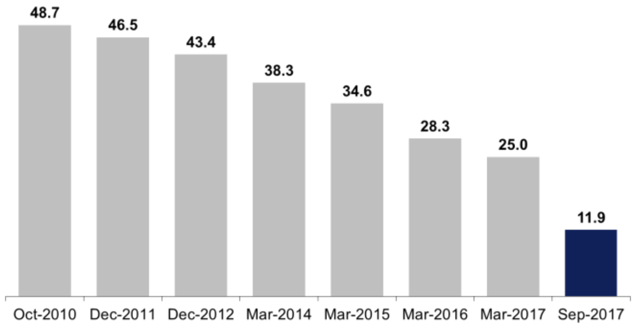
Key Highlights (continued)

Since the formation of UKAR in October 2010 we have made significant progress towards our long term objectives by reducing arrears, repaying government loans, reducing the Balance Sheet and driving cost effectiveness.

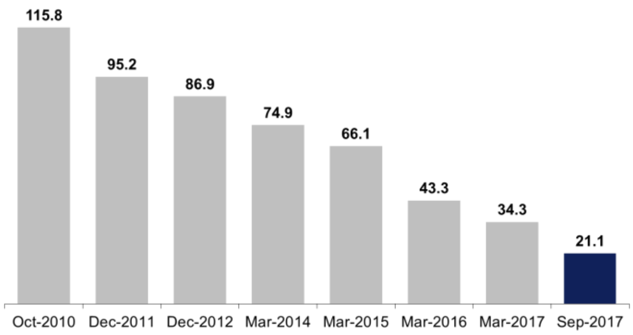
3m+ arrears down 89%



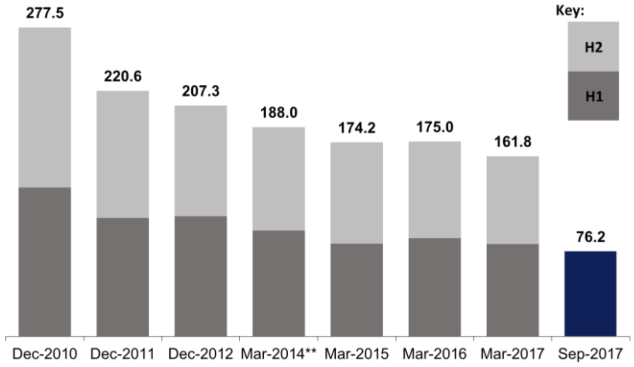
Government loans down £36.8bn



Balance Sheet assets (£bn) down 82%

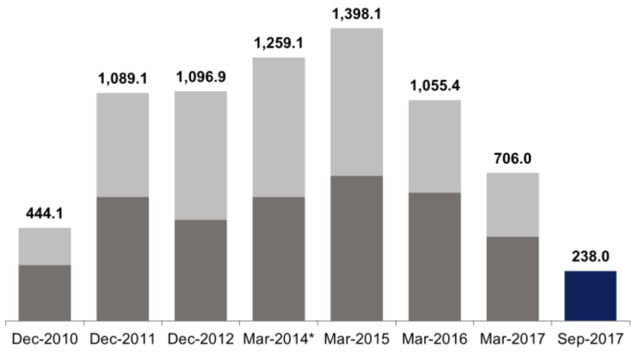


Administrative expenses (£m) down 43%*



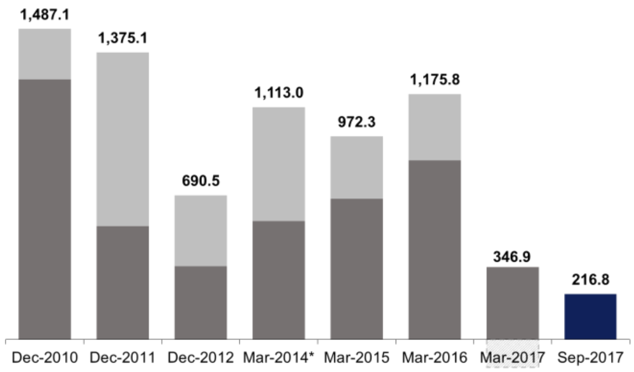
* excluding UKARcs costs
** 12 months to 31 March 2014

Underlying profit (£m)



* 12 months to 31 March 2014

Statutory profit (£m)



* 12 months to 31 March 2014

Key Performance Indicators

Internally, UKAR measures its financial performance against four key performance indicators (‘KPIs’). The table below shows progress versus these KPIs as well as supporting financial measures.

		September 2017	September 2016	March 2017
Underlying Profit Before Tax		**£238.0m**	£401.5m	£706.0m
-	Statutory Profit Before Tax [1]	£216.8m	£480.4m	£346.9m
-	Net Interest Margin on Average Interest Earning Assets	2.34	2.17	2.12
1	*An analysis of the difference between statutory and underlying profit is provided on page 8.*			
Net Government Loan Repayments		**£13.1bn**	£1.1bn	£3.3bn
-	Government Loan Balance	£11.9bn	£27.3bn	£25.0bn
-	Total Lending Balances	£18.2bn	£33.1bn	£19.5bn [2]
2	*The £11.4bn proceeds from the asset sale agreed on 30 March 2017 and reported in the 2017 Annual Report and Accounts were received in April 2017 and used to partially repay the government loans.*			
3m+ Residential Arrears		**4,196**	5,629	4,617
-	Residential Arrears Balance as a percentage of the Total Residential Mortgage Balance (%)	0.19	0.13	0.20
-	Residential Payments Overdue	£35.2m	£42.2m	£37.7m
-	Residential Arrears 3 months and over and possessions as a percentage of the book:			
	- By value (%)	3.39	2.56	3.67
	- By number of accounts (%)	2.82	2.06	2.92
Ongoing Administrative Expenses [3]		**£76.2m**	£82.8m	£161.8m
-	Ratio of costs to average interest earning assets (%)	0.72	0.43	0.45
3	*Excluding UKARcs (H1 2017/18: £3.1m; H1 2016/17: £2.9m; FY 2016/17: £5.7m).*			

Business Review

Performance

The Board continue to believe it is appropriate to assess performance based on the underlying profits of the business, which excludes the remediation of inherited regulatory defects and any associated insurance claims and certain gains or losses such as the sale of assets. Whilst these gains or losses permanently impact capital reserves, the Board does not believe that they reflect the performance of the underlying business. Also excluded are movements in fair value and hedge ineffectiveness relating to financial instruments. These movements will have no material impact over the life of the associated financial instruments. The commentary on the results in this statement uses underlying profits and its components as the primary measure of performance. An analysis of the difference between the statutory profit and the underlying profit of UKAR is provided below.

Underlying profit before tax for the six months has decreased by £163.5m from September 2016 to £238.0m (H1 2016/17: £401.5m; FY 2016/17: £706.0m). The reduction was primarily driven by lower net interest income as a result of the shrinking Balance Sheet.

For the six months to September 2017, statutory profit before tax of £216.8m (H1 2016/17: £480.4m; FY 2016/17: £346.9m) includes £43.5m additional customer redress provisions and £20.6m credits for hedge ineffectiveness and fair value.

Underlying total income was £289.3m for the six months to 30 September 2017, £151.3m lower than the comparable period in 2016 primarily due to lower net interest income reflecting the reducing Balance Sheet. Excluding UKARcs costs, administrative expenses decreased £6.6m to £76.2m for the six month period. The net impairment release on loans and advances to customers decreased by £13.2m to a £27.7m credit for the six months.

Costs relating to UKARcs are being recovered from HM Treasury and the analysis below includes both non-interest income and administrative expenses in relation to UKARcs (H1 2017/18: £3.1m; H1 2016/17: £2.9m; FY 2016/17: £5.7m).

Summary Income Statement

	UKAR		
	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Net interest income	**246.1**	417.1	769.2
Underlying net non-interest income[1,2]	**43.2**	23.5	30.3
Underlying total income	**289.3**	440.6	799.5
Administrative expenses[1]	**(79.3)**	(85.7)	(167.5)
Impairment release on loans to customers	**27.7**	40.9	67.9
Net impairment release on investment securities	**0.3**	5.7	6.1
Underlying profit before taxation	**238.0**	401.5	706.0
Unrealised fair value movements on financial instruments	**1.2**	(8.3)	(4.3)
Hedge ineffectiveness	**19.4**	(13.8)	(8.0)
Provision for customer redress	**(43.5)**	-	(64.4)
Insurance claim	**-**	50.0	50.0
Profit/(loss) on sale of loans	**1.7**	51.0	(332.4)
Statutory profit before taxation	**216.8**	480.4	346.9

1 UKAR underlying net non-interest income and administrative expenses include £3.1m in relation to UKARcs (H1 2016/17: £2.9m; FY 2016/17: £5.7m).
2 Underlying net non-interest income includes net fee and commission income, net realised gains less losses on investment securities and other operating income.
For an analysis of B&B refer to section B and for NRAM section C.

Business Review (continued)

Net interest income	UKAR 6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Interest receivable and similar income			
On secured loans	**297.2**	507.4	945.5
On other lending	**9.3**	11.5	21.6
On investment securities and deposits	**6.1**	14.7	26.8
Total interest receivable and similar income	**312.6**	533.6	993.9
Interest expense and similar charges			
On amounts due to banks and HM Treasury	**(60.0)**	(100.2)	(201.3)
State guarantee fee[2]	**-**	(2.2)	(2.6)
On debt securities and other	**(6.5)**	(14.1)	(20.8)
Total interest expense and similar charges	**(66.5)**	(116.5)	(224.7)
Net interest income	**246.1**	417.1	769.2
Average balances			
Interest-earning assets ('IEA')	**21,014**	38,420	36,344
Financed by:			
- interest-bearing funding	**5,640**	11,910	9,936
- interest-free funding[1]	**15,374**	26,510	26,408
Average rates:	**%**	%	%
- gross yield on IEA	**2.97**	2.77	2.73
- cost of interest-bearing funding	**(2.35)**	(1.92)	(2.26)
Interest spread	**0.62**	0.85	0.47
State guarantee fee[2]	**-**	(0.01)	(0.01)
Contribution of interest-free funding[1]	**1.72**	1.33	1.66
Net interest margin on average IEA	**2.34**	2.17	2.12
Average Bank Base Rate	**0.25**	0.42	0.34
Average 1-month LIBOR	**0.25**	0.43	0.34
Average 3-month LIBOR	**0.30**	0.51	0.44

1 *Interest-free funding is calculated as an average over the financial period, and includes the Statutory Debt and share capital and reserves.*
2 *At the time of the nationalisation of B&B, HM Treasury provided a guarantee with regard to certain wholesale borrowings and derivative transactions existing at that time. Until the repayment of the remaining legacy B&B wholesale funding in January 2017, the fee was primarily dependent on balances outstanding and hence was included within 'interest expense and similar charges'. The cost of interest-bearing funding is shown excluding this state guarantee fee.*
For an analysis of B&B refer to section B note 3 and for NRAM section C note 3.

Net interest income for the six months to 30 September 2017 was 41.0% lower than the equivalent period in 2016 at £246.1m (H1 2016/17: £417.1m; FY 2016/17: £769.2m). Overall the reduction in income was primarily due to the sale of £11.8bn of B&B assets, which was agreed on 30 March 2017.

At a UKAR level underlying net interest margin for the six months to 30 September 2017 increased to 2.34% from 2.17% for the six months to 30 September 2016 (FY 2016/17: 2.12%). The increase primarily reflects that NRAM mortgages, which have a higher yield now form a higher proportion of the total book following the asset sale in March 2017.

On the B&B book the underlying net interest margin of 1.79% was largely in line with the prior year (H1 2016/17: 1.80%). The average rate on interest bearing funding has increased reflecting the repayment of the outstanding liabilities under the Aire Valley securitisation programme in September 2016. However, the proportion of interest-bearing funding has reduced, resulting in a greater contribution from interest-free funding. The gross yield on interest assets increased reflecting the low margin on the loans sold in March 2017. The £11.0bn repayment of the Financial Services Compensation Scheme ('FSCS') loan in April 2017 had no direct impact on net interest income as the loan is non-interest bearing but offset some of the increase in the contribution from interest-free funding seen in the period. The Working Capital Facility ('WCF') interest rate of Bank Base Rate +500bps is in excess of the average yield on interest earning assets of 2.34%.

Business Review (continued)

Net interest income (continued)

In NRAM, the net interest margin of 3.06% was in line with the prior year (H1 2016/17: 3.06%; FY 2016/17: 3.06%).

Underlying net non-interest income

Underlying net non-interest income increased by £19.7m to £43.2m (H1 2016/17: £23.5m; FY 2016/17: £30.3m). The increase was driven by higher gains on the sale of investment securities and higher other operating income, which included interim servicing fees on the mortgages sold to Prudential and funds managed by Blackstone. During the period the UKAR sold investment securities for £292.0m, generating a profit of £30.1m.

Accounting volatility on derivative financial instruments

B&B and NRAM use derivative financial instruments for economic hedging purposes, although the number of these are reducing as associated assets redeem. Most of these are designated and accounted for as IAS 39 'Financial Instruments: Recognition and Measurement' compliant fair value hedge relationships. Where effective hedge relationships can be established, the movement in the fair value of the derivative is offset in full or in part by opposite movements in the fair value of the instrument being hedged.

The Income Statement credit for hedge ineffectiveness was £19.4m in the period (H1 2016/17: £13.8m charge; FY 2016/17: £8.0m charge).

Unrealised fair value movements were a £1.2m gain in the six months to September 2017 (H1 2016/17: £8.3m loss; FY 2016/17: £4.3m loss). These generally relate to derivatives that act as an economic hedge but were not treated as an accounting hedge under IAS 39.

Provision for customer redress

UKAR defines conduct risk as the risk of UKAR treating its customers unfairly and delivering inappropriate outcomes leading to customer detriment or impacting market integrity. Since the creation of UKAR we have been remediating a series of conduct issues inherited from the legacy businesses, including the mis-selling of PPI and the issue of non-compliant CCA loan documentation to certain customers.

UKAR remain committed to doing the right thing for our customers and where we identify issues that have caused customer detriment, we will ensure that they are fully remediated.

The publication of the FCA's Policy Statement PS17/3 'Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance' set a deadline date for PPI complaints at 29 August 2019 and confirmed the approach in relation to Plevin v Paragon Personal Finance Limited ('Plevin'). The rules and guidance include an FCA-led communications campaign to raise awareness of the deadline and the requirement to proactively contact previously rejected mis-selling complainants who are eligible to complain again following the Plevin decision. Reflecting heightened awareness of the PPI deadline, actual claims volumes received during the period have been higher than previously modelled and therefore the provision has been increased by £43.5m.

Provisions include £166.7m (H1 2016/17: £141.1m; FY 2016/17: £160.2m) in respect of potential claims from customers regarding PPI and other customer redress.

Business Review (continued)

Administrative expenses

Costs for the six months to 30 September 2017 include £3.1m (H1 2016/17: £2.9m; FY 2016/17: £5.7m) relating to providing administrative services to the government's Help to Buy: mortgage guarantee scheme and Help to Buy: ISA. These costs are fully reimbursed by HM Treasury.

Excluding UKARcs costs, the decrease in administrative expenses from £82.8m to £76.2m (8.0%) in the six months to 30 September 2017 (FY 2016/17: £161.8m) mainly reflects a reduction in servicing costs as the Balance Sheet decreases. The increase in outsourced and professional services costs and corresponding decreases in staff, IT, depreciation and other costs primarily reflect the outsourcing of mortgage servicing to Computershare.

The increase in the ratio of costs to average interest earning assets from 0.43% to 0.72% reflects the increasing contribution of fixed costs as the UKAR mortgage book reduces as well as the cost of the interim servicing arrangement for the loans sold to Prudential and Blackstone (which are no longer included within interest earning assets). Income recognised in relation to the interim servicing arrangement has been recognised in other operating income.

Administrative expenses		**UKAR**	
	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Wages and salaries	**5.9**	13.6	19.3
Social security costs	**0.7**	1.3	2.2
Defined benefit pension credit	**(5.2)**	(8.3)	(17.3)
Defined contribution pension costs	**0.3**	0.9	1.3
Other retirement benefit costs	**0.2**	0.2	0.3
Total staff costs	**1.9**	7.7	5.8
IT costs	**4.7**	9.1	17.4
Outsourced and professional services	**66.0**	49.9	117.8
Depreciation and amortisation	**1.4**	5.0	6.3
Other administrative expenses	**5.3**	14.0	20.2
Total administrative expenses	**79.3**	85.7	167.5

For an analysis of B&B refer to section B note 4 and for NRAM section C note 5.

Business Review (continued)

Arrears and loan impairment

Total UKAR loan impairment provisions as at 30 September 2017 were £596.9m (H1 2016/17: £701.5m; FY 2016/17: £648.3m) comprising residential mortgages £519.6m (H1 2016/17: £602.0m; FY 2016/17: £561.1m), unsecured loans £65.1m (H1 2016/17: £87.1m; FY 2016/17: £74.9m) and commercial property of £12.2m (H1 2016/17: £12.4m; FY 2016/17: £12.3m).

Arrears and possessions		UKAR					
		30 September 2017		30 September 2016		31 March 2017	
		Residential	**Unsecured**	Residential	Unsecured	Residential	Unsecured
Arrears 3 months and over							
Number of cases	No.	**3,765**	**2,958**	5,162	3,298	4,132	3,281
Proportion of total cases	%	**2.53**	**9.17**	1.89	8.69	2.61	9.32
Asset value	£m	**556.8**	**48.5**	764.2	58.2	621.5	55.6
Proportion of book	%	**3.05**	**17.11**	2.36	16.78	3.29	17.50
Total value of payments overdue	£m	**26.2**	**13.7**	32.0	16.3	28.7	15.8
Proportion of total book	%	**0.14**	**4.82**	0.10	4.71	0.15	4.97
Possessions							
Number of cases	No.	**431**	**-**	467	-	485	-
Proportion of total cases	%	**0.29**	**-**	0.17	-	0.31	-
Asset value	£m	**61.9**	**-**	66.3	-	70.9	-
Proportion of book	%	**0.34**	**-**	0.20	-	0.38	-
Total value of payments overdue	£m	**3.4**	**-**	3.0	-	3.3	-
Proportion of total book	%	**0.02**	**-**	0.01	-	0.02	-
New possessions *	No.	**511**	**-**	578	-	1,242	-
Total arrears 3 months and over and possessions							
Number of cases	No.	**4,196**	**2,958**	5,629	3,298	4,617	3,281
Proportion of total cases	%	**2.82**	**9.17**	2.06	8.69	2.92	9.32
Asset value	£m	**618.7**	**48.5**	830.5	58.2	692.4	55.6
Proportion of book	%	**3.39**	**17.11**	2.56	16.78	3.67	17.50
Total value of payments overdue	£m	**29.6**	**13.7**	35.0	16.3	32.0	15.8
Proportion of total book	%	**0.16**	**4.82**	0.11	4.71	0.17	4.97
In respect of all arrears (including those which are less than 3 months in arrears) together with possessions, the total value of payments overdue was:							
Payments overdue							
Total value of payments overdue	£m	**35.2**	**14.5**	42.2	16.5	37.7	16.8
Proportion of total book	%	**0.19**	**5.11**	0.13	4.75	0.20	5.30
Loan impairment provision							
As % of total balances	%	**2.85**	**18.66**	1.82	20.06	2.89	19.06

For an analysis of B&B refer to section B note 10 and for NRAM section C note 10.

** New possessions for the six months to 30 September 2017 and 2016 and the 12 months to 31 March 2017.*

Arrears and loan impairment: residential loans

UKAR adheres to the FCA's regulatory guidance regarding Treating Customers Fairly and continues to work closely with customers experiencing, or likely to experience, financial difficulty in maintaining their mortgage payments. UKAR offers a range of measures to support these customers depending upon their individual circumstances and ability to pay, with the long term aim of sustaining their mortgage commitments and remaining in their homes. Possession continues to be a last resort.

UKAR has seen arrears in both companies fall as a direct consequence of proactive arrears management coupled with the continued low interest rate environment. The total number of cases 3 or more months in arrears, including those in possession, has reduced by 9.1% from 4,617 at 31 March 2017 to 4,196 at 30 September 2017 (30 September 2016: 5,629). The reduction was driven by strong underlying performance.

Business Review (continued)

Arrears and loan impairment: residential loans (continued)

The total value of payments overdue by residential customers has reduced from £37.7m at 31 March 2017 to £35.2m at 30 September 2017 (30 September 2016: £42.2m) equivalent to 0.19% of mortgage balances (H1 2016/17: 0.13%; FY 2016/17: 0.20%).

Provisions for residential loan impairment held on the Balance Sheet have reduced by £41.5m since 31 March 2017 to £519.6m (H1 2016/17: £602.0m; FY 2016/17: £561.1m) reflecting increased house prices and the reduction in arrears cases.

Included within the above, fraud and professional negligence provisions have reduced by £9.3m since 31 March 2017 to £148.7m (H1 2016/17: £179.1m; FY 2016/17: £158.0m) as a result of write-offs following the sale of properties and the impact of reducing the level of provisions across a number of portfolios as valuations benefit from improving house prices. Total UKAR fraud provisions represent coverage of 33% of suspected fraud and professional negligence cases (H1 2016/17: 35%; FY 2016/17: 34%). Within the B&B book, fraud and professional negligence provisions have reduced since 31 March 2017 by £9.0m to £134.8m (H1 2016/17: £159.2m; FY 2016/17: £143.8m). In the NRAM book, fraud and professional negligence provisions have reduced by £0.3m to £13.9m (H1 2016/17: £19.9m; FY 2016/17: £14.2m).

As a proportion of balances, the residential impairment provision was 2.85% (H1 2016/17: 1.82%; FY 2016/17: 2.89%). The residential loan impairment was a credit of £22.7m for the six months to September 2017 primarily due to increased house prices and lower arrears volumes (H1 2016/17: £36.1m credit; FY 2016/17: £53.3m credit).

The number of properties in possession for UKAR reduced from 485 at the end of March 2017 to 431 at 30 September 2017 (30 September 2016: 467). Within B&B, possession stock reduced from 320 cases at 31 March 2017 to 282 at 30 September 2017 (30 September 2016: 316). NRAM possession stock reduced to 149 cases from 165 at 31 March 2017 (30 September 2016: 151). A total of 511 properties were taken into possession in the six month period (H1 2016/17: 578; FY 2016/17: 1,242).

In addition to residential property possessions, UKAR also has a number of buy-to-let properties managed by Law of Property Act ('LPA') receivers. The LPA 'for sale' stock has decreased by 1 case to 172 cases at 30 September 2017 (H1 2016/17: 143; FY 2016/17: 173).

During the six months, 565 cases (H1 2016/17: 614; FY 2016/17: 1,258) were sold following possession. In addition a further 83 cases (H1 2016/17: 111; FY 2016/17: 192) were sold which were under LPA management. Total realised losses, including those on properties sold following possession or sold by an LPA were £25.8m (H1 2016/17: £36.2m; FY 2016/17: £64.3m), all of which had previously been fully provided for. Within these losses £3.2m were suspected fraudulent or professional negligence cases (H1 2016/17: £3.9m; FY 2016/17: £6.6m).

From the year commencing 1 April 2018, UKAR will be required to apply IFRS 9 'Financial Instruments'. The main impact of this will be on the measurement and provisioning of loans to customers. At the point of transition to IFRS 9, the Group's loan assets are expected to be classified as 'held to collect and sell' and therefore carried on Balance Sheet at fair value. From that point on, any impairment will be taken through the Income Statement, with the balancing fair value movements taken through other comprehensive income. Capital headroom is sufficient to absorb any expected losses.

Arrears and loan impairment: unsecured loans

The number of unsecured loans 3 months or more in arrears was 2,958 (H1 2016/17: 3,298; FY 2016/17: 3,281). The credit for unsecured loan impairment for the six months to 30 September 2017 was £1.4m (H1 2016/17: £4.2m; FY 2016/17: £13.9m). Asset coverage was 18.66% at 30 September 2017 (H1 2016/17: 20.06%; FY 2016/17: 19.06%).

The provision for unsecured loans was £65.1m (H1 2016/17: £87.1m; FY 2016/17: £74.9m). Realised losses in the six months to September 2017 were £8.4m (H1 2016/17: £3.8m; FY 2016/17: £6.3m) all of which had previously been fully provided for.

Business Review (continued)

Arrears and loan impairment: commercial loans

The provision for the commercial book has decreased to £12.2m from £12.3m at 31 March 2017, with coverage at 4.63% (H1 2016/17: 3.56%; FY 2016/17: 4.56%). UKAR continually reviews the level of provisions against each individual loan based on current and future property valuations, future rental income projections, tenant quality and general market conditions.

Profit on sale of loans

There were no loans sold in the period, however, £1.7m was recognised in the period in relation to loan sales in prior years (H1 2016/17: £51.0m profit; FY 2016/17: £332.4m loss).

Net impairment release on investment securities

During the six months to 30 September 2017 a number of impaired assets have redeemed (in full or in part) causing the reversal of impairments previously charged. These have resulted in a net credit to impairment of £0.3m (H1 2016/17: £5.7m; FY 2016/17: £6.1m).

Taxation

The total Income Statement tax charge for the six month period was £50.3m (H1 2016/17: £87.8m; FY 2016/17: £61.2m). Given the statutory profit before taxation of £216.8m (H1 2016/17: £480.4m; FY 2016/17: £346.9m) this equates to an effective tax rate of 23.2% (H1 2016/17: 18.3%; FY 2016/17: 17.6%). The effective tax rate of 23.2% is higher than the standard weighted average rate of UK corporation tax for the period of 19.0% (2016/17: 20%) primarily due to the increase in PPI customer compensation provisions which are disallowable for tax purposes.

Balance Sheet

	UKAR		
Summary Balance Sheet	**30 Sept 2017**	30 Sept 2016	31 Mar 2017
	£m	£m	£m
Cash at bank and in hand	**1,936.0**	2,258.6	2,112.7
Investment securities	**0.6**	324.5	282.4
Loans to customers:			
- residential mortgages	**17,708.7**	32,389.1	18,887.7
- commercial loans	**251.3**	336.3	257.3
- unsecured lending	**283.7**	346.9	317.8
Amount owed in respect of sale of loans	**-**	-	11,483.9
Fair value adjustments on portfolio hedging	**418.7**	552.0	454.6
Derivative financial instruments	**-**	7.1	1.8
Retirement benefit assets	**489.5**	517.3	479.4
Other assets	**44.6**	132.1	52.5
Total assets	**21,133.1**	36,863.9	34,330.1
Statutory Debt and HM Treasury loans	**11,882.2**	27,258.2	25,031.3
Wholesale funding	**210.5**	246.0	204.2
Derivative financial instruments	**468.4**	639.1	527.2
Other liabilities	**396.7**	463.7	474.8
Capital instruments	**-**	5.2	-
Equity	**8,175.3**	8,251.7	8,092.6
Total equity and liabilities	**21,133.1**	36,863.9	34,330.1

For an analysis of B&B refer to section B and for NRAM section C.

The Balance Sheet has reduced by £13.2bn since 31 March 2017 to £21.1bn (H1 2016/17: £36.9bn; FY 2016/17: £34.3bn). The reduction was driven by the repayment of £13.1bn of Statutory Debt and HM Treasury loans largely due to the receipt of proceeds in relation to the sale of B&B assets on 30 March 2017.

During the period UKAR sold investment securities for £0.3bn, the proceeds of which were used to repay HM Treasury loans.

Business Review (continued)

Liabilities

Government loans reduced by £13.1bn from 31 March 2017 to £11.9bn (H1 2016/17: £27.3.bn; FY 2016/17: £25.0bn) due to repayments having been made in the period (B&B: £12.2bn, NRAM: £1.0bn).

Repayment of the FSCS Statutory Debt and HM Treasury loans remains a primary objective of UKAR. In the six month period £11.0bn of the FSCS statutory debt was repaid (H1 2016/17: £nil; FY 2016/17: £nil) and a further £2.1bn (H1 2016/17: £1.1bn; FY 2016/17: £3.3bn) of HM Treasury debt was repaid. Of these repayments £11.4bn were in relation to the sale of assets on 30 March 2017.

UKAR has provided a guarantee to Prudential and to Blackstone that should B&B fail to make payment to Prudential or to Blackstone under a valid claim made under the warranties and indemnities that B&B provided to them in respect of the March 2017 sale of loans then UKAR will make payment to Prudential or to Blackstone in satisfaction of the claim. Through commitments made by HM Treasury in relation to the sale, UKAR is satisfied that it will have sufficient funds to meet its liabilities arising from any claims made under the guarantees.

Capital

The regulated companies within the UKAR Group operate under a MIPRU regulatory status. As they do not undertake new lending, they are only required to hold capital in excess of 1% of total Balance Sheet assets plus any undrawn commitments. However, the Board believes it appropriate that they should hold a higher level of capital reflecting the increased risk in the business compared to a standard MIPRU firm. As at 30 September 2017 the capital positions reflect that all post tax profits have been retained since the nationalisation of both companies with B&B capital representing 22.1% (H1 2016/17: 10.9%; FY 2016/17: 10.9%) of B&B Company assets and NRAM capital representing 51.6% (H1 2016/17: 41.3%; FY 2016/17: 45.8%) of NRAM Company assets.

The UKAR Group's capital is provided by its shareholder (currently HM Treasury). The regulated companies within the UKAR Group met their capital requirements in full throughout the period and have received no additional capital from HM Treasury.

Risks and Uncertainties

The Directors are aware of the following material risks and uncertainties which may affect UKAR during the period to 31 March 2018:

- external economic factors including unemployment, house price movements, the extent and timing of changes in interest rates and the rate of interest charged on the government loans;

- the impact of the UK leaving the European Union, including any impact on the economic factors noted above, plus any subsequent changes to laws and regulations applicable to companies operating within the UK and any changes to UK government policy in relation to state owned assets;

- regulatory and conduct risk relating to products and services not meeting customer expectations or resulting in potentially unfair outcomes for customers;

- the risks and potential impacts of externally generated cyber security threats; and

- the risk of service disruption and/or not receiving services in line with contractual provisions from third party service providers or any subsequent termination of a third party contract.

There may be other risks that are not listed above that the Directors are not aware of or that the Directors do not consider material.

The business, financial condition or results of operations of UKAR could be adversely affected by any of these risks. More detailed discussion of risk management and control was provided on pages 69-73 of UKAR's 2017 Annual Report & Accounts.

Other Information

UK Asset Resolution Limited

UKAR was established on 1 October 2010 to facilitate the orderly management of the closed mortgage books of both B&B and NRAM to maximise value for taxpayers. The Executive team of UKAR manages both organisations focusing on this common objective, while ensuring that both companies continue to treat customers fairly, deliver consistently high levels of service and support those customers facing financial difficulty.

Bradford & Bingley plc

On 29 September 2008, all of B&B's retail branches and its savings accounts were transferred to Banco Santander Group. The remainder of the business, including the mortgage books of B&B and its subsidiary Mortgage Express, were nationalised and taken into public ownership by the government. B&B is closed to new lending but continues to provide services to 69,000 existing mortgage borrowers, with 87,000 mortgage accounts.

At 30 September 2017, 179 colleagues were employed by B&B (H1 2016/17: 200; FY 2016/17: 175). From 6 June 2016, mortgage servicing was provided by Computershare.

NRAM Limited

Northern Rock was nationalised and taken into government ownership in February 2008 and was then restructured into two legal entities with effect from 1 January 2010 - Northern Rock plc (which was subsequently sold to Virgin Money) and NRAM plc. NRAM plc retained the majority of the pre-existing mortgage book and all pre-existing unsecured loan accounts. On 5 May 2016, UKAR sold NRAM plc to Cerberus. Prior to the sale, on 30 April 2016, assets and liabilities not included in the transaction transferred from NRAM plc to a newly established subsidiary of UKAR, known as NRAM (No.1) Limited. On 18 July 2016, NRAM (No.1) Limited changed its name to NRAM Limited. NRAM Limited is closed to new lending but continues to provide services to 70,000 existing borrowers, with 62,000 mortgage accounts and 32,000 unsecured loan accounts.

NRAM had no employees during the periods presented. Services were provided to NRAM by B&B, both directly and through the outsourcing arrangement with Computershare.

UKAR Corporate Services Limited

UKARcs, a subsidiary business of UKAR, is responsible for the administration of the government's Help to Buy: mortgage guarantee scheme and Help to Buy: ISA on behalf of HM Treasury.

UKARcs is managed on a nil-gain nil-loss basis with all costs being fully reimbursed by HM Treasury. UKARcs had no employees during the periods presented. Services were provided to UKARcs by B&B.

UKAR Consolidated Financial Results

Consolidated Income Statement

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Interest receivable and similar income	**312.6**	533.6	993.9
Interest expense and similar charges	**(66.5)**	(116.5)	(224.7)
Net interest income	**246.1**	417.1	769.2
Fee and commission income	**4.7**	6.3	11.9
Fee and commission expense	**(6.2)**	(6.0)	(12.0)
Net fee and commission income	**(1.5)**	0.3	(0.1)
Net realised gains less losses on investment securities	**30.1**	14.8	18.7
Unrealised fair value movements on financial instruments	**1.2**	(8.3)	(4.3)
Hedge ineffectiveness	**19.4**	(13.8)	(8.0)
Other operating income	**14.6**	8.4	11.7
Non-interest income	**63.8**	1.4	18.0
Total income	**309.9**	418.5	787.2
Administrative expenses	**(79.3)**	(85.7)	(167.5)
Provision for customer redress	**(43.5)**	-	(64.4)
Insurance claim	**-**	50.0	50.0
Impairment on loans to customers	**27.7**	40.9	67.9
Net impairment release on investment securities	**0.3**	5.7	6.1
Profit/(loss) on sale of loans	**1.7**	51.0	(332.4)
Profit before taxation	**216.8**	480.4	346.9
Taxation	**(50.3)**	(87.8)	(61.2)
Profit for the period	**166.5**	392.6	285.7

UKAR Consolidated Financial Results (continued)

Consolidated Balance Sheet

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Assets			
Cash at bank and in hand	**1,936.0**	2,258.6	2,112.7
Amount owed in respect of sale of loans	**-**	-	11,483.9
Investment securities	**0.6**	324.5	282.4
Loans to customers	**18,243.7**	33,072.3	19,462.8
Fair value adjustments on portfolio hedging	**418.7**	552.0	454.6
Derivative financial instruments	**-**	7.1	1.8
Other assets	**40.3**	125.4	47.4
Retirement benefit assets	**489.5**	517.3	479.4
Property, plant and equipment	**0.4**	0.4	0.4
Intangible assets	**3.9**	6.3	4.7
Total assets	**21,133.1**	36,863.9	34,330.1
Liabilities			
Amounts due to banks	**-**	6.9	-
Statutory Debt and HM Treasury loans	**11,882.2**	27,258.2	25,031.3
Derivative financial instruments	**468.4**	639.1	527.2
Debt securities in issue	**210.5**	239.1	204.2
Other liabilities	**120.2**	108.6	146.3
Current tax liabilities	**26.8**	95.3	62.5
Deferred tax liabilities	**64.2**	92.2	83.9
Retirement benefit obligations	**4.8**	1.9	4.7
Provisions	**180.7**	165.7	177.4
Capital instruments	**-**	5.2	-
Total liabilities	**12,957.8**	28,612.2	26,237.5
Equity			
Issued capital and reserves attributable to owners of the parent:			
- share capital	**1.2**	1.2	1.2
- reserves	**3,587.2**	4,022.3	3,807.7
- retained earnings	**4,586.9**	4,228.2	4,283.7
Share capital and reserves attributable to owners of the parent	**8,175.3**	8,251.7	8,092.6
Total equity and liabilities	**21,133.1**	36,863.9	34,330.1

Section B

Bradford & Bingley plc Group

Interim Financial Report

for the 6 months to 30 September 2017

Key Highlights

- Balance Sheet reduced by a further £12.2bn in the last six months to £12.4bn.
- The sale of two separate B&B asset portfolios to Prudential and funds managed by Blackstone, which was agreed on 30 March 2017, settled in April 2017 with the receipt of £11.4bn proceeds.
- Repaid £11.0bn of the Financial Services Compensation Scheme ('FSCS') statutory debt and £1.2bn of the HM Treasury Working Capital Facility ('WCF'), reducing government loan balances by £12.2bn in the period (H1 2016/17: £0.9bn increase, FY 2016/17: £0.4bn)
- Mortgage accounts three or more months in arrears, including those in possession, fell by 9.4% from the year end to 1,888 (H1 2016/17: 2,652; FY 2016/17: 2,085).
- Reflecting reducing mortgage balances underlying profit before tax of £100.5m for the six months was 54.8% lower than the comparable period in 2016/17 (H1 2016/17: £222.3m; FY 2016/17: £374.4m).
- Statutory profit before tax for the six months, which includes credits for fair value movements and hedge ineffectiveness, was £116.8m (H1 2016/17: £200.5m; FY 2016/17: £27.2m loss).
- Costs of £54.7m were 13.0% lower compared to the six months to September 2016 due to the reduction in assets under management (H1 2016/17: £62.9m; FY 2016/17: £124.3m).
- Post the half year end, launched a further asset sales process that, subject to market conditions and value for money, is expected to result in the full repayment of the FSCS loan.

1. Financial Information

These results are for the six month reporting period to 30 September 2017. Where appropriate to show half year and full year comparisons, the unaudited six month period to 30 September 2016 ('H1 2016/17') and audited 12 month period to 31 March 2017 ('FY 2016/17') are used respectively in these interim accounts.

Underlying profit before tax for the six months was £100.5m, a decrease of £121.8m from September 2016 (H1 2016/17: £222.3m; FY 2016/17: £374.4m). The reduction was primarily driven by lower net interest income as a result of the shrinking Balance Sheet. Statutory profit before tax for the six months, which includes credits for fair value movements and hedge ineffectiveness, was £116.8m (H1 2016/17: £200.5m; FY 2016/17: £27.2m loss).

Our objective remains to reduce the Bradford & Bingley plc ('B&B') Balance Sheet to facilitate the orderly repayment of the government loan, whilst maximising value for the taxpayer and serving our customers well and treating them fairly. Since the formation of UK Asset Resolution Limited ('UKAR') in October 2010, the B&B Balance Sheet has reduced by £33.6bn, including £13.9bn of customer loan repayments and £12.8bn of asset sales, which have facilitated the repayment of £15.1bn of wholesale funding and £18.7bn of government funding.

In the six months to 30 September 2017 the Balance Sheet reduced by a further £12.2bn (H1 2016/17: £4.4bn; FY 2016/17: £6.1bn), including the repayment of £12.2bn of government funding. Repayments have been largely driven by the £11.4bn proceeds received in April 2017 from the sale of assets, agreed on 30 March 2017. Additionally, repayments have been funded by a 5.0% reduction in lending balances primarily reflecting £0.5bn of secured residential redemptions. As at 30 September 2017 lending balances stand at £10.4bn (H1 2016/17: £23.8bn; FY 2016/17: £10.9bn).

The total number of mortgage cases three or more months in arrears, including those in possession, reduced by 9.4% from 31 March 2017 to 1,888 cases as at 30 September 2017 (H1 2016/17: 2,652; FY 2016/17: 2,085). The total value of arrears owed by customers has fallen by £1.0m to £11.3m during the six months to 30 September 2017, a reduction of 8%. This reduction is a direct consequence of proactive arrears management coupled with the continued low interest rate environment. The proportion of total accounts 3 or more months in arrears has decreased from 2.28% at 31 March 2017 to 2.18% at 30 September 2017 (H1 2016/17: 1.32%).

Administrative expenses for the six months were 13.0% lower than the equivalent period in 2016/17 at £54.7m (2016/17: £62.9m; FY 2016/17: £124.3m) due to the reduction in assets under management.

Key Highlights (continued)

1. Financial Information (continued)

The publication of the FCA's Policy Statement PS17/3 'Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance', set a deadline date for PPI complaints at 29 August 2019 and confirmed the approach in relation to Plevin v Paragon Personal Finance Limited ('Plevin'). The rules and guidance include an FCA-led communications campaign to raise awareness of the deadline and the requirement to proactively contact previously rejected mis-selling complainants who are eligible to complain again following the Plevin decision. Reflecting heightened awareness of the PPI deadline, actual claims volumes received during the period have been higher than previously modelled and therefore the provision has been increased by £4.3m.

Provisions include £26.3m (H1 2016/17: £25.9m; FY 2016/17: £28.1m) in respect of potential claims from customers regarding PPI and other customer redress.

2. Customers and Conduct

The total number of customers continues to fall in line with our objective to reduce our Balance Sheet. In total, B&B has 69,000 customers (H1 2016/17: 135,000; FY 2016/17: 73,000), with 87,000 mortgage accounts (H1 2016/17: 201,000; FY 2016/17: 91,000). The majority of these loans continue to perform well with more than 95% of mortgage customers up to date with their mortgage payments.

Although our absolute levels of arrears are reducing, we continue to see a number of customers facing financial difficulty including some entering arrears for the first time. We endeavour to contact all customers following a missed payment to understand their specific situation and find solutions to help them manage their mortgage. Where appropriate, we actively encourage customers to seek help from non-fee charging debt advice agencies. Repossession is always viewed as a last resort but unfortunately, in some situations this is inevitable and the best course of action to prevent further indebtedness for the customer. Repossessions continue to decrease and totalled 311 in the six months (H1 2016/17: 378; FY 2016/17: 791).

In addition to our contact strategies for customers in arrears, we also engage proactively with other potentially vulnerable customers who may need help with their financial situation to ensure they are ready for the future. In January 2017 we launched a campaign to our Buy-to-Let borrowers to inform them of recent changes to the tax rules surrounding Buy-to-Let loans and to help them plan ahead.

Other Information

Bradford & Bingley plc

On 29 September 2008, all of B&B's retail branches and its savings accounts were transferred to Banco Santander Group. The remainder of the business, including the mortgage books of B&B and its subsidiary Mortgage Express, were nationalised and taken into public ownership by the government. B&B is closed to new lending but continues to provide services to 69,000 existing mortgage borrowers, with 87,000 mortgage accounts.

At 30 September 2017, 179 colleagues were employed by B&B (H1 2016/17: 200; FY 2016/17: 175). From 6 June 2016, mortgage servicing was provided by Computershare Mortgage Services Limited ('Computershare').

Key Performance Indicators

In addition to the primary Financial Statements, B&B has adopted the following key performance indicators in managing business performance in the context of its strategic priorities.

	September 2017	September 2016	March 2017
Underlying Profit Before Tax	**£100.5m**	£222.3m	£374.4m
- Statutory Profit Before Tax [1]	£116.8m	£200.5m	(£27.2m)
- Net Interest Margin on Average Interest Earning Assets	1.79	1.80	1.73

1 An analysis of the difference between statutory and underlying profit is provided on page 24.

Net Government Loan Repayments	**£12.2bn**	(£0.9bn)	£0.4bn
- Government Loan Balance	£8.3bn	£21.7bn	£20.4bn
- Total Lending Balances	£10.4bn	£23.8bn	£10.9bn[2]

2 The £11.4bn proceeds from the asset sales agreed on 30 March 2017 and reported in the 2017 Annual Report and Accounts were received in April 2017 and used to partially repay the government loans.

3m+ Residential Arrears	**1,888**	2,652	2,085
- Residential Arrears Balance as a percentage of the Total Residential Mortgage Balance (%)	0.11	0.06	0.11
- Residential Payments Overdue	£11.3m	£14.0m	£12.3m
- Residential Arrears 3 months and over and possessions as a percentage of the book:			
- By value (%)	2.39	1.51	2.56
- By number of accounts (%)	2.18	1.32	2.28

Administrative Expenses	**£54.7m**	£62.9m	£124.3m
- Ratio of costs to average interest earning assets (%)	0.91	0.46	0.50

Business Review

In addition to the statutory measure of profit, the Board believes it is appropriate to assess performance based on the underlying profit of the business, which excludes the remediation of inherited regulatory defects, certain gains or losses such as the sale of assets and movements in fair value and hedge ineffectiveness relating to financial instruments.

An analysis of the difference between the statutory accounting measure of profit and the underlying profit of the B&B Group is provided in the table below.

Summary Income Statement

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Net interest income	**107.2**	247.2	447.7
Underlying net non-interest income*	**29.1**	22.8	28.1
Underlying total income	**136.3**	270.0	475.8
Administrative expenses	**(54.7)**	(62.9)	(124.3)
Impairment release on loans to customers	**18.8**	10.8	18.2
Net impairment release on investment securities	**0.1**	4.4	4.7
Underlying profit before taxation	**100.5**	222.3	374.4
Unrealised fair value movements on financial instruments	**1.1**	(8.0)	(5.9)
Hedge ineffectiveness	**19.4**	(13.8)	(8.0)
Provision for customer redress	**(4.3)**	-	(4.3)
Profit/(loss) on sale of loans	**0.1**	-	(383.4)
Statutory profit before taxation	**116.8**	200.5	(27.2)

* *Underlying net non-interest income includes net fee and commission income, net realised gains less losses on investment securities and other operating income.*

Summary Balance Sheet

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Cash at bank and in hand	**1,239.9**	1,557.9	1,391.2
Investment securities	**0.6**	26.3	22.4
Loans to customers:			
- residential mortgages	**10,187.1**	23,547.2	10,730.8
- commercial loans	**173.3**	233.4	178.4
Amount owed in respect of sale of loans	**-**	-	11,483.9
Fair value adjustments on portfolio hedging	**418.7**	552.0	454.6
Derivative financial instruments	**-**	7.0	-
Retirement benefit assets	**294.6**	253.0	257.3
Other assets	**42.0**	67.0	38.6
Total assets	**12,356.2**	26,243.8	24,557.2
Statutory Debt and HM Treasury loans	**8,264.2**	21,738.1	20,437.1
Wholesale funding	**-**	35.5	-
Derivative financial instruments	**466.9**	633.3	524.7
Other liabilities	**163.8**	235.1	192.3
Capital instruments	**-**	5.2	-
Equity	**3,461.3**	3,596.6	3,403.1
Total equity and liabilities	**12,356.2**	26,243.8	24,557.2

Bradford & Bingley plc Condensed Financial Statements

Consolidated Income Statement

	Note	**6 months to 30 Sept 2017 £m**	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Interest receivable and similar income	3	**140.9**	311.8	582.1
Interest expense and similar charges	3	**(33.7)**	(64.6)	(134.4)
Net interest income	3	**107.2**	247.2	447.7
Fee and commission income		**3.2**	4.4	8.3
Fee and commission expense		**(0.2)**	-	-
Net fee and commission income		**3.0**	4.4	8.3
Net realised gains less losses on investment securities		**14.8**	12.9	14.4
Unrealised fair value movements on financial instruments		**1.1**	(8.0)	(5.9)
Hedge ineffectiveness		**19.4**	(13.8)	(8.0)
Other operating income		**11.3**	5.5	5.4
Non-interest income		**49.6**	1.0	14.2
Total income		**156.8**	248.2	461.9
Administrative expenses	4	**(54.7)**	(62.9)	(124.3)
Provision for customer redress	5	**(4.3)**	-	(4.3)
Impairment on loans to customers	8	**18.8**	10.8	18.2
Net impairment release on investment securities		**0.1**	4.4	4.7
Profit/(loss) on sale of loans	7	**0.1**	-	(383.4)
Profit/(loss) before taxation		**116.8**	200.5	(27.2)
Taxation	6	**(23.1)**	(41.8)	7.4
Profit/(loss) for the period		**93.7**	158.7	(19.8)

The results above arise from continuing activities.

Bradford & Bingley plc Condensed Financial Statements (continued)

Consolidated Statement of Comprehensive Income

6 months to 30 September 2017	**Gross of tax £m**	**Tax £m**	**Net of tax £m**
Profit for the period	**116.8**	**(23.1)**	**93.7**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale instruments:			
- net losses recognised in available-for-sale reserve during the period	**(1.0)**	**0.2**	**(0.8)**
- amounts transferred from available-for-sale reserve and recognised in profit during the period	**(14.4)**	**2.8**	**(11.6)**
Cash flow hedges:			
- net gains recognised in cash flow hedge reserve during the period	**1.0**	**(0.2)**	**0.8**
	(14.4)	**2.8**	**(11.6)**
Items that will not be reclassified subsequently to profit or loss:			
- retirement benefit remeasurements	**(29.4)**	**5.5**	**(23.9)**
	(29.4)	**5.5**	**(23.9)**
Total other comprehensive income	**(43.8)**	**8.3**	**(35.5)**
Total comprehensive income for the period	**73.0**	**(14.8)**	**58.2**

6 months to 30 September 2016	Gross of tax £m	Tax £m	Net of tax £m
Profit for the period	200.5	(41.8)	158.7
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale instruments:			
- net gains recognised in available-for-sale reserve during the period	2.2	(0.4)	1.8
- amounts transferred from available-for-sale reserve and recognised in profit during the period	(6.4)	1.2	(5.2)
Cash flow hedges:			
- net losses recognised in cash flow hedge reserve during the period	(681.7)	25.5	(656.2)
- amounts transferred from cash flow hedge reserve and recognised in profit during the period	676.4	(26.4)	650.0
	(9.5)	(0.1)	(9.6)
Items that will not be reclassified subsequently to profit or loss:			
- retirement benefit remeasurements	(46.9)	9.4	(37.5)
	(46.9)	9.4	(37.5)
Total other comprehensive income	(56.4)	9.3	(47.1)
Total comprehensive income for the period	144.1	(32.5)	111.6

Bradford & Bingley plc Condensed Financial Statements (continued)

Consolidated Statement of Comprehensive Income (continued)

12 months to 31 March 2017	Gross of tax £m	Tax £m	Net of tax £m
Loss for the year	(27.2)	7.4	(19.8)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale instruments:			
- net losses recognised in available-for-sale reserve during the year	(15.7)	1.4	(14.3)
- amounts transferred from available-for-sale reserve and recognised in profit during the year	8.8	(1.8)	7.0
Cash flow hedges:			
- net losses recognised in cash flow hedge reserve during the year	(683.3)	50.8	(632.5)
- amounts transferred from cash flow hedge reserve and recognised in profit during the year	682.1	(53.4)	628.7
	(8.1)	(3.0)	(11.1)
Items that will not be reclassified subsequently to profit or loss:			
- retirement benefit remeasurements	(66.1)	15.1	(51.0)
	(66.1)	15.1	(51.0)
Total other comprehensive income	(74.2)	12.1	(62.1)
Total comprehensive expense for the year	(101.4)	19.5	(81.9)

Bradford & Bingley plc Condensed Financial Statements (continued)

Consolidated Balance Sheet

	Note	**30 Sept 2017 £m**	30 Sept 2016 £m	31 Mar 2017 £m
Assets				
Cash at bank and in hand		**1,239.9**	1,557.9	1,391.2
Amount owed in respect of sale of loans	7	**-**	-	11,483.9
Investment securities		**0.6**	26.3	22.4
Loans to customers	7	**10,360.4**	23,780.6	10,909.2
Fair value adjustments on portfolio hedging	7	**418.7**	552.0	454.6
Derivative financial instruments		**-**	7.0	-
Other assets		**41.6**	66.6	38.2
Retirement benefit assets		**294.6**	253.0	257.3
Property, plant and equipment		**0.4**	0.4	0.4
Total assets		**12,356.2**	26,243.8	24,557.2
Liabilities				
Amounts due to banks		**-**	6.9	-
Statutory Debt and HM Treasury loans		**8,264.2**	21,738.1	20,437.1
Derivative financial instruments		**466.9**	633.3	524.7
Debt securities in issue		**-**	28.6	-
Other liabilities		**60.4**	74.8	84.8
Current tax liabilities		**21.1**	66.0	11.9
Deferred tax liabilities		**37.5**	43.7	45.9
Retirement benefit obligations		**4.8**	1.9	4.7
Provisions		**40.0**	48.7	45.0
Capital instruments		**-**	5.2	-
Total liabilities		**8,894.9**	22,647.2	21,154.1
Equity				
Issued capital and reserves attributable to owners of the parent:				
- share capital		**361.3**	361.3	361.3
- reserves	11	**228.5**	241.6	240.1
- retained earnings		**2,871.5**	2,993.7	2,801.7
Share capital and reserves attributable to owners of the parent		**3,461.3**	3,596.6	3,403.1
Total equity and liabilities		**12,356.2**	26,243.8	24,557.2

Bradford & Bingley plc Condensed Financial Statements (continued)

Consolidated Statement of Changes in Equity

6 months to 30 September 2017	**Share capital £m**	**Share premium reserve £m**	**Capital redemption reserve £m**	**Available-for-sale reserve £m**	**Cash flow hedge reserve £m**	**Retained earnings £m**	**Total share capital and reserves £m**
At 1 April 2017	**361.3**	**198.9**	**29.2**	**12.8**	**(0.8)**	**2,801.7**	**3,403.1**
Other comprehensive income/(expense):							
- net movement in available-for-sale reserve	**-**	**-**	**-**	**(15.4)**	**-**	**-**	**(15.4)**
- net movement in cash flow hedge reserve	**-**	**-**	**-**	**-**	**1.0**	**-**	**1.0**
- retirement benefit remeasurements	**-**	**-**	**-**	**-**	**-**	**(29.4)**	**(29.4)**
- tax effects of the above	**-**	**-**	**-**	**3.0**	**(0.2)**	**5.5**	**8.3**
Total other comprehensive income/(expense)	**-**	**-**	**-**	**(12.4)**	**(0.8)**	**(23.9)**	**(35.5)**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**93.7**	**93.7**
Total comprehensive income/(expense)	**-**	**-**	**-**	**(12.4)**	**0.8**	**69.8**	**58.2**
At 30 September 2017	**361.3**	**198.9**	**29.2**	**0.4**	**-**	**2,871.5**	**3,461.3**

6 months to 30 September 2016	Share capital £m	Share premium reserve £m	Capital redemption reserve £m	Available-for-sale reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total share capital and reserves £m
At 1 April 2016	361.3	198.9	29.2	20.1	3.0	2,872.5	3,485.0
Other comprehensive income/(expense):							
- net movement in available-for-sale reserve	-	-	-	(4.2)	-	-	(4.2)
- net movement in cash flow hedge reserve	-	-	-	-	(5.3)	-	(5.3)
- retirement benefit remeasurements	-	-	-	-	-	(46.9)	(46.9)
- tax effects of the above	-	-	-	0.8	(0.9)	9.4	9.3
Total other comprehensive income/(expense)	-	-	-	(3.4)	(6.2)	(37.5)	(47.1)
Profit for the period	-	-	-	-	-	158.7	158.7
Total comprehensive income/(expense)	-	-	-	(3.4)	(6.2)	121.2	111.6
At 30 September 2016	361.3	198.9	29.2	16.7	(3.2)	2,993.7	3,596.6

12 months to 31 March 2017	Share capital £m	Share premium reserve £m	Capital redemption reserve £m	Available-for-sale reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total share capital and reserves £m
At 1 April 2016	361.3	198.9	29.2	20.1	3.0	2,872.5	3,485.0
Other comprehensive income/(expense):							
- net movement in available-for-sale reserve	-	-	-	(6.9)	-	-	(6.9)
- net movement in cash flow hedge reserve	-	-	-	-	(1.2)	-	(1.2)
- retirement benefit remeasurements	-	-	-	-	-	(66.1)	(66.1)
- tax effects of the above	-	-	-	(0.4)	(2.6)	15.1	12.1
Total other comprehensive expense	-	-	-	(7.3)	(3.8)	(51.0)	(62.1)
Loss for the year	-	-	-	-	-	(19.8)	(19.8)
Total comprehensive expense	-	-	-	(7.3)	(3.8)	(70.8)	(81.9)
At 31 March 2017	361.3	198.9	29.2	12.8	(0.8)	2,801.7	3,403.1

Bradford & Bingley plc Condensed Financial Statements (continued)

Consolidated Cash Flow Statement

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Cash flows from operating activities			
Profit before taxation for the period	**116.8**	200.5	(27.2)
Adjustments to reconcile profit to cash generated from operating activities:			
- provision for customer redress	**4.3**	-	4.3
- defined benefit pension scheme credits	**(2.8)**	(4.3)	(9.1)
- cash contributions to defined benefit pension scheme	**(63.9)**	(42.5)	(58.1)
- depreciation and amortisation	**-**	3.8	3.8
- impairment on loans to customers	**(18.8)**	(10.8)	(18.2)
- net impairment release on investment securities	**(0.1)**	(4.4)	(4.7)
- (profit)/loss on sale of loans	**(0.1)**	-	383.4
- fair value adjustments on financial instruments	**35.9**	(122.9)	(27.2)
- other non-cash movements	**(13.7)**	176.6	202.5
Cash flows generated from operating activities before changes in operating assets and liabilities	**57.6**	196.0	449.5
Net decrease/(increase) in operating assets:			
- loans to customers	**567.8**	1,190.1	2,201.5
- settlement of amounts owed in respect of sale of loans	**11,483.9**	-	-
- derivative financial instruments receivable	**-**	762.9	769.9
- other assets	**(3.4)**	(6.0)	(1.2)
Net (decrease)/increase in operating liabilities:			
- amounts due to banks	**-**	(546.4)	(553.3)
- derivative financial instruments payable	**(57.8)**	117.3	8.7
- debt securities in issue	**-**	(5,030.3)	(5,060.8)
- other liabilities	**(30.0)**	(86.1)	(77.9)
- provisions	**(9.3)**	(28.8)	(36.8)
Income tax paid	**(14.0)**	(32.5)	(32.5)
Net cash generated from/(used in) operating activities	**11,994.8**	(3,463.8)	(2,332.9)
Cash flows from investing activities:			
- purchase of property, plant and equipment and intangible assets	**-**	(0.6)	(0.6)
- proceeds from sale and redemption of investment securities	**21.2**	39.2	41.7
Net cash generated from investing activities	**21.2**	38.6	41.1
Cash flows used in financing activities:			
- drawdown of Working Capital Facility	**-**	2,975.0	2,975.0
- repayment of Working Capital Facility	**(1,190.7)**	(2,124.0)	(3,424.0)
- repayment of Statutory Debt	**(10,976.6)**	-	-
Net cash (used in)/generated from financing activities	**(12,167.3)**	851.0	(449.0)
Net decrease in cash and cash equivalents	**(151.3)**	(2,574.2)	(2,740.8)
Cash and cash equivalents at beginning of period	**1,391.1**	4,131.9	4,131.9
Cash and cash equivalents at end of period	**1,239.8**	1,557.7	1,391.1
Represented by cash and assets with original maturity of three months or less within:			
- cash at bank and in hand	**1,239.8**	1,557.7	1,391.1
Total cash and cash equivalents at end of period	**1,239.8**	1,557.7	1,391.1

Notes to the Financial Information

1. Reporting entity

Bradford & Bingley plc ('B&B' or 'the Company') is a public limited company incorporated and domiciled in the United Kingdom.

The financial information in this Interim Financial Report consolidates B&B and its subsidiaries, together referred to as the B&B Group or 'the Group'. B&B's Consolidated Financial Statements for the year ended 31 March 2017 are included in B&B's 2017 Annual Report & Accounts available on UKAR's website www.ukar.co.uk.

2. Basis of preparation

This Interim Financial Report has been prepared on a going concern basis. At the date of approval of this Interim Financial Report B&B is reliant on the financing facilities provided to B&B by HM Treasury. Withdrawal of the financing facilities would have a significant impact on B&B's operations and its ability to continue as a going concern, in which case adjustments may have to be made to reduce the carrying value of assets to recoverable amounts and to provide for further liabilities that might arise. At the date of approval of this Interim Financial Report, HM Treasury has confirmed its intentions to continue to provide funding until at least 1 January 2019.

There have been no material changes to the accounting policies previously applied by the B&B Group in preparing, and detailed in, its Annual Report & Accounts for the year ended 31 March 2017, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The Directors consider that the B&B Group's accounting policies are the most appropriate to its circumstances, have been consistently applied in dealing with items which are considered material and are supported by reasonable and prudent estimates and judgements.

The preparation of this Interim Financial Report requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the Balance Sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

This Interim Financial Report has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The information in this document does not include all of the disclosures required by IFRS in full annual financial statements, and it should be read in conjunction with the Consolidated Financial Statements of B&B for the year ended 31 March 2017.

With effect from 1 April 2018, the Group will apply IFRS 9 'Financial Instruments'. The main impact of this will be on the measurement and provisioning of loans to customers. At the point of transition to IFRS 9, the Group's loan assets are expected to be classified as 'held to collect and sell' and therefore carried on Balance Sheet at fair value. From that point on, impairment will be taken through the Income Statement, with the balancing fair value movements taken through other comprehensive income.

Notes to the Financial Information (continued)

3. Net interest income

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Interest receivable and similar income			
On secured loans	**137.6**	305.7	571.2
On investment securities and deposits	**3.3**	6.1	10.9
Total interest receivable and similar income	**140.9**	311.8	582.1
Interest expense and similar charges			
On amounts due to banks and HM Treasury	**(33.6)**	(54.7)	(123.9)
State guarantee fee*	**-**	(2.2)	(2.6)
On debt securities and other	**(0.1)**	(7.7)	(7.9)
Total interest expense and similar charges	**(33.7)**	(64.6)	(134.4)
Net interest income	**107.2**	247.2	447.7
Average balances			
Interest-earning assets ('IEA')	**11,954**	27,320	25,825
Financed by:			
- interest-bearing funding	**1,279**	5,340	3,997
- interest-free funding**	**10,675**	21,980	21,828
Average rates:	**%**	%	%
- gross yield on IEA	**2.35**	2.28	2.25
- cost of interest-bearing funding	**(5.26)**	(2.33)	(3.30)
Interest spread	**(2.91)**	(0.05)	(1.05)
State guarantee fee*	**-**	(0.02)	(0.01)
Contribution of interest-free funding**	**4.70**	1.87	2.79
Net interest margin on average IEA	**1.79**	1.80	1.73
Average Bank Base Rate	**0.25**	0.42	0.34
Average 1-month LIBOR	**0.25**	0.43	0.34
Average 3-month LIBOR	**0.30**	0.51	0.44

* *At the time of the nationalisation of B&B, HM Treasury provided guarantees with regard to certain wholesale borrowings and derivative transactions existing at that time. Until the repayment of the remaining legacy B&B wholesale funding in January 2017, the fee was primarily dependent on balances outstanding and hence was included within 'interest expense and similar charges'. The cost of interest-bearing funding is shown excluding this state guarantee fee.*

** *Interest-free funding is calculated as an average over the financial period and includes the Statutory Debt and share capital and reserves.*

4. Administrative expenses

B&B provides services to NRAM Limited ('NRAM'), UKAR and to UKAR Corporate Services Limited ('UKARcs'). NRAM, UKAR and UKARcs had no direct employees during the periods presented. As announced on 4 May 2016, during the period to 30 September 2016 the Company's mortgage servicing operations were transferred to Computershare, along with some 1,700 employees. This is reflected in the increase in outsourced and professional services costs and corresponding decreases in staff, IT, depreciation and other costs.

The monthly average number of persons employed by B&B during the period was as follows:

	6 months to 30 Sept 2017 Number	6 months to 30 Sept 2016 Number	12 months to 31 Mar 2017 Number
Average headcount:			
Full time	**163**	625	399
Part time	**14**	140	78
Total employed	**177**	765	477
Total average full time equivalent	**175**	726	456

The full time equivalent is based on the average hours worked by employees in the period.

Notes to the Financial Information (continued)

4. Administrative expenses (continued)

The number of persons employed by B&B at the end of the period was as follows:

	30 Sept 2017 Number	30 Sept 2016 Number	31 Mar 2017 Number
Full time	**166**	185	160
Part time	**13**	15	15
Total employed	**179**	200	175
Total full time equivalent headcount	**177**	198	173

Staff numbers include Executive but not Non-Executive Directors. In addition to the permanent staff above, B&B employed a full-time equivalent of 17 temporary staff and specialist contractors at 30 September 2017 (30 September 2016: 11; 31 March 2017: 15).

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
B&B's costs of permanent staff were as follows:			
Wages and salaries	**5.4**	13.6	19.3
Social security costs	**0.6**	1.3	2.2
Defined benefit pension credit	**(2.8)**	(4.3)	(9.1)
Defined contribution pension costs	**0.3**	0.9	1.3
Other retirement benefit costs	**0.2**	0.2	0.3
Total staff costs	**3.7**	11.7	14.0
IT costs	**3.7**	8.4	18.3
Outsourced and professional services	**65.5**	50.2	116.9
Depreciation and amortisation	**-**	3.8	3.9
Other administrative expenses	**4.7**	11.1	18.7
	77.6	85.2	171.8
Management recharge to NRAM/UKARcs	**(22.9)**	(22.3)	(47.5)
Total administrative expenses	**54.7**	62.9	124.3

5. Provision for customer redress

The publication of the FCA's Policy Statement PS17/3 'Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance' set a deadline date for PPI complaints at 29 August 2019 and confirmed the approach in relation to Plevin v Paragon Personal Finance Limited ('Plevin'). The rules and guidance include an FCA-led communications campaign to raise awareness of the deadline and the requirement to proactively contact previously rejected mis-selling complainants who are eligible to complain again following the Plevin decision. Reflecting heightened awareness of the PPI deadline, actual claims volumes received during the period have been higher than previously modelled and therefore the provision has been increased by £4.3m. During the year ended 31 March 2017 provisions were increased by £4.3m in respect of customer remediation.

6. Taxation

Taxation appropriately reflects changes in tax rates which had been substantively enacted by 30 September 2017.

The tax charge for each period included nil overseas tax charge. An effective tax rate of 19.8% has been applied to the Group's profits for the period. This is higher than the standard corporation tax rate in the period of 19% (year ended 31 March 2017: 20%) due to non-tax deductible expenses.

No deferred tax assets were unrecognised at 30 September 2017, 30 September 2016 or 31 March 2017. No deferred tax assets have been recognised in respect of tax losses carried forward.

Notes to the Financial Information (continued)

7. Loans to customers

Residential mortgages include all of the B&B Group's buy-to-let loans. Commercial loans comprise loans secured on commercial properties.

All of the B&B Group's loans to customers are to UK customers.

Balances include accounting adjustments in respect of provisioning requirements.

Fair value adjustments on portfolio hedging amounting to £418.7m (30 September 2016: £552.0m; 31 March 2017: £454.6m) relate to interest-rate derivatives designated in a fair value portfolio hedge relationship.

Loans to customers and redemptions comprise the following product types:

Balances	**30 Sept 2017**		30 Sept 2016		31 Mar 2017	
	£m	**%**	£m	%	£m	%
Residential mortgages						
Buy-to-let	**3,679.3**	**36**	16,350.4	70	3,887.7	36
Self-certified	**4,307.2**	**42**	4,772.9	20	4,536.5	43
Standard and other	**2,200.6**	**22**	2,423.9	10	2,306.6	21
Total residential mortgages	**10,187.1**	**100**	23,547.2	100	10,730.8	100
Residential loans	**10,187.1**	**98**	23,547.2	99	10,730.8	98
Commercial loans	**173.3**	**2**	233.4	1	178.4	2
Total	**10,360.4**	**100**	23,780.6	100	10,909.2	100

Redemptions	**6 months to 30 Sept 2017 £m**	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Residential mortgages			
Buy-to-let	**(210.1)**	(672.7)	(1,268.8)
Self-certified	**(203.6)**	(232.7)	(438.3)
Standard and other	**(128.2)**	(134.2)	(255.1)
Total residential mortgages	**(541.9)**	(1,039.6)	(1,962.2)
Residential loans	**(541.9)**	(1,039.6)	(1,962.2)
Commercial loans	**(5.1)**	(91.1)	(145.0)
Total	**(547.0)**	(1,130.7)	(2,107.2)

Redemptions comprise full redemptions, voluntary partial redemptions and cash receipts from possessions, but exclude overpayments, regular monthly payments and asset sales.

The amount owed in respect of sale of loans was received in cash in April 2017.

During the period a £0.1m gain was recognised in relation to loan sales in prior years (30 September 2016: nil; 31 March 2017: £1.3m). During the year ended 31 March 2017 a loss of £384.7m was generated by the sale of loans.

Notes to the Financial Information (continued)

8. Impairment on loans to customers

Allowances for credit losses against loans to customers have been made as follows:

6 months to 30 September 2017	**On residential mortgages £m**	**On commercial loans £m**	**Total £m**
At 1 April 2017	**402.3**	**-**	**402.3**
Movements during the period:			
- write-offs	**(14.6)**	**-**	**(14.6)**
- loan impairment credit	**(16.3)**	**-**	**(16.3)**
Net movements during the period	**(30.9)**	**-**	**(30.9)**
At 30 September 2017	**371.4**	**-**	**371.4**
The Income Statement credit comprises:			
- loan impairment credit	**(16.3)**	**-**	**(16.3)**
- recoveries net of costs	**(2.4)**	**(0.1)**	**(2.5)**
Total Income Statement credit	**(18.7)**	**(0.1)**	**(18.8)**

6 months to 30 September 2016	On residential mortgages £m	On commercial loans £m	Total £m
At 1 April 2016	448.5	76.1	524.6
Movements during the period:			
- write-offs	(18.4)	(76.3)	(94.7)
- loan impairment (credit)/charge	(3.1)	0.2	(2.9)
Net movements during the period	(21.5)	(76.1)	(97.6)
At 30 September 2016	427.0	-	427.0
The Income Statement (credit)/charge comprises:			
- loan impairment (credit)/charge	(3.1)	0.2	(2.9)
- recoveries net of costs	(7.9)	-	(7.9)
Total Income Statement (credit)/charge	(11.0)	0.2	(10.8)

12 months to 31 March 2017	On residential mortgages £m	On commercial loans £m	Total £m
At 1 April 2016	448.5	76.1	524.6
Movements during the year:			
- write-offs	(35.3)	(76.4)	(111.7)
- loan impairment (credit)/charge	(3.8)	0.3	(3.5)
- sale of loan book	(7.1)	-	(7.1)
Net movements during the year	(46.2)	(76.1)	(122.3)
At 31 March 2017	402.3	-	402.3
The Income Statement (credit)/charge comprises:			
- loan impairment (credit)/charge	(3.8)	0.3	(3.5)
- recoveries net of costs	(14.5)	(0.2)	(14.7)
Total Income Statement (credit)/charge	(18.3)	0.1	(18.2)

In the Balance Sheet the carrying values of loans to customers are presented net of these allowances.

Notes to the Financial Information (continued)

9. Credit quality of loans to customers

In respect of loans to residential customers, the B&B Group holds collateral in the form of mortgages over residential properties. The fair value of this collateral was as follows:

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Neither past due nor impaired	**17,703.9**	41,668.3	18,199.3
Past due but not impaired	**713.2**	1,001.6	716.4
Impaired	**162.8**	195.7	180.1
Total	**18,579.9**	42,865.6	19,095.8

If the collateral amount on each individual loan was capped at the amount of the balance outstanding and any surplus of collateral values over balances outstanding ignored, the fair value of collateral held would be as follows:

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Neither past due nor impaired	**9,986.5**	23,147.0	10,521.4
Past due but not impaired	**429.7**	626.2	448.1
Impaired	**112.1**	135.5	126.2
Total	**10,528.3**	23,908.7	11,095.7
The impaired balances above include the following carrying amount of assets in possession, capped at the balance outstanding	**26.9**	29.0	32.9

The fair value of the collateral is estimated by taking the most recent valuation of the property and adjusting for house price inflation or deflation up to the Balance Sheet date.

The indexed loan to value ('LTV') of residential loan balances, weighted by loan balance, falls into the following ranges:

	30 Sept 2017 %	30 Sept 2016 %	31 Mar 2017 %
To 50%	**18.6**	22.1	16.3
50% to 75%	**51.1**	49.3	49.3
75% to 100%	**28.4**	27.3	31.8
Over 100%	**1.9**	1.3	2.6
Total	**100.0**	100.0	100.0

The average indexed LTV based on a simple average is 56.8% (30 September 2016: 55.9%; 31 March 2017: 58.3%) and on a weighted average is 65.7% (30 September 2016: 63.9%; 31 March 2017: 67.4%).

			30 September 2017
	Residential mortgages £m	**Commercial loans £m**	**Total £m**
Neither past due nor impaired	**10,003.6**	**173.3**	**10,176.9**
Past due but not impaired:			
- less than 3 months	**278.6**	**-**	**278.6**
- 3 to 6 months	**94.9**	**-**	**94.9**
- over 6 months	**57.5**	**-**	**57.5**
Impaired	**123.9**	**-**	**123.9**
	10,558.5	**173.3**	**10,731.8**
Impairment allowances	**(371.4)**	**-**	**(371.4)**
Loans to customers net of impairment allowances	**10,187.1**	**173.3**	**10,360.4**
Impairment allowances:			
- individual	**25.5**	**-**	**25.5**
- collective	**345.9**	**-**	**345.9**
Total impairment allowances	**371.4**	**-**	**371.4**

Notes to the Financial Information (continued)

9. Credit quality of loans to customers (continued)

30 September 2016

	Residential mortgages £m	Commercial loans £m	Total £m
Neither past due nor impaired	23,193.4	233.4	23,426.8
Past due but not impaired:			
- less than 3 months	401.9	-	401.9
- 3 to 6 months	139.2	-	139.2
- over 6 months	89.1	-	89.1
Impaired	150.6	-	150.6
	23,974.2	233.4	24,207.6
Impairment allowances	(427.0)	-	(427.0)
Loans to customers net of impairment allowances	23,547.2	233.4	23,780.6
Impairment allowances:			
- individual	32.1	-	32.1
- collective	394.9	-	394.9
Total impairment allowances	427.0	-	427.0

31 March 2017

	Residential mortgages £m	Commercial loans £m	Total £m
Neither past due nor impaired	10,543.1	178.4	10,721.5
Past due but not impaired:			
- less than 3 months	281.0	-	281.0
- 3 to 6 months	102.1	-	102.1
- over 6 months	66.8	-	66.8
Impaired	140.1	-	140.1
	11,133.1	178.4	11,311.5
Impairment allowances	(402.3)	-	(402.3)
Loans to customers net of impairment allowances	10,730.8	178.4	10,909.2
Impairment allowances:			
- individual	29.6	-	29.6
- collective	372.7	-	372.7
Total impairment allowances	402.3	-	402.3

The above table includes balances within 'neither past due nor impaired' which would have been shown as past due or impaired other than due to renegotiation; these were loans where arrears were capitalised during the previous 12 months. These loans amounted to £0.1m at 30 September 2017 (£0.9m at 30 September 2016; £0.6m at 31 March 2017). A loan is eligible for capitalisation of arrears only once the borrower has complied with stringent terms for a set period.

Notes to the Financial Information (continued)

10. Arrears and possessions on residential mortgages

Arrears and possessions are monitored for the B&B Group as a whole and also split by type of product.

		30 Sept 2017	30 Sept 2016	31 Mar 2017
Arrears 3 months and over				
Number of cases	**No.**	**1,606**	2,336	1,765
Proportion of total cases	**%**	**1.86**	1.16	1.93
Asset value	**£m**	**216.9**	315.7	242.6
Proportion of book	**%**	**2.05**	1.34	2.18
Total value of payments overdue	**£m**	**7.9**	10.0	8.6
Proportion of total book	**%**	**0.08**	0.04	0.08
Possessions				
Number of cases	**No.**	**282**	316	320
Proportion of total cases	**%**	**0.32**	0.16	0.35
Asset value	**£m**	**35.5**	38.8	42.3
Proportion of book	**%**	**0.34**	0.17	0.38
Total value of payments overdue	**£m**	**1.3**	1.3	1.6
Proportion of total book	**%**	**0.01**	0.01	0.01
New possessions *	**No.**	**311**	378	791
Total arrears 3 months and over and possessions				
Number of cases	**No.**	**1,888**	2,652	2,085
Proportion of total cases	**%**	**2.18**	1.32	2.28
Asset value	**£m**	**252.4**	354.5	284.9
Proportion of book	**%**	**2.39**	1.51	2.56
Total value of payments overdue	**£m**	**9.2**	11.3	10.2
Proportion of total book	**%**	**0.09**	0.05	0.09

In respect of all arrears (including those which are less than 3 months in arrears) together with possessions, the total value of payments overdue was:

Payments overdue				
Total value of payments overdue	**£m**	**11.3**	14.0	12.3
Proportion of total book	**%**	**0.11**	0.06	0.11
Loan impairment provision				
As % of total balances	**%**	**3.52**	1.78	3.61

** New possessions for the six months to 30 September 2017 and 2016 and the 12 months to 31 March 2017.*

Notes to the Financial Information (continued)

10. Arrears and possessions on residential mortgages (continued)

Analysis of residential mortgages 3 months and over in arrears by product

		30 Sept 2017	30 Sept 2016	31 Mar 2017
Buy-to-let				
Number of cases	**No.**	**413**	771	460
Proportion of total cases	**%**	**1.20**	0.54	1.26
Asset value	**£m**	**51.6**	95.8	56.2
Proportion of book	**%**	**1.40**	0.59	1.45
Total value of payments overdue	**£m**	**1.4**	2.2	1.7
Proportion of total book	**%**	**0.04**	0.01	0.04
Self-certified				
Number of cases	**No.**	**685**	865	743
Proportion of total cases	**%**	**2.27**	2.61	2.35
Asset value	**£m**	**107.6**	138.6	119.8
Proportion of book	**%**	**2.50**	2.90	2.64
Total value of payments overdue	**£m**	**3.9**	4.6	4.1
Proportion of total book	**%**	**0.09**	0.10	0.09
Standard and other				
Number of cases	**No.**	**508**	700	562
Proportion of total cases	**%**	**2.33**	2.81	2.41
Asset value	**£m**	**57.7**	81.3	66.6
Proportion of book	**%**	**2.62**	3.36	2.89
Total value of payments overdue	**£m**	**2.6**	3.2	2.8
Proportion of total book	**%**	**0.12**	0.13	0.12

11. Reserves

Reserves comprise the following:

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Share premium reserve	**198.9**	198.9	198.9
Capital redemption reserve	**29.2**	29.2	29.2
Available-for-sale reserve	**0.4**	16.7	12.8
Cash flow hedge reserve	**-**	(3.2)	(0.8)
Total	**228.5**	241.6	240.1

12. Capital structure

B&B is regulated by the FCA at individual company level, not at B&B Group level.

Capital resources - B&B plc (company only)

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Share capital and reserves	**3,116.5**	3,272.1	3,074.1
Available-for-sale reserve adjustments	**(0.4)**	(16.7)	(12.8)
Cash flow hedge reserve adjustments	**-**	3.2	0.8
Net pension adjustment	**(294.6)**	(253.0)	(257.3)
Less: deductions	**(175.0)**	(175.0)	(175.0)
Total capital	**2,646.5**	2,830.6	2,629.8

The deductions comprise investments in Group undertakings.

Notes to the Financial Information (continued)

13. Fair value disclosures

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value

The following table summarises the carrying amounts and the fair values of financial assets and liabilities:

30 September 2017	**Carrying value £m**	**Fair value £m**
Financial assets:		
Cash at bank and in hand	**1,239.9**	**1,239.9**
Investment securities	**0.6**	**0.6**
Loans to customers	**10,360.4**	**9,921.3**
Fair value adjustments on portfolio hedging	**418.7**	**-**
Other financial assets	**18.5**	**18.5**
Total financial assets	**12,038.1**	**11,180.3**

	Carrying value £m	**Fair value £m**
Financial liabilities:		
Statutory Debt and HM Treasury loans	**8,264.2**	**8,264.2**
Derivative financial instruments	**466.9**	**466.9**
Other financial liabilities	**60.3**	**60.3**
Total financial liabilities	**8,791.4**	**8,791.4**

30 September 2016	Carrying value £m	Fair value £m
Financial assets:		
Cash at bank and in hand	1,557.9	1,557.9
Investment securities	26.3	26.3
Loans to customers	23,780.6	21,032.3
Fair value adjustments on portfolio hedging	552.0	-
Derivative financial instruments	7.0	7.0
Other financial assets	18.7	18.7
Total financial assets	25,942.5	22,642.2

	Carrying value £m	Fair value £m
Financial liabilities:		
Amounts due to banks	6.9	6.9
Statutory Debt and HM Treasury loans	21,738.1	21,738.1
Derivative financial instruments	633.3	633.3
Debt securities in issue	28.6	29.0
Capital instruments	5.2	5.2
Other financial liabilities	74.8	74.8
Total financial liabilities	22,486.9	22,487.3

Notes to the Financial Information (continued)

13. Fair value disclosures (continued)

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value (continued)

31 March 2017	Carrying value £m	Fair value £m
Financial assets:		
Cash at bank and in hand	1,391.2	1,391.2
Amount owed in respect of sale of loans	11,483.9	11,483.9
Investment securities	22.4	22.4
Loans to customers	10,909.2	10,381.3
Fair value adjustments on portfolio hedging	454.6	-
Other financial assets	16.3	16.3
Total financial assets	24,277.6	23,295.1

	Carrying value £m	Fair value £m
Financial liabilities:		
Statutory Debt and HM Treasury loans	20,437.1	20,437.1
Derivative financial instruments	524.7	524.7
Other financial liabilities	84.8	84.8
Total financial liabilities	21,046.6	21,046.6

The only financial assets and liabilities which are carried at fair value on the Balance Sheet are investment securities and derivative financial assets and liabilities.

Loans to customers
Loans to customers include loans of varying rates and maturities. Fair value is estimated by discounting expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses. Market interest rates are based on current lending activity in the mortgage market.

(b) Valuation bases

At 30 September 2017, 31 March 2017 and 30 September 2016 all financial assets and liabilities which were carried at fair value were valued on a ‘Level 2’ basis as defined by IFRS 13 ‘Fair Value Measurement’. There were no transfers between Levels 1, 2 and 3 during the periods presented. Since 31 March 2017 the Group has made no changes to the fair value methodologies applied.

14. Related party disclosures

B&B considers the Board of Directors and the members of the Executive Committee to be the key management personnel. Transactions during the period with B&B's key management personnel and other related parties were similar in nature to those during the year ended 31 March 2017 as disclosed in B&B’s Annual Report & Accounts for that year. B&B repaid £1,190.7m of the WCF during the six months to 30 September 2017 (6 months to 30 September 2016: £2,124.0m; 12 months to 31 March 2017: £3,424.0m), and £10,976.6m of the Statutory Debt owed to the FSCS (the first repayment made against the Statutory Debt since it was advanced).

Notes to the Financial Information (continued)

15. Contingent liabilities

(a) On 20 January 2009 a solicitor's letter was received notifying B&B and certain present and former B&B directors of a potential claim by former individual shareholders who subscribed for additional shares in the £401m rights issue approved on 17 July 2008. These former shareholders claim to have suffered loss through having been induced to subscribe for shares in the rights issue by allegedly materially misleading and/or incomplete statements made in the associated prospectus dated 24 June 2008 as revised and supplemented by the supplementary prospectus dated 11 July 2008. Should such a claim result in proceedings which are pursued through the courts and which succeed, the defendant directors and/or B&B could be liable in damages to certain former shareholders in B&B who subscribed for shares in the rights issue. In May 2009 B&B together with its legal advisors responded to the allegations raised. Nothing further was heard until 23 January 2012 when correspondence was received from the solicitors representing the former shareholders, to which B&B together with its legal advisors responded. This correspondence contained no further allegations or details of the former shareholders' potential claim. It is not possible at this stage to determine the outcome or timing of any conclusion to this matter. No provision has been made in respect of these allegations.

(b) The Group has provided certain warranties and indemnities to Prudential and to Blackstone in respect of the sale of loans in March 2017. The sale agreements set various time limits for bringing claims under the warranties. For most of the warranties this time limit is 12 months from the date on which legal title is transferred to the purchasing entities; legal title is expected to transfer no later than April 2018.

(c) The Group provided certain warranties and indemnities to Computershare in respect of the transfer of the mortgage servicing business. The sale contract set various time limits for bringing claims under the warranties and indemnities which vary depending upon their nature, with the majority being limited to June 2018. No provision has been made.

(d) The Group's lending and other consumer credit business is governed by consumer credit law and other regulations. Claims upheld in favour of customers in relation to potential breaches of requirements could result in costs to the Group. It is not possible to provide any meaningful estimate or range of the possible cost.

16. Risks and uncertainties

The Directors are aware of the following material risks and uncertainties which may affect B&B during the period to 31 March 2018:

- external economic factors including unemployment, house price movements, the extent and timing of changes in interest rates and the rate of interest charged on the WCF;
- the impact of the UK leaving the European Union, including any impact on the economic factors noted above, plus any subsequent changes to laws and regulations applicable to companies operating within the UK and any changes to UK government policy in relation to state owned assets;
- regulatory and conduct risk relating to products and services not meeting customer expectations resulting in potentially unfair outcomes for customers;
- the risks and potential impacts of externally generated cyber security threats; and
- the risk of service disruption and/or not receiving services in line with contractual provisions from third party service providers or any subsequent termination of a third party contract.

There may be other risks that are not listed above that the Directors are not aware of or that the Directors do not consider material.

The business, financial condition or results of operations of B&B could be adversely affected by any of these risks. Further discussion of risk management and control were provided on pages 9-11 of B&B's 2017 Annual Report & Accounts.

Notes to the Financial Information (continued)

17. Events after the reporting period

Subsequent to the Balance Sheet date, the Company launched a further asset sales process that, subject to market conditions and value for money, is expected to result in the full repayment of the FSCS loan.

The financial information in this document is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2017 are not the statutory accounts for that financial year for Bradford & Bingley plc. The 2017 statutory accounts of Bradford & Bingley plc have been reported on by that company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. This document may contain forward-looking statements with respect to certain plans and current goals and expectations relating to the future financial conditions, business performance and results of Bradford & Bingley plc. 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 Bradford & Bingley plc including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuation in interest rates and exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, risks concerning borrower credit quality, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Bradford & Bingley plc and its affiliates operate. As a result, the actual future financial condition, business performance and results of Bradford & Bingley plc may differ materially from the plans, goals and expectations expressed or implied in these forward- looking statements.

Statement of Directors' Responsibilities

The Directors confirm that this Interim Financial Report has been prepared in accordance with IAS 34 as adopted by the European Union and that the management commentary and related notes includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of Bradford & Bingley plc at the date of this report are:

John Tattersall
Ian Hares
Sue Langley
Brendan McDonagh
Keith Morgan
Peter Norton
Brendan Russell

On behalf of the Board

John Tattersall
Chairman
29 November 2017

Ian Hares
Chief Executive Officer
29 November 2017

Bradford & Bingley plc. Registered Office: Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.
Registered in England and Wales under company number 03938288.

Independent Review Report to Bradford & Bingley plc

I have been engaged by the Company to review the Condensed Consolidated Set of Interim Financial Statements for Bradford & Bingley plc for the six months ended 30 September 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related explanatory notes. These are set out within Section B of the UK Asset Resolution Limited Interim Financial Report for the six months to 30 September 2017.

I have read the other information contained in the Bradford & Bingley plc Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistences with the information in the Condensed Interim Financial Statements.

Respective responsibilities of the Directors and the Auditor

The Bradford & Bingley plc Interim Financial Report, including the Condensed Consolidated Set of Interim Financial Statements, is the responsibility of, and has been approved by, the Directors of Bradford & Bingley plc. As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 of the Bradford & Bingley plc Interim Financial Report, the financial reporting framework that has been applied in the preparation of the full annual Financial Statements of the Group is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The Condensed Consolidated Set of Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

My responsibility is to express to the Company a conclusion on the Condensed Consolidated Set of Interim Financial Statements in the Bradford & Bingley plc Interim Financial Report.

Scope of Review

I conducted my review in accordance with International Standard on Review Engagements (UK & Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying Condensed Consolidated Set of Financial Statements in the Bradford & Bingley plc Interim Financial Report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Hilary Lower (Senior Statutory Auditor)
29 November 2017

For and on behalf of the
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Section C

NRAM Limited Group

Interim Financial Report

for the 6 months to 30 September 2017

Key Highlights

- Balance Sheet reduced by a further £1.0bn in the last six months to £8.8bn.
- Government loan repayments of £1.0bn in the six months (H1 2016/17: £2.0bn, FY 2016/17: £2.9bn).
- Mortgage accounts three or more months in arrears, including those in possession, fell by 8.8% from the year end to 2,308 (H1 2016/17: 2,977; FY 2016/17: 2,532).
- Reflecting reducing mortgage balances underlying profit before tax of £137.5m for the first six months was 23.3% lower than the comparable period in 2016/17 (H1 2016/17: £179.2m; FY 2016/17: £331.4m).
- Statutory profit before tax of £100.0m including £39.2m charge in relation to PPI provisions (H1 2016/17: £279.9m; FY 2016/17: £373.9m).

1. Financial Information

These results are for the six month reporting period to 30 September 2017. Where appropriate to show half year and full year comparisons, the unaudited six month period to 30 September 2016 ('H1 2016/17') and audited 12 month period to 31 March 2017 ('FY 2016/17') are used respectively in these interim accounts.

Underlying profit before tax for the six months was £137.5m, a decrease of £41.7m from September 2016 (H1 2016/17: £179.2m; FY 2016/17: £331.4m). The reduction was primarily driven by lower net interest income as a result of the shrinking Balance Sheet.

Statutory profit before tax for the six months was £100.0m (H1 2016/17: £279.9m; FY 2016/17: £373.9m). The £179.9m decrease primarily reflects the reduction in underlying profit and the prior year benefiting from a £51.0m profit on sale of loans and an insurance recovery of £50.0m.

Our objective remains to reduce the NRAM Limited (‘NRAM’) Balance Sheet to facilitate the orderly repayment of the government loan, whilst maximising value for the taxpayer and serving our customers well and treating them fairly. Since the formation of UK Asset Resolution Limited (‘UKAR’) in October 2010, the NRAM Balance Sheet has reduced by £61.0bn, including £27.0bn of customer loan repayments and £14.4bn of asset sales, which have facilitated the repayment of £42.4bn of wholesale funding and £18.2bn of government funding.

In the six months to 30 September 2017 the Balance Sheet reduced by a further £1.0bn (H1 2016/17: £2.0bn; FY 2016/17: £2.9bn) principally due to the repayment of £1.0bn of government funding (H1 2016/17: £2.0bn; FY 2016/17: £2.9bn). Repayments have been funded largely from a 7.8% reduction in lending balances reflecting £0.6bn of secured residential redemptions and £0.1bn of other movements. As at 30 September 2017 lending balances stand at £7.9bn (H1 2016/17: £9.3bn; FY 2016/17: £8.6bn).

The total number of mortgage cases three or more months in arrears, including those in possession, reduced by 8.8% from 31 March 2017 to 2,308 cases as at 30 September 2017 (H1 2016/17: 2,977; FY 2016/17: 2,532). The total value of arrears owed by customers has fallen by £1.5m to £23.8m during the six months to 30 September 2017, a reduction of 5.9%. This reduction was driven by proactive arrears management and the continued low interest rate environment. The proportion of total accounts 3 or more months in arrears has decreased from 3.78% at 31 March 2017 to 3.71% at 30 September 2017 (H1 2016/17: 4.15%).

Administrative expenses for the six months were 2.9% higher than the equivalent period in 2016/17 at £21.4m (H1 2016/17: £20.8m; FY 2016/17: £38.3m) due to the sale of Bradford & Bingley plc (‘B&B’) assets giving NRAM a higher proportion of the UKAR cost base.

The publication of the FCA’s Policy Statement PS17/3 ‘Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance’ set a deadline date for PPI complaints at 29 August 2019 and confirmed the approach in relation to Plevin v Paragon Personal Finance Limited (‘Plevin’). The rules and guidance include an FCA-led communications campaign to raise awareness of the deadline and the requirement to proactively contact previously rejected mis-selling complainants who are eligible to complain again following the Plevin decision. Reflecting heightened awareness of the PPI deadline, actual claims volumes received during the period have been higher than previously modelled and therefore the provision has been increased by £39.2m.

Provisions include £140.4m (H1 2016/17: £115.2m; FY 2016/17: £132.1m) in respect of remediation, including PPI.

Key Highlights (continued)

2. Customers and Conduct

The total number of customers continues to fall in line with our objective to reduce our Balance Sheet. In total, NRAM has 70,000 customers (H1 2016/17: 80,000; FY 2016/17: 75,000), with 62,000 mortgage accounts (H1 2016/17: 72,000; FY 2016/17: 67,000) and 32,000 unsecured personal loan accounts (H1 2016/17 38,000; FY 2016/17: 35,000). The majority of these loans continue to perform well with 91% of mortgage customers up to date with their mortgage payments.

Although our absolute levels of arrears are reducing, we continue to see a number of customers facing financial difficulty including some entering arrears for the first time. We endeavour to contact all customers following a missed payment to understand their specific situation and find solutions to help them manage their mortgage. Where appropriate, we actively encourage customers to seek help from non-fee charging debt advice agencies. Repossession is always viewed as a last resort but unfortunately, in some situations this is inevitable and the best course of action to prevent further indebtedness for the customer. Repossessions continue to decrease and totalled 200 in the six months (H1 2016/17: 200; FY 2016/17: 451).

In addition to our contact strategies for customers in arrears, we also engage proactively with other potentially vulnerable customers who may need help with their financial situation to ensure they are ready for the future. In January 2017 we launched a campaign to our Buy-to-Let borrowers to inform them of recent changes to the tax rules surrounding Buy-to-Let loans and to help them plan ahead.

Other Information

NRAM Limited

Northern Rock was nationalised and taken into government ownership in February 2008 and was then restructured into two legal entities with effect from 1 January 2010 - Northern Rock plc (which was subsequently sold to Virgin Money) and NRAM plc. NRAM plc retained the majority of the pre-existing mortgage book and all pre-existing unsecured loan accounts. On 5 May 2016, UKAR sold NRAM plc to Cerberus. Prior to the sale, on 30 April 2016, assets and liabilities not included in the transaction transferred from NRAM plc to a newly established subsidiary of UKAR, known as NRAM (No.1) Limited. On 18 July 2016, NRAM (No.1) Limited changed its name to NRAM Limited. NRAM Limited is closed to new lending but continues to provide services to 70,000 existing borrowers, with 62,000 mortgage accounts and 32,000 unsecured loan accounts.

NRAM had no employees during the periods presented. Services were provided to NRAM by B&B, both directly and through the outsourcing arrangement with Computershare Mortgage Services Limited (‘Computershare’).

Key Performance Indicators

In addition to the primary Financial Statements, NRAM has adopted the following key performance indicators in managing business performance in the context of its strategic priorities.

	September 2017	September 2016	March 2017
Underlying Profit Before Tax	**£137.5m**	£179.2m	£331.4m
- Statutory Profit Before Tax [1]	£100.0m	£279.9m	£373.9m
- Net Interest Margin on Average Interest Earning Assets	3.06	3.06	3.06
1 An analysis of the difference between statutory and underlying profit is provided on page 50.			
Government Loan Repayments	**£1.0bn**	£2.0bn	£2.9bn
- Government Loan Balance	£3.6bn	£5.5bn	£4.6bn
- Total Lending Balances	£7.9bn	£9.3bn	£8.6bn
3m+ Residential Arrears	**2,308**	2,977	2,532
- Residential Arrears Balance as a percentage of the Total Residential Mortgage Balance (%)	0.32	0.32	0.31
- Residential Payments Overdue	£23.8m	£28.2m	£25.3m
- Residential Arrears 3 months and over and possessions as a percentage of the book:			
- By value (%)	4.87	5.38	5.00
- By number of accounts (%)	3.71	4.15	3.78
Administrative Expenses	**£21.4m**	£20.8m	£38.3m
- Ratio of costs to average interest earning assets (%)	0.47	0.37	0.36

Business Review

In addition to the statutory measure of profit, the Board believes it is appropriate to assess performance based on the underlying profit of the business, which excludes the remediation of inherited regulatory defects and any associated insurance claims, certain gains or losses such as the sale of assets and movements in fair value relating to financial instruments.

An analysis of the difference between the statutory accounting measure of profit and the underlying profit of the NRAM Group is provided in the table below.

Summary Income Statement

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Net interest income	**138.9**	169.9	321.5
Underlying net non-interest income*	**10.9**	(1.3)	(2.9)
Underlying total income	**149.8**	168.6	318.6
Administrative expenses	**(21.4)**	(20.8)	(38.3)
Impairment release on loans to customers	**8.9**	30.1	49.7
Net impairment release on investment securities	**0.2**	1.3	1.4
Underlying profit before taxation	**137.5**	179.2	331.4
Unrealised fair value movements on financial instruments	**0.1**	(0.3)	1.6
Insurance claim	**-**	50.0	50.0
Provision for customer redress	**(39.2)**	-	(60.1)
Profit on sale of loans	**1.6**	51.0	51.0
Statutory profit before taxation	**100.0**	279.9	373.9

* *Underlying net non-interest income includes net fee and commission income, net realised gains less losses on investment securities and other operating income.*

Summary Balance Sheet

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Cash at bank and in hand	**673.6**	696.0	700.5
Investment securities	**-**	298.2	260.0
Loans to customers:			
- residential mortgages	**7,521.6**	8,841.9	8,156.9
- commercial loans	**78.0**	102.9	78.9
- unsecured loans	**283.7**	346.9	317.8
Derivative financial instruments	**-**	0.1	1.8
Retirement benefit assets	**194.9**	264.3	222.1
Other assets	**13.0**	70.2	19.4
Total assets	**8,764.8**	10,620.5	9,757.4
HM Treasury loans	**3,618.0**	5,520.1	4,594.2
Wholesale funding	**210.5**	210.5	204.2
Derivative financial instruments	**1.5**	5.8	2.5
Other liabilities	**220.9**	229.2	267.1
Equity	**4,713.9**	4,654.9	4,689.4
Total equity and liabilities	**8,764.8**	10,620.5	9,757.4

NRAM Limited Condensed Financial Statements

Consolidated Income Statement

	Note	**6 months to 30 Sept 2017 £m**	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Interest receivable and similar income	3	**171.7**	222.0	412.0
Interest expense and similar charges	3	**(32.8)**	(52.1)	(90.5)
Net interest income	3	**138.9**	169.9	321.5
Fee and commission income		**1.5**	1.9	3.6
Fee and commission expense		**(6.0)**	(6.0)	(12.0)
Net fee and commission income		**(4.5)**	(4.1)	(8.4)
Net realised gains less losses on investment securities	4	**15.3**	1.9	4.3
Unrealised fair value movements on financial instruments		**0.1**	(0.3)	1.6
Other operating income		**0.1**	0.9	1.2
Non-interest income		**11.0**	(1.6)	(1.3)
Total income		**149.9**	168.3	320.2
Administrative expenses	5	**(21.4)**	(20.8)	(38.3)
Provision for customer redress	11	**(39.2)**	-	(60.1)
Insurance claim		**-**	50.0	50.0
Impairment on loans to customers	8	**8.9**	30.1	49.7
Net impairment release on investment securities		**0.2**	1.3	1.4
Profit on sale of loans	7	**1.6**	51.0	51.0
Profit before taxation		**100.0**	279.9	373.9
Taxation	6	**(27.2)**	(46.0)	(68.4)
Profit for the period		**72.8**	233.9	305.5

The results above arise from continuing activities.

NRAM Limited Condensed Financial Statements (continued)

Consolidated Statement of Comprehensive Income

6 months to 30 September 2017	**Gross of tax £m**	**Tax £m**	**Net of tax £m**
Profit for the period	**100.0**	**(27.2)**	**72.8**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
- retirement benefit remeasurements	**(59.6)**	**11.3**	**(48.3)**
	(59.6)	**11.3**	**(48.3)**
Total other comprehensive income	**(59.6)**	**11.3**	**(48.3)**
Total comprehensive income for the period	**40.4**	**(15.9)**	**24.5**

6 months to 30 September 2016	Gross of tax £m	Tax £m	Net of tax £m
Profit for the period	279.9	(46.0)	233.9
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale instruments:			
- amounts transferred from available-for-sale reserve and recognised in profit during the period	19.8	(4.0)	15.8
	19.8	(4.0)	15.8
Items that will not be reclassified subsequently to profit or loss:			
- retirement benefit remeasurements	0.8	(0.2)	0.6
	0.8	(0.2)	0.6
Total other comprehensive income	20.6	(4.2)	16.4
Total comprehensive income for the period	300.5	(50.2)	250.3

12 months to 31 March 2017	Gross of tax £m	Tax £m	Net of tax £m
Profit for the year	373.9	(68.4)	305.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale instruments:			
- amounts transferred from available-for-sale reserve and recognised in profit during the year	19.8	(4.0)	15.8
	19.8	(4.0)	15.8
Items that will not be reclassified subsequently to profit or loss:			
- retirement benefit remeasurements	(48.1)	11.6	(36.5)
	(48.1)	11.6	(36.5)
Total other comprehensive income	(28.3)	7.6	(20.7)
Total comprehensive income for the year	345.6	(60.8)	284.8

NRAM Limited Condensed Financial Statements (continued)

Consolidated Balance Sheet

	Note	**30 Sept 2017 £m**	30 Sept 2016 £m	31 Mar 2017 £m
Assets				
Cash at bank and in hand		**673.6**	696.0	700.5
Investment securities	4	**-**	298.2	260.0
Loans to customers	7	**7,883.3**	9,291.7	8,553.6
Derivative financial instruments		**-**	0.1	1.8
Other assets		**13.0**	70.2	19.4
Retirement benefit assets		**194.9**	264.3	222.1
Total assets		**8,764.8**	10,620.5	9,757.4
Liabilities				
HM Treasury loans		**3,618.0**	5,520.1	4,594.2
Derivative financial instruments		**1.5**	5.8	2.5
Debt securities in issue		**210.5**	210.5	204.2
Other liabilities		**48.0**	34.5	46.3
Current tax liabilities		**5.5**	29.2	50.4
Deferred tax liabilities		**26.7**	48.5	38.0
Provisions	11	**140.7**	117.0	132.4
Total liabilities		**4,050.9**	5,965.6	5,068.0
Equity				
Issued capital and reserves attributable to owners of the parent:				
- share capital		**124.0**	124.0	124.0
- reserves	12	**3,088.2**	3,442.1	3,263.5
- retained earnings		**1,501.7**	1,088.8	1,301.9
Share capital and reserves attributable to owners of the parent		**4,713.9**	4,654.9	4,689.4
Total equity and liabilities		**8,764.8**	10,620.5	9,757.4

NRAM Limited Condensed Financial Statements (continued)

Consolidated Statement of Changes in Equity

6 months to 30 September 2017	**Share capital £m**	**Share premium reserve £m**	**Merger reserve £m**	**Other reserves £m**	**Retained earnings £m**	**Total share capital and reserves £m**
At 1 April 2017	**124.0**	**1,022.0**	**2,241.5**	**-**	**1,301.9**	**4,689.4**
Other comprehensive income/(expense):						
- retirement benefit remeasurements	**-**	**-**	**-**	**-**	**(59.6)**	**(59.6)**
- tax effects of the above	**-**	**-**	**-**	**-**	**11.3**	**11.3**
Total other comprehensive income/(expense)	**-**	**-**	**-**	**-**	**(48.3)**	**(48.3)**
Profit for the period	**-**	**-**	**-**	**-**	**72.8**	**72.8**
Release of merger reserve	**-**	**-**	**(175.3)**	**-**	**175.3**	**-**
Total comprehensive income/(expense)	**-**	**-**	**(175.3)**	**-**	**199.8**	**24.5**
At 30 September 2017	**124.0**	**1,022.0**	**2,066.2**	**-**	**1,501.7**	**4,713.9**

6 months to 30 September 2016	Share capital £m	Share premium reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total share capital and reserves £m
At 1 April 2016	124.0	1,022.0	3,175.9	(15.8)	98.5	4,404.6
Other comprehensive income/(expense):						
- net movement in available-for-sale reserve	-	-	-	19.8	-	19.8
- retirement benefit remeasurements	-	-	-	-	0.8	0.8
- tax effects of the above	-	-	-	(4.0)	(0.2)	(4.2)
Total other comprehensive income/(expense)	-	-	-	15.8	0.6	16.4
Profit for the period	-	-	-	-	233.9	233.9
Release of merger reserve	-	-	(755.8)	-	755.8	-
Total comprehensive income/(expense)	-	-	(755.8)	15.8	990.3	250.3
At 30 September 2016	124.0	1,022.0	2,420.1	-	1,088.8	4,654.9

12 months to 31 March 2017	Share capital £m	Share premium reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total share capital and reserves £m
At 1 April 2016	124.0	1,022.0	3,175.9	(15.8)	98.5	4,404.6
Other comprehensive income/(expense):						
- net movement in available-for-sale reserve	-	-	-	19.8	-	19.8
- retirement benefit remeasurements	-	-	-	-	(48.1)	(48.1)
- tax effects of the above	-	-	-	(4.0)	11.6	7.6
Total other comprehensive income/(expense)	-	-	-	15.8	(36.5)	(20.7)
Profit for the year	-	-	-	-	305.5	305.5
Release of merger reserve	-	-	(934.4)	-	934.4	-
Total comprehensive income	-	-	(934.4)	15.8	1,203.4	284.8
At 31 March 2017	124.0	1,022.0	2,241.5	-	1,301.9	4,689.4

NRAM Limited Condensed Financial Statements (continued)

Consolidated Cash Flow Statement

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Cash flows from operating activities			
Profit before taxation for the period	**100.0**	279.9	373.9
Adjustments to reconcile profit to cash generated from operating activities:			
- provision for customer redress	**39.2**	-	60.1
- defined benefit pension scheme credits	**(2.4)**	(4.0)	(8.2)
- cash contributions to defined benefit pension scheme	**(30.0)**	(30.0)	(30.0)
- impairment on loans to customers	**(8.9)**	(30.1)	(49.7)
- net impairment release on investment securities	**(0.2)**	(1.3)	(1.4)
- profit on sale of loans	**(1.6)**	(51.0)	(51.0)
- other non-cash movements	**(7.4)**	(20.3)	1.4
Cash flows generated from operating activities before changes in operating assets and liabilities	**88.7**	143.2	295.1
Net decrease/(increase) in operating assets:			
- loans to customers	**679.2**	829.2	1,586.9
- sale of loans	**-**	404.3	404.3
- derivative financial instruments receivable	**1.8**	11.4	9.7
- other assets	**6.4**	(50.9)	(0.1)
Net (decrease)/increase in operating liabilities:			
- amounts due to banks	**-**	(0.6)	(0.6)
- derivative financial instruments payable	**(1.0)**	(5.9)	(9.2)
- debt securities in issue	**-**	(44.7)	(44.7)
- other liabilities	**5.2**	(37.7)	(37.3)
- provisions	**(30.9)**	(76.3)	(63.1)
Income tax paid	**(72.1)**	(57.4)	(101.5)
Net cash generated from operating activities	**677.3**	1,114.6	2,039.5
Cash flows from investing activities:			
- proceeds from sale and redemption of investment securities	**270.8**	78.1	82.7
Net cash generated from investing activities	**270.8**	78.1	82.7
Cash flows used in financing activities:			
- repayment of HM Treasury loans	**(975.0)**	(1,941.7)	(2,866.7)
Net cash used in financing activities	**(975.0)**	(1,941.7)	(2,866.7)
Net decrease in cash and cash equivalents	**(26.9)**	(749.0)	(744.5)
Cash and cash equivalents at beginning of period	**700.4**	1,444.9	1,444.9
Cash and cash equivalents at end of period	**673.5**	695.9	700.4
Represented by cash and assets with original maturity of three months or less within:			
- cash at bank and in hand	**673.5**	695.9	700.4
Total cash and cash equivalents at end of period	**673.5**	695.9	700.4

Notes to the Financial Information

1. Reporting entity

NRAM Limited ('NRAM' or 'the Company') is a private limited company incorporated and domiciled in the United Kingdom.

The financial information in this Interim Financial Report consolidates NRAM and its subsidiaries, together referred to as the NRAM Group or 'the Group'. NRAM's Consolidated Financial Statements for the year ended 31 March 2017 are included in NRAM's 2017 Annual Report & Accounts available on UKAR's website www.ukar.co.uk.

2. Basis of preparation

This Interim Financial Report has been prepared on a going concern basis. At the date of approval of this Interim Financial Report, NRAM is reliant on the financing facilities provided to NRAM by HM Treasury. Withdrawal of the financing facilities would have a significant impact on NRAM's operations and its ability to continue as a going concern, in which case adjustments may have to be made to reduce the carrying value of assets to recoverable amounts and to provide for further liabilities that might arise. At the date of approval of this Interim Financial Report, HM Treasury has confirmed its intentions to continue to provide funding until at least 1 January 2019.

There have been no material changes to the accounting policies previously applied by the NRAM Group in preparing, and detailed in, its Annual Report & Accounts for the period ended 31 March 2017, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The Directors consider that the NRAM Group's accounting policies are the most appropriate to its circumstances, have been consistently applied in dealing with items which are considered material and are supported by reasonable and prudent estimates and judgements.

The preparation of this Interim Financial Report requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the Balance Sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

This Interim Financial Report has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The information in this document does not include all of the disclosures required by IFRS in full annual financial statements, and it should be read in conjunction with the Consolidated Financial Statements of NRAM for the year ended 31 March 2017.

With effect from 1 April 2018, the Group will apply IFRS 9 'Financial Instruments'. The main impact of this will be on the measurement and provisioning of loans to customers. At the point of transition to IFRS 9, the Group's loan assets are expected to be classified as 'held to collect and sell' and therefore carried on Balance Sheet at fair value. From that point on, impairment will be taken through the Income Statement, with the balancing fair value movements taken through other comprehensive income.

Notes to the Financial Information (continued)

3. Net interest income

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Interest receivable and similar income			
On secured loans	**159.6**	201.7	374.3
On other lending	**9.3**	11.5	21.6
On investment securities and deposits	**2.8**	8.8	16.1
Total interest receivable and similar income	**171.7**	222.0	412.0
Interest expense and similar charges			
On amounts due to banks and HM Treasury	**(26.4)**	(45.5)	(77.4)
On debt securities and other	**(6.4)**	(6.6)	(13.1)
Total interest expense and similar charges	**(32.8)**	(52.1)	(90.5)
Net interest income	**138.9**	169.9	321.5
Average balances			
Interest-earning assets ('IEA')	**9,060**	11,101	10,519
Financed by:			
- interest-bearing funding	**4,361**	6,570	5,939
- interest-free funding*	**4,699**	4,531	4,580
Average rates:	**%**	%	%
- gross yield on IEA	**3.78**	3.99	3.92
- cost of interest-bearing funding	**(1.50)**	(1.58)	(1.52)
Interest spread	**2.28**	2.41	2.40
Contribution of interest-free funding*	**0.78**	0.65	0.66
Net interest margin on average IEA	**3.06**	3.06	3.06
Average Bank Base Rate	**0.25**	0.42	0.34
Average 1-month LIBOR	**0.25**	0.43	0.34
Average 3-month LIBOR	**0.30**	0.51	0.44

* *Interest-free funding is calculated as an average over the financial period and includes share capital and reserves.*

4. Net realised gains less losses on investment securities

During the period the Company sold investment securities for £270.8m (30 September 2016: £78.1m; 31 March 2017: £82.7m), generating a profit of £15.3m (30 September 2016: £1.9m; 31 March 2017: £4.3m).

5. Administrative expenses

The NRAM Group had no employees during the periods presented as services were provided to the NRAM Group by B&B, which has a mortgage outsourcing arrangement with Computershare.

	6 months to 30 Sept 2017 £m	6 months to 30 Sept 2016 £m	12 months to 31 Mar 2017 £m
Defined benefit pension credit	**(2.4)**	(4.0)	(8.2)
IT costs	**0.2**	0.2	(1.9)
Outsourced and professional services	**0.3**	0.5	1.1
Other administrative expenses	**0.5**	2.7	1.3
	(1.4)	(0.6)	(7.7)
Management recharge from B&B	**22.8**	21.4	46.0
Total administrative expenses	**21.4**	20.8	38.3

Notes to the Financial Information (continued)

6. Taxation

Taxation appropriately reflects changes in tax rates which had been substantively enacted by 30 September 2017.

The tax charge for each period included nil overseas tax charge. An effective tax rate of 27.2% has been applied to the Group's profits for the period. This is higher than the standard corporation tax rate in the period of 19% (year ended 31 March 2017: 20%) primarily due to the increase in PPI customer compensation provisions which are disallowable for tax purposes.

No deferred tax assets were unrecognised at 30 September 2017, 30 September 2016 or 31 March 2017. No deferred tax assets have been recognised in respect of tax losses carried forward.

7. Loans to customers

Residential mortgages include all of the NRAM Group's buy-to-let loans. Commercial loans comprise loans secured on commercial properties. The 'Together' product, previously offered by the Group, combines a secured and unsecured loan all at one interest rate. Outstanding secured balances in respect of this product are included within total residential mortgages while outstanding unsecured balances are included within unsecured loans.

All of the NRAM Group's loans to customers are to UK customers.

Balances include accounting adjustments in respect of provisioning requirements.

Loans to customers and redemptions comprise the following product types:

Balances	**30 Sept 2017**		30 Sept 2016		31 Mar 2017	
	£m	**%**	£m	%	£m	%
Residential mortgages						
Buy-to-let	**2,257.1**	**30**	2,605.7	30	2,420.9	30
Together	**2,565.0**	**34**	3,100.8	35	2,824.0	34
Standard and other	**2,699.5**	**36**	3,135.4	35	2,912.0	36
Total residential mortgages	**7,521.6**	**100**	8,841.9	100	8,156.9	100
Residential loans	**7,521.6**	**95**	8,841.9	95	8,156.9	95
Commercial loans	**78.0**	**1**	102.9	1	78.9	1
Total secured loans	**7,599.6**	**96**	8,944.8	96	8,235.8	96
Unsecured loans	**283.7**	**4**	346.9	4	317.8	4
Total	**7,883.3**	**100**	9,291.7	100	8,553.6	100

Redemptions	**6 months to 30 Sept 2017**	6 months to 30 Sept 2016	12 months to 31 Mar 2017
	£m	£m	£m
Residential mortgages			
Buy-to-let	**(157.3)**	(181.4)	(361.9)
Together	**(231.9)**	(303.5)	(552.2)
Standard and other	**(187.5)**	(233.7)	(423.3)
Total residential mortgages	**(576.7)**	(718.6)	(1,337.4)
Residential loans	**(576.7)**	(718.6)	(1,337.4)
Commercial loans	**(0.5)**	(7.7)	(30.9)
Total secured loans	**(577.2)**	(726.3)	(1,368.3)
Unsecured loans	**(16.6)**	(21.8)	(39.3)
Total	**(593.8)**	(748.1)	(1,407.6)

Redemptions comprise full redemptions, voluntary partial redemptions and cash receipts from possessions, but exclude overpayments, regular monthly payments and asset sales.

During the period £1.6m of gains were recognised in relation to loan sales in prior years. During the six months to 30 September 2016 a profit of £51.0m was generated by the sale by the Company of its shareholding in NRAM plc.

Notes to the Financial Information (continued)

8. Impairment on loans to customers

Allowances for credit losses against loans to customers have been made as follows:

6 months to 30 September 2017	**On residential mortgages £m**	**On commercial loans £m**	**On unsecured loans £m**	**Total £m**
At 1 April 2017	**158.8**	**12.3**	**74.9**	**246.0**
Movements during the period:				
- write-offs	**(11.2)**	**-**	**(8.4)**	**(19.6)**
- loan impairment charge/(credit)	**0.6**	**(0.1)**	**(1.4)**	**(0.9)**
Net movements during the period	**(10.6)**	**(0.1)**	**(9.8)**	**(20.5)**
At 30 September 2017	**148.2**	**12.2**	**65.1**	**225.5**
The Income Statement credit comprises:				
- loan impairment charge/(credit)	**0.6**	**(0.1)**	**(1.4)**	**(0.9)**
- recoveries net of costs	**(4.6)**	**(3.4)**	**-**	**(8.0)**
Total Income Statement credit	**(4.0)**	**(3.5)**	**(1.4)**	**(8.9)**

6 months to 30 September 2016	On residential mortgages £m	On commercial loans £m	On unsecured loans £m	Total £m
At 1 April 2016	214.9	9.3	96.2	320.4
Movements during the period:				
- write-offs	(17.8)	-	(3.8)	(21.6)
- loan impairment (credit)/charge	(20.3)	3.1	(4.2)	(21.4)
- sale of loan book	(1.8)	-	(1.1)	(2.9)
Net movements during the period	(39.9)	3.1	(9.1)	(45.9)
At 30 September 2016	175.0	12.4	87.1	274.5
The Income Statement credit comprises:				
- loan impairment (credit)/charge	(20.3)	3.1	(4.2)	(21.4)
- recoveries net of costs	(4.8)	(3.9)	-	(8.7)
Total Income Statement credit	(25.1)	(0.8)	(4.2)	(30.1)

12 months to 31 March 2017	On residential mortgages £m	On commercial loans £m	On unsecured loans £m	Total £m
At 1 April 2016	214.9	9.3	96.2	320.4
Movements during the year:				
- write-offs	(29.0)	-	(6.3)	(35.3)
- loan impairment (credit)/charge	(25.3)	3.0	(13.9)	(36.2)
- sale of loan book	(1.8)	-	(1.1)	(2.9)
Net movements during the year	(56.1)	3.0	(21.3)	(74.4)
At 31 March 2017	158.8	12.3	74.9	246.0
The Income Statement credit comprises:				
- loan impairment (credit)/charge	(25.3)	3.0	(13.9)	(36.2)
- recoveries net of costs	(9.7)	(3.8)	-	(13.5)
Total Income Statement credit	(35.0)	(0.8)	(13.9)	(49.7)

In the Balance Sheet the carrying values of loans to customers are presented net of these allowances.

Notes to the Financial Information (continued)

9. Credit quality of loans to customers

In respect of loans to residential customers, the NRAM Group holds collateral in the form of mortgages over residential properties. The fair value of this collateral was as follows:

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Neither past due nor impaired	**11,179.1**	12,485.4	11,747.7
Past due but not impaired	**782.6**	1,035.4	781.0
Impaired	**169.3**	210.6	197.0
Total	**12,131.0**	13,731.4	12,725.7

If the collateral amount on each individual loan was capped at the amount of the balance outstanding and any surplus of collateral values over balances outstanding ignored, the fair value of collateral held would be as follows:

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Neither past due nor impaired	**6,956.4**	8,049.8	7,550.3
Past due but not impaired	**515.3**	708.3	540.0
Impaired	**131.9**	161.8	153.4
Total	**7,603.6**	8,919.9	8,243.7
The impaired balances above include the following carrying amount of assets in possession, capped at the balance outstanding	**22.5**	22.6	24.5

The fair value of the collateral is estimated by taking the most recent valuation of the property and adjusting for house price inflation or deflation up to the Balance Sheet date.

The indexed loan to value ('LTV') of residential loan balances, weighted by loan balance, falls into the following ranges:

	30 Sept 2017 %	30 Sept 2016 %	31 Mar 2017 %
To 50%	**9.3**	7.6	7.6
50% to 75%	**48.6**	42.8	43.2
75% to 100%	**37.1**	44.0	43.6
Over 100%	**5.0**	5.6	5.6
Total	**100.0**	100.0	100.0

The average indexed LTV based on a simple average is 63.2% (30 September 2016: 65.7%; 31 March 2017: 65.4%) and on a weighted average is 67.1% (30 September 2016: 74.7%; 31 March 2017: 68.8%).

				30 September 2017
	Residential mortgages £m	**Commercial loans £m**	**Unsecured loans £m**	**Total £m**
Neither past due nor impaired	**7,009.0**	**65.2**	**285.9**	**7,360.1**
Past due but not impaired:				
- less than 3 months	**287.0**	**-**	**10.8**	**297.8**
- 3 to 6 months	**140.3**	**-**	**3.2**	**143.5**
- over 6 months	**93.0**	**-**	**42.5**	**135.5**
Impaired	**140.5**	**25.0**	**6.4**	**171.9**
	7,669.8	**90.2**	**348.8**	**8,108.8**
Impairment allowances	**(148.2)**	**(12.2)**	**(65.1)**	**(225.5)**
Loans to customers net of impairment allowances	**7,521.6**	**78.0**	**283.7**	**7,883.3**
Impairment allowances:				
- individual	**12.9**	**12.2**	**12.9**	**38.0**
- collective	**135.3**	**-**	**52.2**	**187.5**
Total impairment allowances	**148.2**	**12.2**	**65.1**	**225.5**

Notes to the Financial Information (continued)

9. Credit quality of loans to customers (continued)

	30 September 2016			
	Residential mortgages £m	Commercial loans £m	Unsecured loans £m	Total £m
Neither past due nor impaired	8,125.5	89.9	358.3	8,573.7
Past due but not impaired:				
- less than 3 months	400.8	-	12.7	413.5
- 3 to 6 months	183.2	-	4.0	187.2
- over 6 months	132.5	-	50.5	183.0
Impaired	174.9	25.4	8.5	208.8
	9,016.9	115.3	434.0	9,566.2
Impairment allowances	(175.0)	(12.4)	(87.1)	(274.5)
Loans to customers net of impairment allowances	8,841.9	102.9	346.9	9,291.7
Impairment allowances:				
- individual	16.9	12.4	20.2	49.5
- collective	158.1	-	66.9	225.0
Total impairment allowances	175.0	12.4	87.1	274.5

	31 March 2017			
	Residential mortgages £m	Commercial loans £m	Unsecured loans £m	Total £m
Neither past due nor impaired	7,607.4	67.5	322.1	7,997.0
Past due but not impaired:				
- less than 3 months	290.3	-	10.8	301.1
- 3 to 6 months	153.0	-	4.1	157.1
- over 6 months	101.6	-	47.8	149.4
Impaired	163.4	23.7	7.9	195.0
	8,315.7	91.2	392.7	8,799.6
Impairment allowances	(158.8)	(12.3)	(74.9)	(246.0)
Loans to customers net of impairment allowances	8,156.9	78.9	317.8	8,553.6
Impairment allowances:				
- individual	15.8	12.3	19.1	47.2
- collective	143.0	-	55.8	198.8
Total impairment allowances	158.8	12.3	74.9	246.0

The above table includes balances within 'neither past due nor impaired' which would have been shown as past due or impaired other than due to renegotiation; these were loans where arrears were capitalised during the previous 12 months. These loans amounted to £0.3m at 30 September 2017 (£1.0m at 30 September 2016; £0.2m at 31 March 2017). A loan is eligible for capitalisation of arrears only once the borrower has complied with stringent terms for a set period.

Notes to the Financial Information (continued)

10. Arrears and possessions on residential mortgages and unsecured loans

Arrears and possessions are monitored for the NRAM Group as a whole and also split by type of product.

			30 Sept 2017	30 Sept 2016		31 Mar 2017	
		Residential	**Unsecured**	Residential	Unsecured	Residential	Unsecured
Arrears 3 months and over							
Number of cases	**No.**	**2,159**	**2,958**	2,826	3,298	2,367	3,281
Proportion of total cases	**%**	**3.47**	**9.17**	3.94	8.69	3.53	9.32
Asset value	**£m**	**339.9**	**48.5**	448.5	58.2	378.9	55.6
Proportion of book	**%**	**4.52**	**17.11**	5.07	16.78	4.65	17.50
Total value of payments overdue	**£m**	**18.3**	**13.7**	22.0	16.3	20.0	15.8
Proportion of total book	**%**	**0.24**	**4.82**	0.25	4.71	0.25	4.97
Possessions							
Number of cases	**No.**	**149**	**-**	151	-	165	-
Proportion of total cases	**%**	**0.24**	**-**	0.21	-	0.25	-
Asset value	**£m**	**26.4**	**-**	27.5	-	28.6	-
Proportion of book	**%**	**0.35**	**-**	0.31	-	0.35	-
Total value of payments overdue	**£m**	**2.1**	**-**	1.7	-	1.8	-
Proportion of total book	**%**	**0.03**	**-**	0.02	-	0.02	-
New possessions *	**No.**	**200**	**-**	200	-	451	-
Total arrears 3 months and over and possessions							
Number of cases	**No.**	**2,308**	**2,958**	2,977	3,298	2,532	3,281
Proportion of total cases	**%**	**3.71**	**9.17**	4.15	8.69	3.78	9.32
Asset value	**£m**	**366.3**	**48.5**	476.0	58.2	407.5	55.6
Proportion of book	**%**	**4.87**	**17.11**	5.38	16.78	5.00	17.50
Total value of payments overdue	**£m**	**20.4**	**13.7**	23.7	16.3	21.8	15.8
Proportion of total book	**%**	**0.27**	**4.82**	0.27	4.71	0.27	4.97

In respect of all arrears (including those which are less than 3 months in arrears) together with possessions, the total value of payments overdue was:

Payments overdue							
Total value of payments overdue	**£m**	**23.8**	**14.5**	28.2	16.5	25.3	16.8
Proportion of total book	**%**	**0.32**	**5.11**	0.32	4.75	0.31	5.30
Loan impairment provision							
As % of total balances	**%**	**1.93**	**18.66**	1.94	20.06	1.91	19.06

** New possessions for the six months to 30 September 2017 and 2016 and the 12 months to 31 March 2017.*

Notes to the Financial Information (continued)

10. Arrears and possessions on residential mortgages and unsecured loans (continued)

Analysis of residential mortgages and unsecured loans 3 months and over in arrears by product

		30 Sept 2017		30 Sept 2016		31 Mar 2017	
		Residential	**Unsecured**	Residential	Unsecured	Residential	Unsecured
Buy-to-let							
Number of cases	**No.**	**137**	**-**	221	-	153	-
Proportion of total cases	**%**	**0.80**	**-**	1.13	-	0.83	-
Asset value	**£m**	**28.3**	**-**	44.5	-	34.4	-
Proportion of book	**%**	**1.25**	**-**	1.71	-	1.42	-
Total value of payments overdue	**£m**	**0.8**	**-**	1.3	-	1.0	-
Proportion of total book	**%**	**0.04**	**-**	0.05	-	0.04	-
Together							
Number of cases	**No.**	**1,000**	**2,958**	1,201	3,298	1,047	3,281
Proportion of total cases	**%**	**3.79**	**9.17**	3.89	8.69	3.66	9.32
Asset value	**£m**	**112.3**	**48.5**	136.6	58.2	119.5	55.6
Proportion of book	**%**	**4.38**	**17.11**	4.40	16.78	4.23	17.50
Total value of payments overdue	**£m**	**5.9**	**13.7**	6.6	16.3	6.2	15.8
Proportion of total book	**%**	**0.23**	**4.82**	0.21	4.71	0.22	4.97
Standard and other							
Number of cases	**No.**	**1,022**	**-**	1,404	-	1,167	-
Proportion of total cases	**%**	**5.45**	**-**	6.57	-	5.82	-
Asset value	**£m**	**199.3**	**-**	267.4	-	225.0	-
Proportion of book	**%**	**7.38**	**-**	8.53	-	7.73	-
Total value of payments overdue	**£m**	**11.6**	**-**	14.1	-	12.8	-
Proportion of total book	**%**	**0.43**	**-**	0.45	-	0.44	-

11. Provisions

Provisions include £140.4m (30 September 2016: £115.2m; 31 March 2017: £132.1m) in respect of potential claims from customers regarding PPI and other customer redress. At 30 September 2017, 30 September 2016 and 31 March 2017 these provisions include redress in respect of loans which were sold to Cerberus; NRAM has indemnified Cerberus against certain customer remediation matters (see note 16(b)). The publication of the FCA's Policy Statement PS17/3 'Payment protection insurance complaints: feedback on CP16/20 and final rules and guidance' set a deadline date for PPI complaints at 29 August 2019 and confirmed the approach in relation to Plevin v Paragon Personal Finance Limited ('Plevin'). The rules and guidance include an FCA-led communications campaign to raise awareness of the deadline and the requirement to proactively contact previously rejected mis-selling complainants who are eligible to complain again following the Plevin decision. Reflecting heightened awareness of the PPI deadline, actual claims volumes received during the period have been higher than previously modelled and therefore the provision has been increased by £39.2m. During the year ended 31 March 2017 provisions were increased by £60.1m in respect of customer remediation.

12. Reserves

Reserves comprise the following:

	30 Sept 2017	30 Sept 2016	31 Mar 2017
	£m	£m	£m
Share premium reserve	**1,022.0**	1,022.0	1,022.0
Merger reserve	**2,066.2**	2,420.1	2,241.5
Total	**3,088.2**	3,442.1	3,263.5

Notes to the Financial Information (continued)

13. Capital structure

NRAM is regulated by the FCA at individual company level, not at NRAM Group level.

Capital resources - NRAM Limited (company only)

	30 Sept 2017 £m	30 Sept 2016 £m	31 Mar 2017 £m
Share capital and reserves	**4,713.6**	4,654.7	4,689.1
Net pension adjustment	**(194.9)**	(264.3)	(222.1)
Total capital	**4,518.7**	4,390.4	4,467.0

14. Fair value disclosures

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value

The following table summarises the carrying amounts and the fair values of financial assets and liabilities:

30 September 2017	**Carrying value £m**	**Fair value £m**
Financial assets:		
Cash at bank and in hand	**673.6**	**673.6**
Loans to customers	**7,883.3**	**7,883.3**
Other financial assets	**12.9**	**12.9**
Total financial assets	**8,569.8**	**8,569.8**

	Carrying value £m	**Fair value £m**
Financial liabilities:		
HM Treasury loans	**3,618.0**	**3,618.0**
Derivative financial instruments	**1.5**	**1.5**
Debt securities in issue	**210.5**	**229.9**
Other financial liabilities	**34.6**	**34.6**
Total financial liabilities	**3,864.6**	**3,884.0**

Notes to the Financial Information (continued)

14. Fair value disclosures (continued)

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value (continued)

30 September 2016	Carrying value £m	Fair value £m
Financial assets:		
Cash at bank and in hand	696.0	696.0
Investment securities	298.2	289.9
Loans to customers	9,291.7	9,291.7
Derivative financial instruments	0.1	0.1
Other financial assets	69.8	69.8
Total financial assets	10,355.8	10,347.5

	Carrying value £m	Fair value £m
Financial liabilities:		
HM Treasury loans	5,520.1	5,520.1
Derivative financial instruments	5.8	5.8
Debt securities in issue	210.5	241.8
Other financial liabilities	23.2	23.2
Total financial liabilities	5,759.6	5,790.9

31 March 2017	Carrying value £m	Fair value £m
Financial assets:		
Cash at bank and in hand	700.5	700.5
Investment securities	260.0	258.4
Loans to customers	8,553.6	8,553.6
Derivative financial instruments	1.8	1.8
Other financial assets	19.4	19.4
Total financial assets	9,535.3	9,533.7

	Carrying value £m	Fair value £m
Financial liabilities:		
HM Treasury loans	4,594.2	4,594.2
Derivative financial instruments	2.5	2.5
Debt securities in issue	204.2	230.9
Other financial liabilities	32.5	32.5
Total financial liabilities	4,833.4	4,860.1

The only financial assets and liabilities which are carried at fair value on the Balance Sheet are derivative financial assets and liabilities.

Loans to customers
Loans to customers include loans of varying rates and maturities. Fair value is estimated by discounting expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses. Market interest rates are based on current lending activity in the mortgage market.

Notes to the Financial Information (continued)

14. Fair value disclosures (continued)

(b) Valuation bases

At 30 September 2017, 31 March 2017 and 30 September 2016 all financial assets and liabilities which were carried at fair value were valued on a ‘Level 2’ basis as defined by IFRS 13 ‘Fair Value Measurement’. There were no transfers between Levels 1, 2 and 3 during the periods presented. Since 31 March 2017 the Group has made no changes to the fair value methodologies applied.

15. Related party disclosures

NRAM considers the Board of Directors and the members of the Executive Committee to be the key management personnel. Transactions during the period with NRAM's key management personnel and other related parties were similar in nature to those during the year ended 31 March 2017 as disclosed in NRAM’s Annual Report & Accounts for that year. NRAM repaid £975.0m of the HM Treasury loan during the six months to 30 September 2017 (6 months to 30 September 2016: £1,941.7m; 12 months to 31 March 2017: £2,866.7m).

16. Contingent liabilities

(a) In 2012, NRAM identified that certain letters and statements had been sent to customers with loans less than £25,000, which did not comply with all the requirements prescribed by the Consumer Credit Act (‘CCA’) following changes to the CCA implemented in 2008 before the separation of NRAM and Northern Rock. Affected customers received redress for any interest charged over the period in which their documentation had been non-compliant. Some loans greater than £25,000 were administered in the same way but were outside the scope of the CCA and therefore did not receive redress. In July 2015 the Court of Appeal found in NRAM’s favour that customers with loans greater than £25,000 should not receive remediation in line with CCA customers despite receiving the same incorrect documentation. Whilst the Court of Appeal provided clarity that loans greater than £25,000 were not covered under the CCA, there is a risk that individual customers could make claims against the Group. This could result in costs to the Group where such claims are upheld. It is not possible to provide any meaningful estimate or range of the possible cost.

(b) The Group provided certain warranties and indemnities to Cerberus in respect of the sale to Cerberus of certain loans and the shares in NRAM plc. The sale agreement set various time limits for bringing claims under the warranties. For most of the warranties this time limit is 5 May 2018 or 5 May 2019, while for certain tax-related warranties the time limit is 5 May 2023.

(c) The Group’s lending and other consumer credit business is governed by consumer credit law and other regulations. Claims upheld in favour of customers in relation to potential breaches of requirements could result in costs to the Group. It is not possible to provide any meaningful estimate or range of the possible cost.

17. Risks and uncertainties

The Directors are aware of the following material risks and uncertainties which may affect NRAM during the period to 31 March 2018:

- external economic factors including unemployment, house price movements, the extent and timing of changes in interest rates and the rate of interest charged on the HM Treasury loan;
- the impact of the UK leaving the European Union, including any impact on the economic factors noted above, plus any subsequent changes to laws and regulations applicable to companies operating within the UK and any changes to UK government policy in relation to state owned assets;
- regulatory and conduct risk relating to products and services not meeting customer expectations resulting in potentially unfair outcomes for customers;
- the risks and potential impacts of externally generated cyber security threats; and
- the risk of service disruption and/or not receiving services in line with contractual provisions from third party service providers or any subsequent termination of a third party contract.

There may be other risks that are not listed above that the Directors are not aware of or that the Directors do not consider material.

The business, financial condition or results of operations of NRAM could be adversely affected by any of these risks. Further discussion of risk management and control were provided on pages 8-10 of NRAM's 2017 Annual Report & Accounts.

Notes to the Financial Information (continued)

18. Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 30 September 2017 to the date of this report that are likely to have a material effect on the NRAM Group's financial position as disclosed in this report.

The financial information in this document is unaudited and does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2017 are not the statutory accounts for that financial year for NRAM Limited. The 2017 statutory accounts of NRAM Limited have been reported on by that company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying th eir report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. This document may contain forward-looking statements with respect to certain plans and current goals and expectations relating to the future financial conditions, business performance and results of NRAM Limited. 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 NRAM Limited including, amongst other things, UK domestic and global economic and business conditions, market related risks such as fluctuation in interest rates and exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, risks concerning borrower credit quality, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which NRAM Limited and its affiliates operate. As a result, the actual future financial condition, business performance and results of NRAM Limited may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

Statement of Directors' Responsibilities

The Directors confirm that this Interim Financial Report has been prepared in accordance with IAS 34 as adopted by the European Union and that the management commentary and related notes includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of NRAM Limited at the date of this report are:

John Tattersall
Ian Hares
Sue Langley
Brendan McDonagh
Keith Morgan
Peter Norton
Brendan Russell

On behalf of the Board

John Tattersall
Chairman
29 November 2017

Ian Hares
Chief Executive Officer
29 November 2017

NRAM Limited. Registered Office: Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.
Registered in England and Wales under company number 09655526.

Independent Review Report to NRAM Limited

I have been engaged by the Company to review the Condensed Consolidated Set of Interim Financial Statements for NRAM Limited for the six months ended 30 September 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related explanatory notes. These are set out within Section C of the UK Asset Resolution Limited Interim Financial Report for the six months to 30 September 2017.

I have read the other information contained in the NRAM Limited Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistences with the information in the Condensed Interim Financial Statements.

Respective responsibilities of the Directors and the Auditor

The NRAM Limited Interim Financial Report, including the Condensed Consolidated Set of Interim Financial Statements, is the responsibility of, and has been approved by, the Directors of NRAM Limited. As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for preparing the Interim Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 of the NRAM Limited Interim Financial Report, the financial reporting framework that has been applied in the preparation of the full annual Financial Statements of the Group is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. The Condensed Consolidated Set of Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

My responsibility is to express to the Company a conclusion on the Condensed Consolidated Set of Interim Financial Statements in the NRAM Limited Interim Financial Report.

Scope of Review

I conducted my review in accordance with International Standard on Review Engagements (UK & Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying Condensed Consolidated Set of Financial Statements in the NRAM Limited Interim Financial Report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Hilary Lower (Senior Statutory Auditor)
29 November 2017

For and on behalf of the
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Contact Information

The 2017 Interim Financial Reports for B&B and NRAM are available on UKAR's website at www.ukar.co.uk.

Contacts

Brunswick
Jonathan Glass / Nick Cosgrove
Tel: +44 20 7404 5959
Email: ukar@brunswickgroup.com

Investor Relations Contact

Neil Vanham
Tel: +44 1274 806341
Email: neil.vanham@ukar.co.uk