

A photograph of four young adults (two men and two women) standing outdoors in front of bare trees. They are all smiling and looking towards the right. The man on the far left is wearing a dark red shirt. The man next to him is wearing a blue denim jacket over a black shirt. The woman in the center is wearing a black quilted jacket over a black top and blue jeans. The woman on the far right is wearing a light brown sweater and black pants. The background shows a clear blue sky and the branches of trees without leaves.

West Brom
Building Society

For life in the making

West Brom Building Society
Annual Report and Accounts

For the year ended 31 March 2025

Contents

Our highlights	4	Governance	50	Country-by-Country Reporting	156
Strategic report	6	Corporate Governance report	51	Annual Business Statement	160
Chair's review	7	Nominations Committee report	64	Glossary	163
CEO's review	8	Audit Committee report	65		
Who we are, our vision and values	10	Remuneration Committee report	68		
Business model	11	Directors' report	77		
Our strategy	12	Financial statements	82		
Financial review of the year	24	Independent Auditors' report	83		
Risk management	30	Income Statements	93		
Risk management report	31	Statements of Comprehensive Income	94		
Climate-related Financial Disclosures	41	Statements of Financial Position	95		
		Statements of Changes in Members' Interests and Equity	96		
		Statements of Cash Flows	98		
		Notes to the Accounts	100		



Strategic report

Risk management

Governance

Financial statements

Glossary



[Strategic report](#)

[Risk management](#)

[Governance](#)

[Financial statements](#)

[Glossary](#)

Our highlights

of the 2024/25 financial year include:

Profit before tax



2023/24

£32.1m

2024/25

£36.5m

Profit before tax grew by 14% to £36.5m, supporting our financial strength with a Common Equity Tier 1 (CET 1) capital ratio of 17.1% (2023/24: 17.8%). On an underlying basis, profit was broadly flat at £36.5m (2023/24: £37.2m). This capital strength is important because it lets us support more people to buy their own homes and means we can continue to invest to deliver what customers need for the future.

£41.8m of benefits to savings customers

Our savers earned a total of £41.8m more interest than if they'd received the market average² savings rate (2023/24: £38.6m). We welcomed over 13,500 new savers (2023/24: over 10,000), an increase of more than one third.

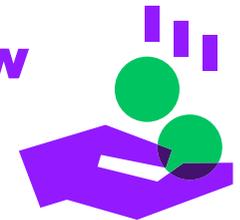


Award winning

We were recognised for giving outstanding support to first-time buyers with the First-Time Mortgage Buyers' Choice award for the second year in a row, and highly commended as ISA Provider of the Year at the Moneyfactscompare.co.uk awards 2025.



Record new mortgage lending



2024/25

£1.3bn

2023/24

£1.1bn

We achieved a record level of lending for homeownership, up 19% over last year, meaning we've helped more people buy their own home.

Helped
more than

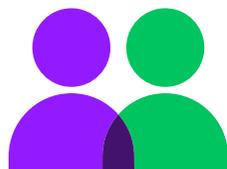
6,200

people buy their
first home



We helped 6,267 first-time buyers buy their own home, that's 34% more than last year.

An
outstanding
customer
experience



We're committed to delivering outstanding customer experience. Our Net Promoter Score (NPS) increased to +76 (2023/24: +75), and we were awarded the Feefo Gold Trusted Service Award 2025.

Over
£5
billion
in savings
balances

Our savers' balances grew to £5.1bn (2023/24: £4.7bn), a 9% uplift on last year.

Borrowers
saved around
£1,300
a year

Our market-first approach to Standard Variable Rate (SVR) means existing mortgage customers who have a higher amount of equity in their homes can have a reduced rate at the end of their mortgage deal. On average, therefore, an SVR mortgage customer at the West Brom would save around £1,300 a year compared with an average market SVR¹.



Supporting our
community

We contributed nearly £50,000 (2023/24: £48,000) to support local charities and communities, with over 1,800 hours (2023/24: over 700 hours) volunteered on community projects.

A hat-trick of
accreditations
from the Living
Wage Foundation

We became the first building society in the UK, and first employer in the West Midlands, to be awarded all three accreditations from the Living Wage Foundation, and were officially recognised for providing fair pay, secure hours, and a strong pension plan for our colleagues.



¹Based on the average loan balance for a Society SVR borrower at 31 March 2025. Average market reversion rate of 7.68% sourced from Moneyfacts March 2025. Average Society rate based on SVR borrowers as at 31 March 2025.
² Average market rates sourced from Bank of England Bankstats table A6.1 March 2025.



Strategic report

- Chair's review
- CEO's review
- Who we are, our vision and values
- Business model
- Our strategy
- Financial review of the year



Chair's review

Fellow members, the past year has brought some welcome signs of relief for households, with inflation easing and interest rates expected to fall further. But for many, uncertainty remains a fact of life.

Recent global events have reminded us how economies and supply chains can be adversely impacted by situations that are remote geographically and not within our control. Whilst the UK economy, including the lives and prospects of our customers, is not immune to these events, we're confident that with our financial and operational strength, we'll be there to continue to support them.

Against this backdrop, our Purpose, to support the financial wellbeing of our customers by providing a safe and good return on the savings they entrust with us, and promote homeownership, has never felt more relevant. I'm proud to say that your Society has continued to deliver on that Purpose, achieving a record year for homeownership lending, and with a particular focus on helping first-time buyers and those who need the most support. It's a strong reminder that mutual organisations like ours have a vital role to play in today's housing market.

There's been some changes to our Board during the year. Anne Gunther and David Dyer, stepped down in July 2024, and I want to thank them both for the knowledge, experience and commitment they brought to their roles.

Shortly after the financial year end there were some further changes. Julie Hopes and Russell Galley stepped down from the Board, and Lynne Shamwana will be stepping down after our AGM in July. Julie and Lynne have served on the Board for nine and six years respectively, and I thank them both for their considerable contribution and commitment throughout. Russell had only been with us a relatively short period and resigned due to personal circumstances. Although his tenure was brief, Russell made a valued contribution to the Board. We're sorry to see him step down but fully respect his decision and wish him and his family all the best for the future.

Lynne Atkin has joined the Board and will be appointed Chair of the Remuneration Committee, once the relevant regulatory approvals are in place. Lynne brings with her extensive experience in senior leadership roles across the financial services sector, having previously served as Human Resources Director at Barclays Bank UK. She is currently a Trustee of Action for Children.

As we enter the new financial year from a position of significant financial strength, we're well placed to build on the positive momentum of recent years. We expect the mortgage and savings markets to remain highly competitive, but we're confident in our ability to grow sustainably while continuing to deliver a high level of service to customers.

Our strategy reflects this confidence, with continued investment in our people, processes and technology. As we progress our digital transformation, we remain focused firmly on securing the long-term success of our Society and ensuring we meet the changing needs of customers – not just today, but for many years to come.

Looking ahead, the economic landscape may remain uncertain, but our direction of travel is clear. We'll continue to put customers first, offer straightforward, good-value products, and play a part in making homeownership more accessible.

On behalf of my Board colleagues, I'd like to thank our members for their continued trust, and colleagues for their dedication, care and professionalism throughout the year.

John Maltby
Chair
28 May 2025





CEO's review

Navigating the changing economic landscape

Most of the year has continued to benefit from a more moderate economic backdrop than in previous years, with inflation easing and interest rates falling. However, the fragility of the economy was highlighted by the impact of wider global issues that we've recently witnessed.

Throughout the West Brom's 176-year history, we've remained aware of our role in supporting customers in navigating such changing conditions. That's why

we're proud to have continued to offer so many a route into buying their first home, whilst delivering great value to those who've entrusted their savings with us and funded those homeownership aspirations.

We've seen the government commit to a strong housing agenda, with the headline being a national target to build 1.5 million homes over the next five years, and an additional investment of £2bn into social and affordable housing. Whilst the detail of how this will be delivered has yet to emerge fully, it's a welcome intent and will, if delivered, help alleviate some of the supply side of the housing challenge. Yet for many, affordability remains a barrier to buying a home, and it's here that our Purpose has most impact through supporting potential homeowners to overcome this hurdle.

Honouring a 250-year legacy

This year also marks 250 years since the first building society was founded at the Golden Cross Inn in Birmingham, during the early years of the industrial revolution. It serves as a reminder not only of the strength of our heritage, but of the enduring value of mutuality. At West Brom Building Society we're continuing that legacy, our focus remains firmly on supporting customers, and we've seen that commitment reflected in our results.

Delivering a strong performance

We achieved record lending of £1.3bn for homeownership this year, resulting in a 38% increase in net lending for homeownership to £757m, which was supported by a £401m increase in customers' savings balances. This has helped deliver a profit before tax of £36.5m, an increase of

14% from the previous year, providing the ongoing capital strength that supports the delivery of our Purpose and the underpinning investment that keeps us as relevant today as we have been through 176 years of change.

We helped 6,267 first-time buyers purchase their own home, that's 34% more than last year. Through our shared ownership proposition, we attracted 2,654 customers, who whilst not ready to buy their home outright, have bought a share of their home. This approach to buying a first home has become a welcome option for many, as shown by our lending via this route increasing by 29% year on year. We continue to provide a wider range of options for first-time buyers, such as the recently introduced low-deposit new build mortgage.

We're proud to offer so many a route into buying their first home, whilst delivering great value to those who've entrusted their savings with us.

Putting customers first

Our determination to offer this focus on homeownership and provide an excellent service to customers and our mortgage broker relationships hasn't gone unnoticed. We were delighted to receive a Moneyfacts award recognising our support for first-time buyers for a second year running. We also received a Gold Trusted Service Award from Feefo which, along with a customer rating of 4.7 out of 5, shows we set high standards for ourselves. We were also recognised by the Good Business Charter for dedication to customer commitment.

We continued to deliver great value for savers. With our savings rates on average, 0.86% above the market average², customers received £41.8m more in interest than they would have on average rates elsewhere. That's a real and meaningful difference at a time when every pound matters. This year over 13,500 new savers joined our Society, a 34% increase on last year.

Strengthening communities

We remain committed to our branches across the region and the crucial role they play in supporting our customers and their local communities.

We continued working in our communities to have a positive impact contributing nearly £50,000 through fundraising, grants and donations across 80 local charities and communities. With over 1,800 hours volunteered on various community projects, we also delivered financial education sessions to over 2,000 children and young adults. Our partnership with Birmingham based charity Jericho is helping support employment opportunities, and we look forward to continuing to work with them throughout this year.

To support our colleagues, we gained the Living Wage Foundation's triple accreditation, with the Living Pension accreditation being the third standard we added to our offering as an employer. This means colleagues benefit from the Real Living Wage, Living Pension and Living Hours standards, which made us the first building society in the country, and the first employer in the West Midlands, to gain all three standards.

Moving forward

Looking ahead we'll face continued challenges, from competitive pressures in the mortgage market, to uncertainty around potentially damaging ISA reforms, and the wider economic environment which may be impacted by the recent world trade situation. In addition, we also face cost challenges, not least the significant cost of the recent changes to employer's national insurance rates. While these may affect some aspects of our performance going forward, we remain determined to deliver on the needs of our customers.

Our strategy will remain focused on delivering on our Purpose, which is to support the financial wellbeing of our customers by providing a safe and good return on the savings they entrust with us, and promote homeownership.

I want to thank all our colleagues, in every part of the business, as well as our Member and Employee Councils, for their hard work and dedication and, especially our members for their continued support.

Jonathan Westhoff

Chief Executive Officer

28 May 2025



² Average market rates sourced from Bank of England Bankstats table A6.1 March 2025.

Who we are, our vision and values

We know solid futures don't happen overnight. We help our customers build the life they want - bit by bit.

From owning a home or having savings they can rely on, we've been helping them make it happen for over 175 years. We've navigated our fair share of rainy days, and we refuse to let setbacks hold us back. We don't use a one-size-fits all approach. Instead, we dig deeper so that we understand what our customers need from us.

Our new vision is that our customers and communities own a more secure future.

Our new vision sums up what we're all working towards: a more secure future for everyone. We believe everyone should have financial security, whether that's property or savings.

What we value

Put simply, values are the things we believe in. Our six values keep us on track and help us stay true to our roots.



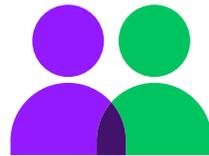
Be real

We are what you see, authentic, transparent and straightforward to deal with.



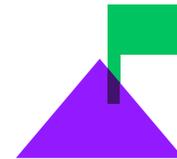
Do it today

We do what we say we'll do, proactively, efficiently, and with thought to what is delivered.



Better together

Working together we know we can do anything.



Own it

We take responsibility for delivering to the highest standards in all that we do.



Care

We do right by our stakeholders, whether customers, colleagues, suppliers or the wider community.



Be passionate

We strive to make a difference and to do the best for our customers.

Business model

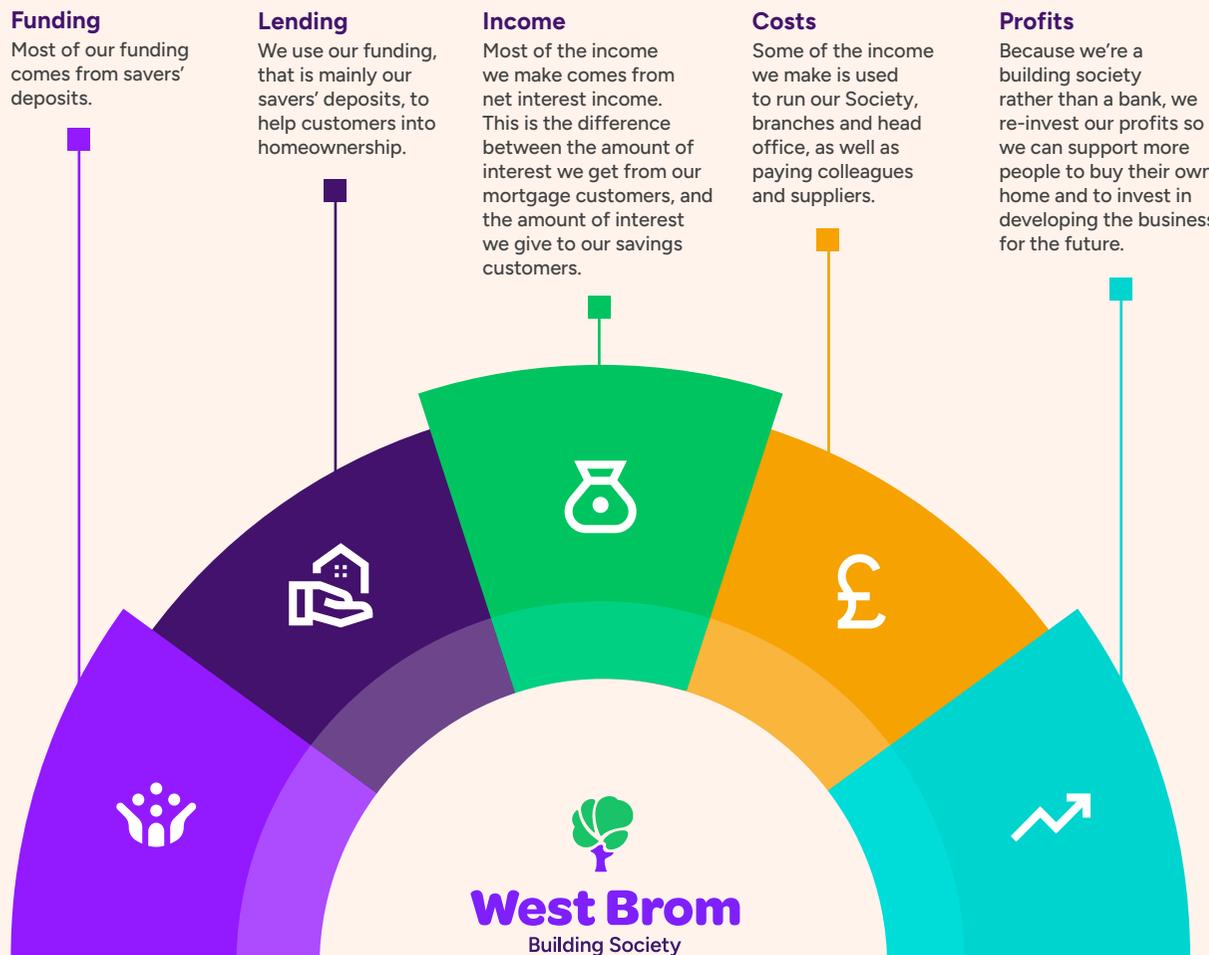
As a mutual we're owned by our customers not shareholders, and we call these our members.

This means that we focus on doing what's best for members, rather than profits for investors. We reinvest profits into improving our products and services and to support our customers, colleagues and communities. In short, we exist to benefit the people who use us – just as much today as when we were founded 176 years ago.

Our Purpose is at the heart of our business model – to support the financial wellbeing of our customers by providing a safe and good return on the savings they entrust with us and promote homeownership.

The money savers deposit with us helps us to lend money to our mortgage customers so they can buy a home. In return, the income we get from our mortgage customers means we can give better rates and service to savers, as we do not pay shareholders in the way a PLC bank would.

Our business model is aligned to our Purpose:



We also own a property portfolio of 734 homes. We strive to operate this business to the highest standards as a landlord and support our tenants into owning their homes. These properties make a profit for the Society from rent and through any increases in house values. We reach our customers through 34 branches, over the phone with our West Midlands based contact centre, our network of mortgage brokers, and digitally on our website and online savings portal.

Our strategy

We're in the first year of delivering our refreshed strategy, called 'Making Tomorrow'.

Over the next five years, we'll develop our business to continue to meet our customers' expectations, and to reach more people.

The Making Tomorrow strategy is built on our strengths and is underpinned by five strategic pillars that guide the activities of our Society.

The five pillars are:

1

We'll help our customers achieve a more secure future

We offer products and services, underpinned by a great customer experience, that helps customers to achieve their goals.

2

We'll strengthen our communities

We support customers in our region and play an active role in helping communities thrive.

3

We're customer centric, and purpose driven

We're committed to doing the right thing for all our customers. We put customers' needs at the heart of our decision-making, and our culture supports our colleagues to do what's best for our customers.

4

We'll modernise our digital and technology estate

We'll embrace sustainable and reliable technology to stay up to date with the increasingly digital world and meet customers' expectations to serve them how and when they want.

5

We'll keep our business secure and sustainable for the future

We remain financially strong and committed to social and environmental sustainability.



Here's what we've achieved so far:

1 We'll help our customers achieve a more secure future

We offer products and services, underpinned by a great customer experience, that helps customers to achieve their goals.

Secure futures

Over the past 12 months we welcomed 13,706 new savers, an increase of 34% compared to last year (2023/24: 10,250). Our competitive savings rates helped our customers' money work harder for them and were, on average, 0.86% above the market average². This means that savers received £41.8m more than if they'd been on average savings rates (2023/24: £38.6m).

Many new customers this year joined us through a range of options that gave flexibility and better rates.

Supporting homebuyers

Buying your first home is a dream for many people and we're thrilled to have helped 6,267 customers do just that (2023/24: 4,684). This meant that 48% of our new lending was to first-time buyers, significantly higher than the mortgage market average of 35%⁴.

Of our first-time buyers, 35% chose shared ownership as a route to own their home. We also introduced a range of low deposit mortgages designed for customers looking to buy a new build home.

We continued with our market first approach to Standard Variable Rate (SVR). This means customers who have more equity in their homes are offered a lower rate to switch to at the end of their mortgage term. By offering this, customers get a bit of breathing space to find the right mortgage deal before remortgaging. This means an average customer on SVR would save approximately £1,300 a year compared with an average market SVR¹.

In February we were recognised for our outstanding support of first-time buyers with the First-Time Mortgage Buyers' Choice award for the second year in a row, and highly commended as ISA Provider of the Year at the Moneyfactscompare.co.uk awards 2025.

With a great customer experience

We know how important it is to offer customers the choice of how they want to be served, and we'll continue to deliver services online, on the phone through our West Bromwich based contact centre, and in our 34 branches. We remain committed to our branch network and the crucial role they provide for so many of our customers.

Our commitment to customer satisfaction is shown in our Net Promoter Score (NPS) which has increased to +76 (2023/24: +75). NPS helps us understand how happy our customers are and how likely they are to recommend us to others; it's used

by millions of businesses, across all industries, all over the world.

Hearing directly from customers helps us improve. We have over 1,500 members on our customer panel who give us valuable feedback on our products and services. Their insights have helped us improve the overall customer experience and make sure we communicate in a clear and balanced way. We know financial information can be difficult to understand, and we've continued to simplify our communications to help customers who find numbers challenging.



We achieved

4.7

out of 5-star rating on Feefo.

¹ Based on the average loan balance for a Society SVR borrower at 31 March 2025. Average market reversion rate of 7.68% sourced from Moneyfacts March 2025. Average Society rate based on SVR borrowers as at 31 March 2025.

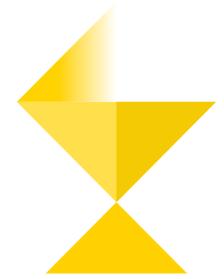
² Average market rates sourced from Bank of England Bankstats table A6.1 March 2025.

⁴ UK Finance mortgage completion reporting for March tables, S1 final.





We were awarded the



Feefo Gold Trusted Service Award

Refreshing our brand

To enable us to continue to grow and support more new customers, we have to stay relevant. In October we updated our brand to be more contemporary and bring to life the purpose and values of the Society. The new look celebrates our West Midlands roots, our values, and our customers. We were also proud, 176 years on from when 20 local people set up the 'West Bromwich Permanent Building Society', to bring 'Building Society' back into our name.

Celebrating success

To help our customers make informed choices, we partnered with Feefo, an independent online review platform. We're delighted to have received the Feefo Gold Trusted Service Award 2025, in recognition of us consistently delivering outstanding customer experience. We also earned a 4.7 out of 5-star rating based on real customer reviews, highlighting the quality of our service. You can read more about what customers are saying about us on our website.

We've helped

6,267



first-time buyers buy their own home, that's 34% more than last year.

We were also recognised by the Good Business Charter for our dedication to customer commitment. This recognition highlights our emphasis on trust, transparency, and fairness in financial services. We remain committed to improving financial literacy, supporting vulnerable customers, and engaging with our community.

Key performance indicators

We monitor performance and goals using key performance indicators (KPIs). These help us to keep on track with our strategic ambitions.

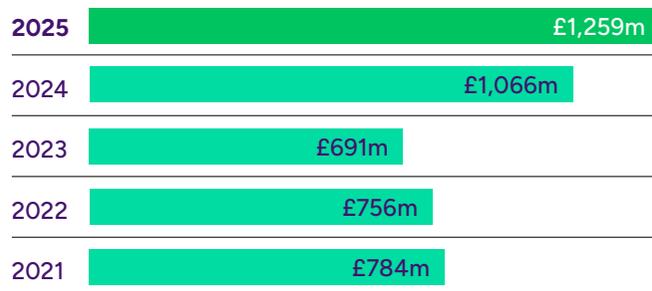
Gross residential lending



Measure

Delivering our Purpose of home ownership, this is the value of residential lending advanced this year.

Performance



Gross residential lending, at £1,259m, increased by 18% compared to last year reflecting our commitment to help more people to buy their own home.

We're committed to delivering our Purpose which supports responsible lending and delivers an appropriate level of return from our diverse product range.

18% ↑

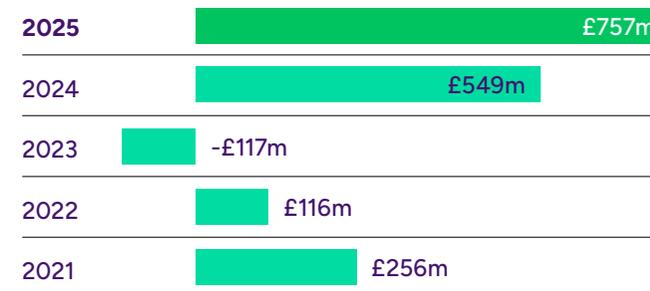
Net lending for homeownership



Measure

Gross residential homeowner lending less repayments of principal and redemptions.

Performance



The net lending for homeownership increased by 38% driven by increased gross lending, particularly in the first-time buyer market, as well as strong retention of our mortgage book as the accounts came to the end of their incentive periods.

38% ↑

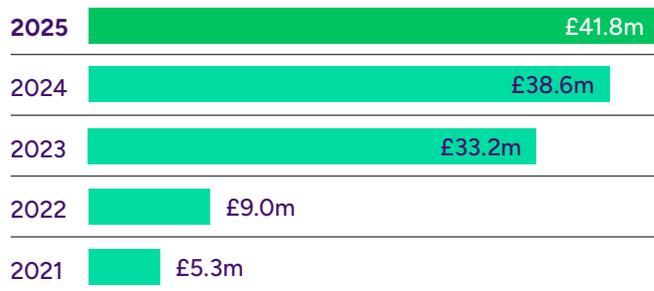
Savings customers mutual benefit



Measure

Our average savings rate above the rest of the market is paid in mutual benefit to our savings customers.

Performance



Over the last five years we've continued to increase the benefits paid to our customers. We paid our customers almost one third higher than the average rates paid by the market², delivering £41.8m in mutual benefit to our savings customers.

£41.8m ↑

Net Promoter Score – customer satisfaction



Measure

A measure of how likely a customer is to recommend our products and services. The NPS ranges between -100 and +100.

Performance



NPS has remained consistently high.

+76 ↑



²Average market rates sourced from Bank of England Bankstats table A6.1 March 2025.

2

We'll strengthen our communities

We support customers in our region and play an active role in helping communities thrive.

Our roots run deep in our community – and we've focussed on giving back to the people who live and work around us.

For many, getting a job is a major step towards building a secure future. But sometimes, even that first step can be a struggle. That's why we've partnered with Jericho, an incredible local charity that provides work opportunities for people facing challenges right here on our doorstep. Through this incredible partnership, we've offered opportunities for work placements, as well as raising over £12,000 to support the amazing work they do. Together, we're helping individuals own a more secure future.

We continue to support local charities and community groups through the Mercian Community Trust grant scheme. Thanks to the generosity of Community Account holders, we've awarded over £20,000 in grants to 43 different charities and community groups.

Giving time

Giving time is also important. Each year, we encourage our colleagues to spend two days volunteering in the community. In the past 12 months we've given more than 1,800 hours to local charities including Compton Hospice, Square Peg Activities, Mary Steven's Hospice, Light Church Food Bank, Black Country Women's Aid, and Deighton Court Care Home.

We're helping children and young adults feel more confident about managing their money. We believe all young people should have access to financial education and feel empowered to make informed decisions. Over the past year we've delivered financial workshops to more than 2,000 local students including:

- Money-Go-Round – an interactive session for primary school children to learn the basic value of money and a tailored version for children with additional learning needs.
- Financial Fitness - a workshop to prepare students for managing their finances when they leave school or college.

We ran financial education sessions for over

2,000

children and young adults.



We've given over

1,800

volunteering hours.



We awarded over

£20,000

in local grants to 43 different charities and community groups.



3

We're customer centric, and purpose driven

We're committed to doing the right thing for all our customers. We put customers' needs at the heart of our decision making, and our diverse culture and focus on people development supports our colleagues to do what's best for our customers.

Investing in our people

We've been supporting our colleagues as they navigate the changes brought by our refreshed strategy. Alongside regular meetings and colleague communications, we've introduced a 'Leading

change' programme. This initiative is designed to help our managers develop change management skills and strengthen their resilience.

For the ninth year in a row, we've been recognised with the Investors in People Gold accreditation reflecting how we invest in our people. We know growing our skills and encouraging innovation is key to our strategy and that's why we've supported 17 colleagues in successfully completing apprenticeships.



A hat-trick

A hat-trick of accreditations from the Living Wage Foundation and the first building society in the country and first employer in the West Midlands to be awarded all three.

- ✓ Living Pension accreditation
- ✓ Living Hours accreditation
- ✓ Real Living Wage accreditation

We also launched a new accredited manager training course to support professional development, giving managers the skills they need to build high performing teams.

Valuing diversity

We're committed to equity, inclusion, and diversity. Our colleague led Connect group helps us to broaden awareness and embrace our differences.

Connect has several dedicated working groups including our established LGBTQ+ Group, Black Colleague Focus Group, and Dyslexia Support Group. In March 2025, we launched our Women's Inclusive Network, showing our commitment to gender equality in the workplace.

To support social mobility, we joined Business in the Community's 'Ban the Box' campaign, making it easier for anyone with a criminal record to apply for a role with us. This initiative helps us to recruit without bias, and we look at risks on a role-by-role basis.

We were proud to be awarded the Living Pension accreditation this year. This was a fantastic achievement that complements our existing Real Living Wage accreditation, Living Hours accreditation and our 'Beyond Living Wage' recognition award from the Living Wage Foundation. This means that we've been officially recognised for providing fair pay, secure hours and a strong pension plan for our colleagues. This milestone is particularly significant as it makes us the first building society in the country, and employer in the West Midlands, to achieve all three accreditations demonstrating our dedication to fair pay.



accreditation

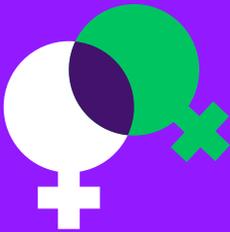
for the ninth year in a row

As a responsible employer, we welcomed the changes made to the Employment Rights Act 2024, which introduced meaningful improvements to the workplace that support safe and fair working environments for people working in the UK. With the upcoming changes to family leave policies, we proactively reviewed and enhanced family leave benefits to support colleagues ahead of any government changes.

Key performance indicators

We monitor our performance and goals using key performance indicators (KPIs). These help us to keep on track with our strategic ambitions.

We launched our **Women's Inclusive Network.**



Female representation



Measure

We're a signatory to the Women in Finance Charter and had initial targets to maintain female representation of at least 30% on the Board and in Senior Leadership.

Performance



We've continued to exceed our initial targets of 30% female representation and we're tracking towards achieving 40% female representation at both Board and Senior Leadership levels.

- Senior Leadership
- Board

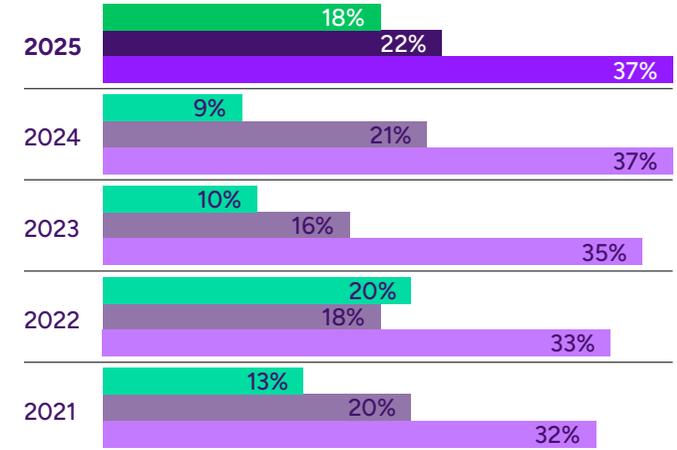
Ethnic representation



Measure

We're a signatory of the Race at Work Charter and during 2022 published our first Ethnicity Pay Gap report, one of the few companies in financial services to do so, to achieve better transparency and drive the diversity agenda. In 2021 we started reporting ethnic representation across our colleague base and management group.

Performance



Having 37% of other colleagues from ethnic minority backgrounds helps us reflect the richly diverse communities we serve in our heartland. Representation at Board level has increased, and whilst a relatively small population, this is still an area of focus for the future.

- Ethnic minority – Board
- Ethnic minority – Senior Leadership
- Ethnic minority – Other colleagues



4 We'll modernise our digital and technology estate

We embrace sustainable and reliable technology to stay up to date with an increasingly digital world and meet our customers' expectations to serve them how and when they want.

At the heart of our strategy is a significant investment in our people and technology to modernise our digital services to meet our customers' needs.

We recently announced that we'll be working with leading technology companies Deloitte and 10x to deliver the next stage of our digital transformation. The transformation programme will ensure we continue to meet the evolving needs of our customers, through enabling them to access our services as they want, and providing us with more flexibility to develop new products and services.

Efficient and reliable

We strengthened our ability to withstand and recover from unexpected events through continued investment in our IT infrastructure and testing of our operational resilience. Our customers count on us, and no matter what challenges come our way, we're committed to delivering a reliable service and building a stronger business for the long term. We're pleased that our services have remained uninterrupted – protecting our customers and their data is our top priority.

5 We'll keep our business secure and sustainable for the future

We remain financially strong and committed to social and environmental sustainability.

A year of resilience and growth

This year, we've continued to do what we do best – help people save, buy homes and build secure futures. We've remained strong, financially resilient and committed to our customers and communities. Financial pressures for our customers continue to be challenging with the cost of living still high, and ongoing global uncertainty.

A strong performance

We're pleased to report a strong profit before tax of £36.5m (2023/24: £32.1m), a 14% increase on the same period last year. This financial strength allows us to invest in our digital transformation, continue to grow, and offer existing and future customers products and services. On an underlying basis, after excluding the one-off cost of Tier 2 debt buyback in the prior year, underlying profit was broadly flat at £36.5m (2023/24: £37.2m).

This year we welcomed 24,897 new customers, bringing the total to over 408,000.

Our key performance indicators

We monitor our performance and goals using key performance indicators (KPIs). These help us to keep on track with our strategic ambitions.



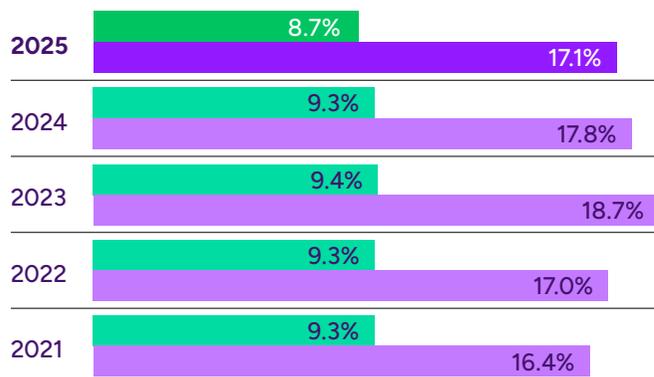
Common Equity Tier 1 (CET 1) ratio



Measure

CET 1 capital is the highest quality form of capital for a financial institution, comprising retained earnings, other reserves and qualifying CET 1 capital instruments.

Performance



The CET 1 ratio at 17.1% remains comfortably above our regulatory Total Capital Requirement and has done so throughout the year. Our strong capital position has allowed us to grow our residential mortgage book and invest in our digital transformation.

17.1% ↓  Total Capital Requirement (TCR)
 CET 1 ratio

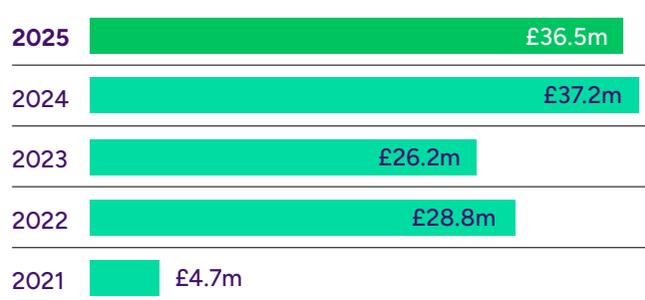
Underlying profit before tax



Measure

Profit before tax adjusted for one-off items contributes to capital which provides financial resilience and facilitates future growth and investment.

Performance



Underlying profit has broadly been flat year on year.

£36.5m ↓

Net interest margin

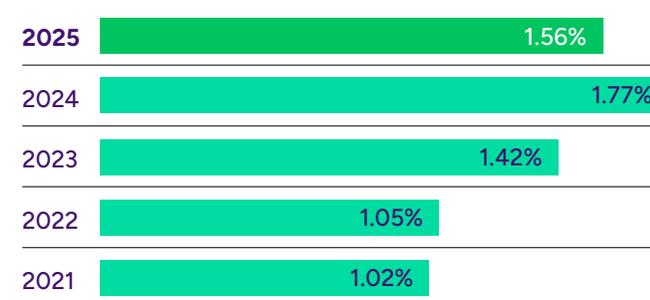


Measure

Net interest margin is net interest income expressed as a percentage of mean total assets.

The drivers of this measure are the level of return received from mortgages and the interest paid to savers.

Performance



Whilst net interest margin has remained high it has reduced in the year. This was primarily due to the amount we pay to savings customers increasing relative to the amount we receive from mortgage customers.

1.56% ↓

CRE Exposures



Measure

Exiting the commercial real estate sector has been a longstanding strategy of the Board and is measured by the reduction in the gross carrying value of non-core commercial gross exposures, which totalled £1.7bn in 2008/09.

CRE exposures exclude securitised commercial balances as the group has no remaining exposure to credit losses for these loans.

Performance



■ Non-core commercial lending (Net Exposure)
■ Non-core commercial lending (Gross Exposure)

Non-core commercial mortgage balances have continued to reduce annually, down 11% in the year to £194m from a peak lending position of £1.7bn in 2008/09, an overall reduction of 88%.

11% ↓

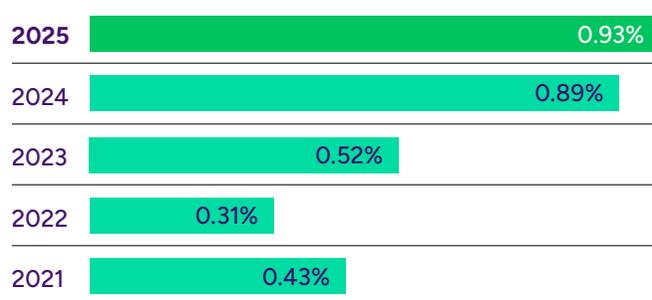
Core residential arrears



Measure

The internal measure, reported to the Board, is the number of residential (excluding second charge) mortgage cases where the borrower has missed more than three monthly payments, as a proportion of the total number of loans.

Performance



Whilst the arrears rates are above industry averages, with core residential arrears of 0.93% (UK Finance: 0.89%)³, this increase is driven by our legacy lending book (including buy to let), with arrears in lending completed from 2012 onwards at just 0.34%.

0.93% ↑

Cost efficiency



Measure

The management expense ratio is a measure of cost efficiency, reflecting costs (including depreciation and amortisation) as a percentage of mean total assets.

Performance



■ Manex ratio

The management expense ratio increased marginally to 1.05%, reflecting ongoing inflationary pressures and our strategic transformation investment.

1.05% ↑

³UK Finance is a trade association for the UK banking and financial services sector.

Looking ahead

The world and the economic environment, and the impact on our customers, remains uncertain, as it has at many other times in our 176 year history. And as we have done throughout many changing environments we'll continue to manage our business to best serve our customers and remain sustainable, which is at the heart of the Making Tomorrow strategy.

As we move into the second year of delivering our strategy, we'll continue to develop new products and improve our services to help more customers into homeownership and improve their financial resilience. Our mortgage development will focus especially on helping those who struggle to save for a deposit alongside our continued support for new build, shared ownership and other ways into homeownership.

In 2025/26 we're improving our savings customer experience by developing a mobile app, giving a wider choice of how our customers interact with us. However, we know how the vast majority of our customers still access us, and therefore we're also continuing to develop our services for customers through our branches and contact centre.

We want to make a bigger impact within our communities and support young people in building solid and secure futures. We're working on some new social initiatives which we plan to launch later in the year. We also continue to progress plans to reduce our impact on the environment, and in 2025/26 will be improving our measurement and reporting of carbon emissions.

The people that work here at the West Brom are key to our success, and we're proud to have a team who are committed to our customers and vision. As we move forward, we'll continue to improve our equity, inclusion and diversity initiatives through the colleague led Connect group and a reverse mentoring initiative. We're also building a new recognition programme to celebrate success and motivate our teams.



Financial review of the year

Summary income statement

We delivered a strong performance this year, with profit before tax rising by 14% to £36.5m (2023/24: £32.1m), largely as a result of one-off charges last year that were not repeated this year. On an underlying basis, after excluding the one-off cost of Tier 2 debt buyback in the prior year, underlying profit was broadly flat at £36.5m (2023/24: £37.2m). This stability was the result of a lower charge for impairment on loans and advances which offset a slightly reduced total income and higher management expenses which reflected our initial investment in our digital transformation.

Our income statement overview gives a high-level summary of our financial performance over the year.

Income statement overview	Group 2025 £m	Group 2024 £m
Net interest income	96.2	103.6
Fees, commissions and other income	4.9	5.7
Fair value gain/(loss) on financial instruments*	4.4	(0.4)
Total income	105.5	108.9
Management expenses	(64.6)	(59.5)
Operating profit before revaluation gains, impairment, provisions and cost on debt buyback	40.9	49.4
Gains on investment properties	2.4	2.5
Impairment on loans and advances	(6.9)	(14.7)
Cost on debt buyback	-	(5.1)
Provisions for liabilities	0.1	-
Profit before tax	36.5	32.1
Taxation	(6.9)	(7.7)
Profit for the financial year	29.6	24.4

*Fair value gains are net of a loss on derivatives used to hedge commercial loans of £1.0m (2023/24: £2.4m), included within the amounts presented in note 5 to the accounts.

The table below shows a year-on-year comparison of our underlying profit before tax.

Year to 31 March: Reconciliation of statutory to underlying profit before tax	2025 £m	2024 £m
Statutory profit before tax	36.5	32.1
Cost on debt buyback	-	5.1
Underlying profit before tax	36.5	37.2

Net interest income

Net interest income decreased in the year to £96.2m (2023/24: £103.6m), with a net interest margin of 1.56% (2023/24: 1.77%).

After a period of rising interest rates, the Bank Rate stabilised this year before beginning to slowly reduce. As this happened, we held off reducing savings interest rates, meaning that a greater proportion of the interest earned on mortgages (interest income) has been paid to our savings customers (interest expense), pushing down our net interest margin.

The average amount paid to our savings members was 0.86% above the market average² in line with the previous year (2023/24: 0.88%) but, as our savings balances grew by 9%, overall our savers received a higher mutual benefit of £41.8m (2023/24: £38.6m).

Fair value gain/(loss) on financial instruments

Financial instruments are used to protect our Society's net interest income against unexpected changes in interest rates and, under accounting rules, they are held at fair value in our accounts. Fluctuations in the fair value are offset in the income statement but only where we meet the conditions for applying hedge accounting. The fair value gain this year relates to gains where these conditions were not met, mainly where we used this protection against our mortgage offers awaiting drawdown.

² Average market rates sourced from Bank of England Bankstats table A6.1 March 2025.

Management expenses

Management expenses are the costs related to the running of our Society. This year these costs have increased from £59.5m to £64.6m, because we've been strengthening our teams to support our digital strategy, coupled with the ongoing impact of higher inflation. The average number of people who worked for us during the year increased from 701 to 739. Investing in our future ensures we can continue to provide services to our customers how and when they want - as outlined in the "Our strategy" section of the strategic report (pages 12 to 23).

Gains on investment properties

We provide homes to rent through our subsidiary company, West Bromwich Homes Limited, with properties mainly in the West Midlands, the South West and South Wales. Whilst the housing market has seen some volatility, it has remained resilient, and we saw a consistent gain of £2.4m (2023/24: £2.5m), in comparison to the previous year.

Impairment on loans and advances

The table below shows our impairment charge/ (credit) on loans and advances.

Year to 31 March: Impairment on loans and advances	2025 £m	2024 £m
Residential loans	(0.4)	0.5
Commercial loans	7.3	14.2
Total impairment	6.9	14.7
Fair value movement on derivatives held to hedge impaired commercial loans	1.0	2.4
Total impairment and related charges	7.9	17.1

Residential impairment

Impairment charges on the residential loan portfolio are based on Expected Credit Loss (ECL) calculations which consider the credit risk of the loans in the context of assumptions of future economic scenarios in line with IFRS 9 requirements. The residential impairment (credit)/charge has remained relatively neutral with a small credit of £0.4m this year (2023/24: small charge of £0.5m). More detail on the provision for impairment losses is given in the Financial Position section.

Commercial lending impairment

Commercial loan impairment charges decreased in the year to £7.3m from £14.2m. After adjusting for the impact of hedging, net charges halved to £8.3m (2023/24: £16.6m).

The commercial property sector remains sensitive to changes in the wider economy and we're continuing to make the appropriate provisions against our exposure. Our total commercial provision balances now stand at £89.1m (2023/24: £92.1m), which represents 44.8% of the current loan book (2023/24: 41.2%).

Taxation

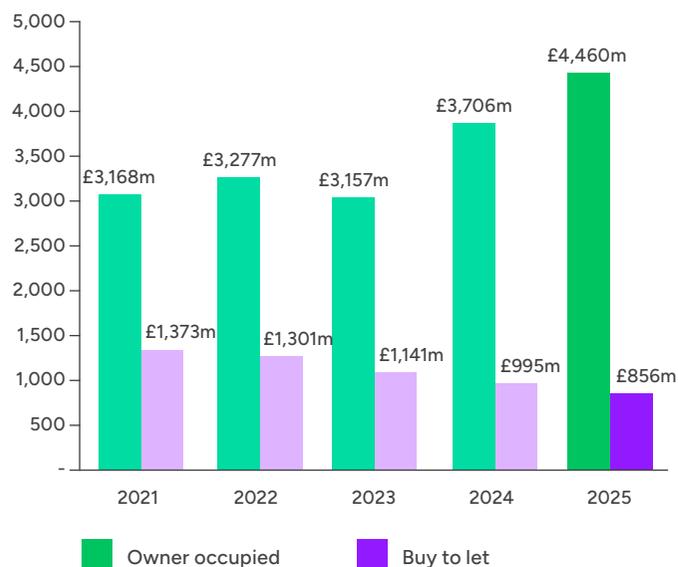
For a detailed breakdown of the tax charge see note 9 in the financial statements.

Financial position at 31 March

Summary statement of financial position	Group 2025 £m	Group 2024 £m
Assets		
Residential loans and advances	5,288.4	4,653.4
Commercial loans and advances	109.7	131.7
Liquid assets	716.2	929.4
Derivative financial instruments	44.9	61.8
Fixed and other assets	202.6	213.4
Total assets	6,361.8	5,989.7
Liabilities		
Retail funding	5,071.6	4,670.6
Wholesale funding	778.0	820.0
Derivative financial instruments	16.8	12.8
Other liabilities	34.2	41.6
Total liabilities	5,900.6	5,545.0
Equity		
General reserves	326.5	305.7
Other equity instruments	130.9	134.8
Other reserves	3.8	4.2
Total equity	461.2	444.7
Total liabilities and equity	6,361.8	5,989.7

Residential loans and advances

Analysis by lending type at 31 March



We saw a strong growth in our total residential loans and advances this year, driven by higher gross new lending of £1.3bn (2023/24: £1.1bn) and customers staying with us when they reach the end of their mortgage term.

The proportion of owner-occupied loans has continued to increase in line with our strategy of reducing the legacy buy to let portfolio, which has reduced to 16% of residential lending balances, from 21% in the prior year, and a peak of 63% in 2013.

We've helped a further 6,267 first-time buyers into their own homes, an increase of 34% from 2023/24.

Core residential arrears rates are marginally above industry averages, with core residential arrears of 0.93% (UK Finance: 0.89%)³ at 31 March 2025 (2023/24: 0.89% and 0.91% respectively). This increase is due to pressure put on borrowers maturing from lower fixed rates and now entering new higher rates; coupled with our legacy lending book (including buy to let), with arrears in lending completed from 2012 onwards at just 0.34% (2023/24: 0.23 %).

We continue to support borrowers who are faced with ongoing cost of living challenges, including the higher Bank Rate environment. Encouraging borrowers to engage early is a key focus for us so we can tailor the approach to help reduce the impacts. The wider economic outlook remains uncertain due to the rising cost of living and this may impact arrears levels going forward.

Our opening provision for impairment included an allowance for increased defaults from borrowers impacted by an affordability squeeze as interest rates and the cost of living increased. Whilst the economic outlook remains uncertain, we continue to hold an overlay to cover the valuation difficulties with flats including potential cladding and leasehold issues.

Commercial loans and advances

At 31 March: Commercial loan portfolio	2025 £m	2024 £m
Non-core commercial balances excluding securitisation	194.3	218.8
Securitised commercial balances	4.5	5.0
Impairment provisions	(89.1)	(92.1)
	109.7	131.7

As part of our long-term strategy to exit the commercial real estate sector, the commercial loan book has reduced by 11% this year (2023/24: 4%). After accounting for increased provisions, the portfolio has fallen by 17% to £110m, now making up just 2% of our total lending.

³ UK Finance is a trade association for the UK banking and financial services sector.

Since its peak of £1.7bn in 2008/09, commercial exposures have been reduced by 88%, marking a significant step in de-risking our balance sheet and reinforcing our focus on core residential lending.

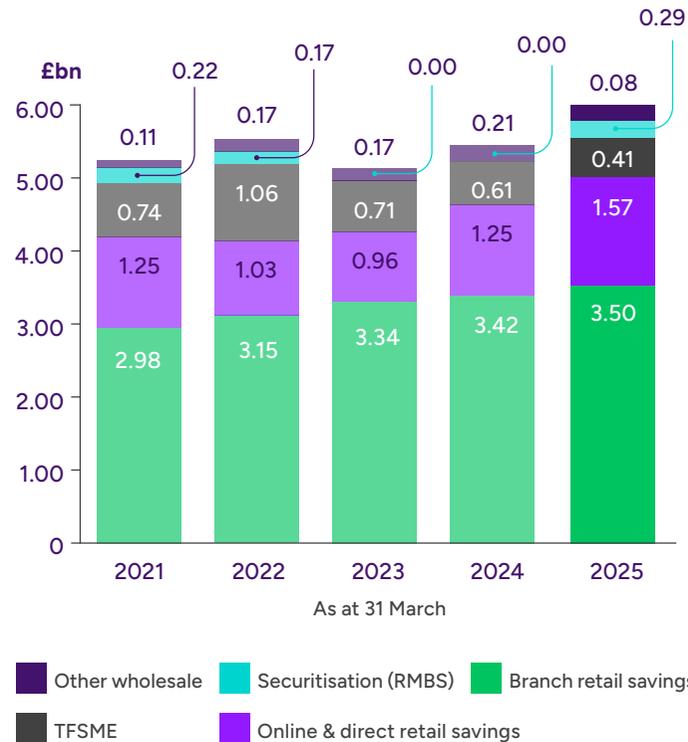
The majority of our commercial portfolio is made up of loans to the retail sector. Provision coverage against loans to the retail sector increased to 57.2% from 52.3%. Note 32(c)(iii) in the financial statements further analyses the commercial portfolio by industry type.

Liquid assets

We continue to hold a substantial buffer above regulatory and internal liquidity requirements. As of 31 March 2025, liquid assets were £0.72bn (2023/24: £0.93bn), including £0.63bn of high-quality liquid assets (HQLA) which are either held in cash or assets that can be easily convertible to cash through treasury markets or via Bank of England liquidity schemes. The asset quality of the book is very high with all liquidity assets rated at A or above, and the liquid asset impairment provisions were negligible for both the current and prior year. Our Liquidity Coverage Ratio (LCR), which measures our ability to meet cash outflows in a stressed scenario, stood at 168% as of 31 March 2025 (2023/24: 203%), remaining well above the 100% regulatory minimum. A breakdown of the liquidity portfolio is included in note 34 to the accounts.

Funding

Funding balances



Our primary source of funding is retail savings. Retail savings balances increased by 9% to £5.1bn (2023/24: £4.7bn). Within this total, branch-based accounts increased by 2% to £3.5bn.

Retail savings balances make up 87% (2023/24: 85%) of total funding with the remainder being wholesale funding. In September, we raised £300m of wholesale funding through a successful residential mortgage-backed securitisation (RMBS). The deal was well received by the financial markets and represents a valuable diversification of funding to complement our retail savings and support our lending ambitions.

Despite this, our wholesale funding balances reduced to £0.78bn (2023/24: £0.82bn) with the repayment of £200m of funds borrowed under the Bank of England's TFSME (Term Funding Scheme with additional incentives for SMEs) facility, plus other shorter-term funding secured on our marketable assets, offsetting the residential mortgage-backed security issuance. This reduced the ratio of wholesale funding as a proportion of total shares and borrowing to 13% (2023/24: 15%).

Capital (unaudited)

At 31 March	Transitional 2025	Full implementation ⁴ 2025	Transitional 2024	Full implementation ⁴ 2024
	£m	£m	£m	£m
Members' interest and equity	461.2	461.2	444.7	444.7
Permanent interest bearing shares (PIBS) deductions	(3.9)	(3.9)	(7.8)	(7.8)
Other adjustments ¹	(36.9)	(36.9)	(34.6)	(34.7)
Common Equity Tier 1 (CET 1) capital	420.4	420.4	402.3	402.2
Additional Tier 1 capital	-	-	-	-
Total Tier 1 capital	420.4	420.4	402.3	402.2
Tier 2 capital ²	2.0	2.0	2.0	2.0
Total regulatory capital resources	422.4	422.4	404.3	404.2
Risk weighted assets (RWA)	2,455.5	2,455.5	2,258.8	2,258.7
Leverage ratio exposure³	6,148.2	6,148.2	5,399.0	5,398.9
Capital ratios	%	%	%	%
Common Equity Tier 1 (as a percentage of RWA)	17.1	17.1	17.8	17.8
Tier 1 (as a percentage of RWA)	17.1	17.1	17.8	17.8
Total capital (as a percentage of RWA)	17.2	17.2	17.9	17.9
Leverage ratio³	6.8	6.8	7.5	7.4

¹ Other adjustments mainly comprise deductions for intangible assets, deferred tax assets and the retirement benefit asset.

² Tier 2 capital comprises subordinated liabilities excluding accrued interest.

³ The leverage ratio is calculated following UK regulation which excludes central bank claims from the exposure measure.

⁴ The 'Full implementation' basis includes the unwind of IFRS 9 transitional relief (£nil at 31 March 2025, £0.1m at 31 March 2024). The transitional arrangements cease to apply from 1 April 2025.

Regulatory capital

Our regulatory capital is in place to protect depositors and creditors by providing a buffer against unexpected losses. We continuously monitor our capital levels to ensure we meet Prudential Regulation Authority (PRA) requirements under the UK Capital Requirements Regulation (CRR).

As of 31 March 2025, our Common Equity Tier 1 (CET 1) capital was made up of retained profits, Core Capital Deferred Shares (CCDS), and other reserves after regulatory adjustments.

- Our CET 1 ratio, which fell to 17.1% (2023/24: 17.8%) due to growth and investment in the year, remains well above our Total Capital Requirement (TCR) of 8.7% (2023/24: 9.3%) of risk-weighted assets.
- Our leverage ratio remains strong at 6.8% (2023/24: 7.5%).

During the year we paid £5.8m as distributions on our CCDS. In May 2025 our Board declared a final distribution for the period to 31 March 2025 of £2.25 per CCDS, in line with the current distribution policy, published on 24 November 2021. The final distribution has been deducted from capital available but is not reflected in the primary statements detailed on pages 93 to 99 as, for accounting purposes, distributions to the CCDS holders are recognised on the date they are declared, which fell after the financial year end.

In March 2025, we approved an interest payment of 1.5414% on Permanent Interest Bearing Shares (PIBS) which was paid on 5 April 2025.

Further details of our capital position are given in the Pillar 3 disclosure document on our website.

Principal risks and uncertainties

Managing our risks is essential to achieving our Purpose and building trust with our customers, colleagues, and regulators. You can find out more about how we manage risk in our risk management report on pages 31 to 40.

Financial outlook

The outlook for the UK economy remains unclear; trade tariff uncertainty from the US, unstable geopolitical picture, big increase in payroll taxes and ongoing inflation concerns have all contributed to higher uncertainty and volatile Bank Rate expectations.

The UK housing market has remained resilient due to a shortage of properties and the falling mortgage rates. As a lender with a focus on our Purpose of advancing homeownership, our mortgage lending, which is concentrated on first-time borrowers, is expected to be more impacted by this uncertainty.

Operating backdrop

Operational resilience continues to be a key area of focus and is co-ordinated by a centralised area to deliver the Operational Resilience Plan and embed the Business Continuity and Disaster Recovery Risk Management Framework, which are important components which allow us to assess and monitor our operational resilience. Additionally, we have recently introduced our Security Operations Centre (SOC) that operates 24/7 on every day of the year, ensuring we protect our customers from the cyber threats we see and read about every day. The SOC uses the latest tools and techniques to protect our data and services from anyone intent on doing harm and is a critical investment as we start to offer more services using digital technologies.

Alex Pawley

Chief Financial Officer
28 May 2025



Risk management

- Risk management report
- Climate-related Financial Disclosures



Risk management report

This report tells you about:

- How we manage risk.
- Risk management framework.

Overview

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

We operate entirely within the UK financial services market and only take on risks we have the capability to understand and manage effectively.

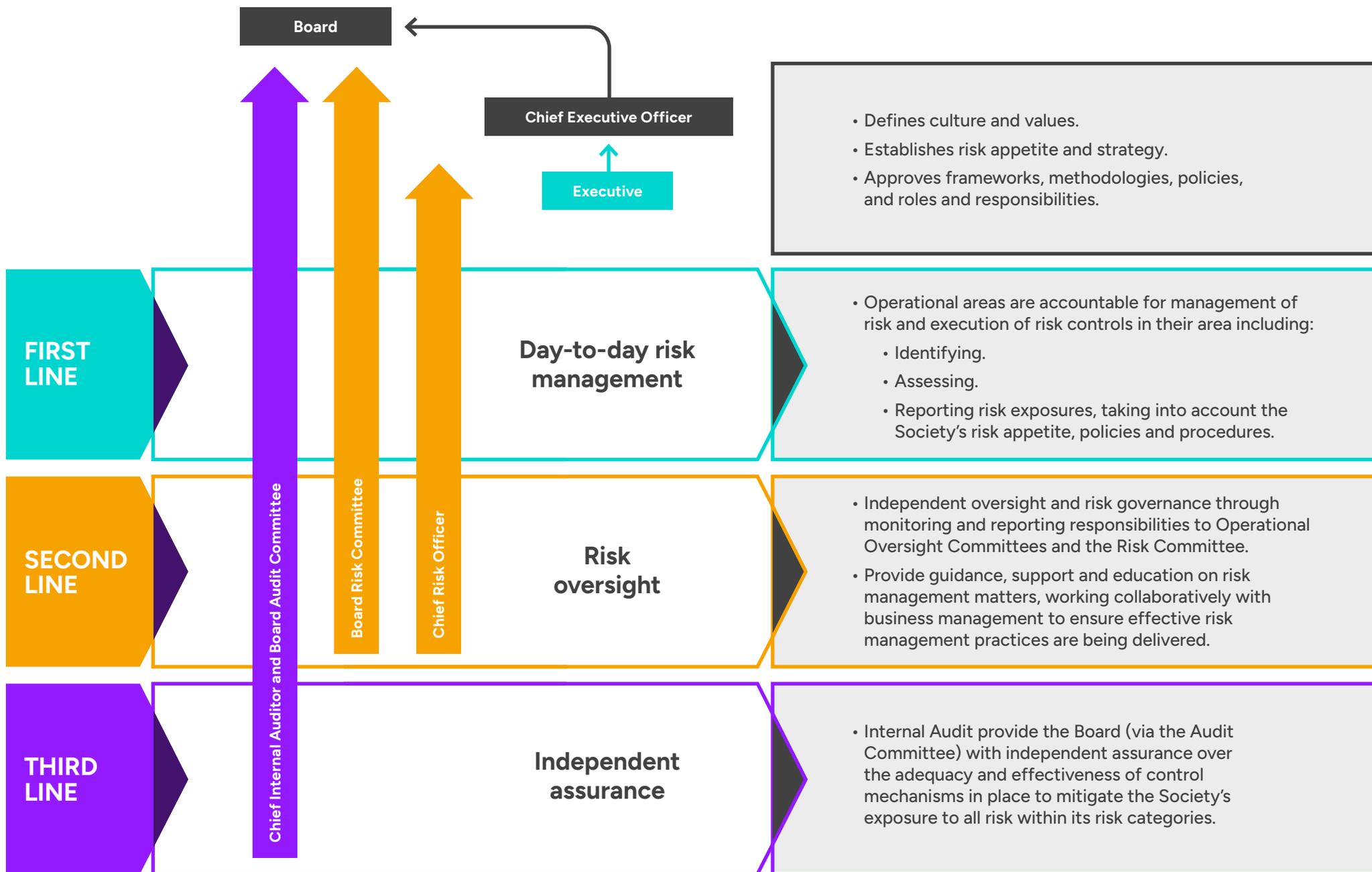
Our risk management framework

Our activities are governed in line with our Purpose and values. Our Board has agreed a set of Risk Appetite Statements covering the principal risk categories which we are exposed to: business, credit, capital, liquidity, margin compression, market, operational, cyber and conduct (the Society's Risk Appetite Statements). A definition of each of these risks can be found in the table on pages 33 to 36. Our Board also reviews the key strategic risks that may impact the delivery of its business plan.

These Risk Appetite Statements drive our corporate planning activity, including capital and liquidity planning, as well as providing the basis for our principal risk measures. These measures are categorised as:

-  **Level 1** – set by the Risk Committee with full Board visibility.
-  **Level 2** – set by the Executive sub-committees and reported to the Risk Committee and Board.
-  **Level 3** – set by sub-committees and reported to the Risk Committee and Board by exception.

The final element of the framework is the formal structure for managing risk across the Group. This is based on the 'Three Lines of Defence' model which is illustrated overleaf.



Principal risk categories and day-to-day management

Our Board has identified nine principal risk categories, which together define our overall risk universe. These Principal Risk categories and the day-to-day management are shown in the table.

For each category our Board has agreed a risk appetite statement and associated key metrics which, together, define the level of risk our Board is prepared to accept or tolerate. In addition, key threats and the corresponding Society responses or mitigants, as well as opportunities, have been identified. The Risk Committee (RC) meets at least quarterly to review our exposure to the risk categories and during this financial year, this committee met on seven occasions.

Primary responsibility for risk management, including the design and operation of effective controls, rests with the management of each business function - the 'First Line of Defence'. Support and challenge of the 'First Line of Defence' responsibility is provided through specialist risk functions - Credit Risk, Operational Risk, Compliance and Financial Crime, and ALM (Asset and Liability Management) Oversight and Model Risk Oversight – the 'Second Line of Defence'. These functions develop and review policies, monitor and support compliance with those policies, and support the business functions in their management of risk. Our Internal Audit team are the 'Third Line of Defence'. Their role is to make sure that our approach to risk is free from bias and meets the required standards. Our Internal Audit team provide independent assurance and report directly to the Chair of the Audit Committee.

Governance and oversight is provided through a number of management and executive committees as detailed on page 37.

Principal risk category	Day-to-day management	
<p>Business risk</p> <p>The risk of the Society failing to meet its business objectives through the inappropriate selection or implementation of strategic plans; inadequate assessment and mitigation of climate change related risks; and/or failure to implement a diverse and inclusive culture.</p>	<p>Our Board reviews the strategy periodically and sets out a Medium Term Plan (MTP) annually that spans typically a five year period and is presented at least quarterly to our Board to monitor business performance against internal forecasts, including Key Performance Indicators, and assess the economic environment, completing scenario analysis and sensitivity analysis to ensure the risk appetite remains appropriate to mitigate any emerging risks/ trends on the horizon.</p> <p>Business risk is regularly stress tested via upside and downside scenarios to the MTP, the Internal Capital Adequacy Assessment Process (ICAAP), and Reverse Stress Testing (RST). Following these activities, actions are assessed to mitigate if identified risks crystallise</p>	<p>and, to manage effectively more extreme events, a Recovery Plan is maintained. To identify the emergence of a more extreme stress, a range of Early Warning Indicators are regularly monitored, and a list of strategic/tactical management actions identified that could be taken, if necessary, to protect us.</p> <p>Climate change related physical and transition risk is recognised to arise across several of the principal risk categories and further detail on how the Society manages this can be found in the 'Climate-related Financial Disclosures' section.</p> <p>We recognise the importance of having a diverse workforce with an inclusive culture that is well embedded and regularly monitored and reported to our Board.</p>
<p>Credit risk</p> <p>The risk that losses may arise because of our borrowers, debtors or market counterparties failing to meet their obligations to repay.</p>	<p>Our Board establishes the credit risk appetite and supporting responsible lending policy. All new lending is monitored against risk appetite limits, with any breaches reported through our risk committees so that the need for corrective action may be considered.</p> <p>Our exposure to residential and commercial credit risk is managed by a specialist Credit Risk team, which is responsible for the Credit Risk Management Framework and associated policies and limits and providing regular reports to the RC.</p> <p>Economic uncertainty and market movements including higher interest rates, have manifested into cost of living challenges for many in the UK. In response, we continuously review our credit risk policies and procedures that reflect these affordability challenges. This approach supports both responsible lending decisions and the support provided to individual customers in or at risk of falling into financial difficulty including in vulnerable financial situations.</p> <p>Our approach to collections and recoveries has continued to evolve, reflecting experiences of working with borrowers through recent financial uncertainty and substantial increases in the cost of living. Focus has been drawn to providing pre-emptive support for borrowers. Our approach is</p>	<p>reflective of any ongoing government and regulatory guidance and has specifically been fully cognisant of the Financial Conduct Authority's (FCA) Strengthening Protections for Borrowers in Financial Difficulty statement and supported the Government's Mortgage Charter.</p> <p>Our internal credit risk reporting has evolved to ensure that the risk committees have the required information in relation to borrowers' potential affordability issues or those already in financial difficulty due to cost of living challenges.</p> <p>Additionally, credit risk can arise within treasury transactions (used to meet liquidity requirements and those hedging instruments used for interest rate risk purposes). This type of credit risk is managed by the Treasury Middle Office team. Daily, this team monitors exposures to counterparties and countries, and ensures operations remain within Board approved limits. The Assets & Liabilities Committee (ALCo) and our Board review the Treasury and Financial Risk Management Policy (TFRMP) and limits, with reports presented to ALCo monthly confirming compliance with such policy limits.</p>

Principal risk categories and day-to-day management (continued)

Principal risk category	Day-to-day management	
<p>Capital risk</p> <p>The risk that the Society has insufficient capital to cover stressed losses or to meet regulatory requirements.</p>	<p>We conduct an Internal Capital Adequacy Assessment Process (ICAAP) covering all risks. This is used to assess our capital adequacy and determine the levels of capital required going forward to support the current and future risks in the business. This analysis is collated through the ICAAP that incorporates expected future capital requirements from changes in business volumes, mix of assets and activities within the context of current and anticipated future risks, and stressed scenarios.</p>	<p>The ICAAP is reviewed by the Prudential Regulation Authority (PRA) periodically to set our Total Capital Requirement.</p> <p>Our capital requirements are reviewed monthly, and the results of this monitoring are reported to the Capital Review Group (CRG), ALCo, RC and our Board. RC reviews and recommends for approval to our Board the ICAAP at least annually.</p> <p>The detailed breakdown of our capital position can be found on page 28.</p>
<p>Liquidity risk</p> <p>The risk that the Society either does not have sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.</p>	<p>We fund mortgages on residential property substantially from shorter term deposits provided by our saving members. The contractual maturity of the mortgages is up to 40 years although loans are typically repaid early due to borrowers moving home or remortgaging.</p> <p>Savers' deposits, whilst accessible predominantly on demand, at short notice or for fixed periods, tend to remain with us for longer periods. A substantial proportion of savers have long-established relationships with us, predominantly through our branch network.</p> <p>This difference in the nature of borrowers' and savers' relationships cause a structural mismatch between the speed at which the Group can generate cash from its business assets and the demand for funds to meet its liabilities. To mitigate this risk, the Group holds sufficient cash to meet the normal day-to-day operations of the business and in addition, maintains a buffer of high-quality liquid assets, which can be converted quickly into cash to cover outflows in stressed conditions. Processes are in place to ensure that the quantity, quality and availability of these liquid resources is adequate at all times.</p> <p>Our Board undertakes a detailed review of its liquidity adequacy under the Internal Liquidity Adequacy Assessment Process (ILAAP) and submits this to the PRA for supervisory review upon their request. The ILAAP specifies the daily processes that we use to determine the amount of liquidity required to cover its potential cash flow needs under a range of stresses including three PRA standard scenarios: 'name-specific', 'market-wide' and 'combined'.</p> <p>The supervisory review also informs the PRA's view of the amount of 'buffer' or highest quality liquid assets that we should hold to meet the three standard regulatory stress scenarios and the maximum</p>	<p>allowable gap between maturing wholesale assets and wholesale liabilities (wholesale refinancing gap). The Treasury team maintains liquid resources at the greater of the Liquidity Coverage Ratio (LCR) requirement or the internal assessment of liquidity adequacy.</p> <p>The TFRMP lays down a rigorous framework of limits to control our liquidity risk. The governance process surrounding liquidity risk management activities is as follows:</p> <ul style="list-style-type: none"> • The RC has delegated authority for the governance of liquidity risk management to the ALCo which meets at least monthly. • Operational management of liquidity risk is further delegated to the Liquidity Management Group (LMG) which meets at least twice a month. LMG looks at liquidity stresses over a horizon of up to three months and plans cash flows over a rolling 12 month planning period. • The Treasury team is responsible for day-to-day management and maintenance of adequate liquid resources under delegated authority from ALCo. • The RC monitors independently the overall liquidity adequacy process, including the activities of ALCo, LMG and the Treasury team. It also reviews and recommends for approval to our Board the ILAAP at least annually. <p>We're responsible for the liquidity and cash flow requirements of wholly owned subsidiaries. Throughout the last financial year, a conservative approach to liquidity management has been maintained, holding most of the liquidity in the Bank of England Reserve Account and other high quality, LCR eligible assets. Treasury operates an effective control framework, and exposures are monitored on an intra-daily basis.</p>

Principal risk categories and day-to-day management (continued)

Principal risk category	Day-to-day management	
<p>Margin compression risk</p> <p>The risk of a margin squeeze caused by having limited ability to increase margins on the mortgage book if the Society were to experience a relative increase in funding costs affecting variable rate retail funding and in particular the administered rate retail balances.</p>	<p>We control Margin Compression Risk (MCR) exposure by managing basis risk matching, as well as seeking opportunities to increase the volume of administered rate assets and managing asset repricing profiles.</p> <p>The key drivers of this risk are mortgage assets having a longer duration before reaching a repricing point where we can manage margin, funding being of a shorter term and therefore being more quickly exposed to changes in market rates. We focus on MCR in relation to the longer-term asset exposure relating to mortgages, acknowledging that this can be offset by lengthening the behavioural term of funding or shortening the behavioural term of assets. MCR exposure is modelled and managed based on a</p>	<p>funding cost stress, applicable on the behavioural repricing difference between the two sides of the balance sheet.</p> <p>Acknowledging the exposure to MCR by an inability to increase margins on the fixed rate mortgage book if we were to experience a relative increase in funding costs, a set of tenor limits for mortgage business are in place to assist in mitigating this risk and providing increased balance sheet flexibility from more frequent re-pricing opportunities. A minimum volume of administered rate savings is also targeted to provide margin management potential over shorter term horizons, and in line with the guidance limit within PRA SS20/15.</p>
<p>Market risk</p> <p>The risk of changes in the value of, or income arising from, our assets and liabilities as a result of unexpected changes in financial prices, primarily interest rates, property prices, bond yields and inflation.</p>	<p>Market risk exposures are managed through the Treasury department which is responsible for managing exposure to all aspects of market risk within parameters set by our Board.</p> <p>ALCo reviews the TFRMP, recommending changes to our Board as appropriate and ensures that regular reports on all aspects of market risk are assessed and reported to the RC and our Board. The key market risk is interest rate risk, which arises because of differences in the timing of interest rate re-pricing of assets and liabilities. To mitigate this, the Treasury team uses natural balance sheet hedging (e.g. matching 2 year fixed rate mortgages with 2 year fixed rate saving bonds) and derivative instruments. The Building Societies Act 1986 restricts the use of derivatives strictly to hedge against the impact of fluctuating external factors, such as interest rates.</p>	<p>In line with regulatory requirements and best practice, the impact on Net Interest Income (NII) of a parallel shift in interest rates in both directions is considered. In addition, the impacts of alternative non-parallel scenarios upon NII and market value are also considered. Both are reported monthly to ALCo.</p> <p>Interest rate sensitivity also arises from the potential for different interest rates to move in different ways, e.g. Bank Rate linked mortgages are partially funded by administered rate liabilities. The impact of these mismatches (basis risk) is monitored by the Treasury team and reported to ALCo. There is no direct exposure to foreign exchange rates.</p> <p>We've invested in property through our subsidiary West Bromwich Homes Limited (WBHL) and offer residential property for rent. This exposes us to movements in house prices.</p>
<p>Operational risk</p> <p>The risk of loss and/or negative impact to the Society resulting from inadequate or failed internal processes, systems or people, or from external events.</p>	<p>Each business function has a clearly articulated responsibility for identifying, monitoring and controlling its operational risks. The business function receives support and guidance from the Operational Risk, Resilience & Continuity team (ORRCT), which has regular dialogue with function managers and collates management information for review by executive management, the Operational Risk & Resilience Group (ORRG) and the RC.</p> <p>The ORRCT also provides independent input and challenge to the business functions, both through the regular review of operational risks and day-to-day business initiatives. They also oversee the operational risk scenario analysis that feeds into the ICAAP.</p> <p>During the year there has been continued focus on our operational resilience and there has been</p>	<p>co-ordinated efforts successfully across the business in the delivery of our operational resilience plan and Business Continuity and Disaster Recovery Risk Management Framework, all important components against which to manage operational resilience.</p> <p>We've established our Important Business Services, associated Impact Tolerances and completed resource mapping. We have continued to focus testing against severe but plausible disruption scenarios to identify any vulnerabilities to us remaining operationally resilient. Supplier Management has remained a key focus area for us. Following the introduction of a dedicated team to support business areas, controls within this area have been strengthened and matured. These steps</p>

Principal risk categories and day-to-day management (continued)

Principal risk category	Day-to-day management	
Operational risk (continued)	<p>continued to support us in our delivery against the regulatory requirements and will be ongoing post the transition period to March 2025, defined by the FCA and PRA “as the ability of firms to prevent, adapt, respond, recover and learn from operational disruptions”.</p> <p>As a subset of Operational risk, Information risk is supported and has Second Line oversight from</p>	<p>the Compliance Team to ensure appropriate protection and management of member and Society information assets and to ensure compliance with regulatory requirements set out by the Information Commissioner’s Office. This is to ensure appropriate controls are in place to protect the data from breaches caused by people or systems.</p>
<p>Cyber risk</p> <p>The potential for financial loss, operational disruption, reputational damage or legal consequences arising from the compromise, failure or misuse of our information systems, technology infrastructure or digital assets.</p>	<p>Identifying and understanding cybersecurity risk is paramount in today’s digital landscape, where the interconnectedness of systems and the proliferation of sophisticated threats pose significant challenges. Recognising the potential impact of cyber-attacks on our operations, finances and reputation, we prioritise proactive measures through the implementation and maturing of robust security frameworks, regular risk assessments and fostering a culture of security awareness among our colleagues.</p> <p>The RC approved Cyber Security Strategy outlines the approach to and the implementation of cyber security by delivering best security practice that is aligned to industry standards to protect the services and products that we provide, and the supporting information assets, systems and data stored within them from unauthorised access, harm, or misuse.</p> <p>Additionally, the RC approved Cyber Security Risk and Control Assessment Policy implemented within the Society forms the basis of our Cyber Security Risk Management Framework. It establishes the requirements for identifying and assessing cyber</p>	<p>security risks across our key value chain, including our supporting services, infrastructure, extended enterprise, IT systems, products, processes, people and activities.</p> <p>The IT Security team is responsible for developing and implementing the people, processes and technology required to effectively manage cyber risk. This is in alignment with our defined cyber risk appetite, which is set to “zero”, such that “all cyber security risk events need to be identified, escalated, and recorded within the parameters set out in the Cyber Security Risk and Control Assessment Policy”. Decisions to accept residual cyber security risk impacts being signed off by the Chief Information Security Officer and/or member of the Executive.</p> <p>We continuously monitor compliance with the Cyber Security Risk and Control Assessment Policy through bi-annual reports to the Executive Risk Committee (ERC) on the status of risks and controls including risk profile and key trends, monthly reporting on risk events to the Information Security Forum and monthly production of key risk indicators that confirm compliance to policy requirements and reported to RC.</p>
<p>Conduct risk</p> <p>The risk that Society action or behaviour results in poor customer outcomes.</p>	<p>We put our customers’ needs at the heart of everything we do and focus on delivering good outcomes. We manage this in several ways including making sure we meet the FCA’s conduct risk requirements and more recently the Consumer Duty (the ‘Duty’).</p> <p>The Duty hasn’t replaced any existing rules but instead, it’s enhanced them by setting higher and clearer standards.</p> <p>In advance of the FCA’s deadline of the end of July 2024, our Board attested to our compliance with the Duty, and we’ve continued to embed this in a number of ways including:</p> <ul style="list-style-type: none"> Regular testing of our communications with our Customer Panel to assess whether they are easy to understand; 	<ul style="list-style-type: none"> Learning from customer outcome testing where we assess customer outcomes across a number of key customer journeys; Regularly reviewing our products to ensure they are fair value and deliver good customer outcomes; Monitoring and reporting our performance against conduct risk requirements in a way that also focusses on customer outcomes; and Enhancing our approach to monitoring how well we treat customers with additional requirements. <p>We manage conduct risk and our compliance with the Duty at Conduct Risk & Customer Review Group (CRCRG), with secondary responsibility at ORRG and reporting to RC.</p>

Risk governance structure

During the year, risk governance was provided through eleven risk management committees/groups which are shown in the table.

Committee / group / forum	Responsibilities	Chair
Risk Committee (RC)	Oversight, management and review of our principal and key strategic risks identified by our Board. Details of this Committee and its key activities can be found on our website www.westbrom.co.uk/about-us/corporate-governance/board-committees	Chaired by a Non-Executive Director
Audit Committee (AC)	To give assurance to our Board regarding the integrity of the financial statements, the adequacy of the provisions and the adequacy and effectiveness of our risk management frameworks. Details of this Committee and its key activities can be found on our website www.westbrom.co.uk/about-us/corporate-governance/board-committees	Chaired by a Non-Executive Director*
Executive Risk Committee (ERC)	To give our Executives an enterprise wide view of our risk profile, covering both current and potential risks. Responsible for driving the implementation of our risk management framework.	Chief Risk Officer
Assets & Liabilities Committee (ALCo)	Oversight of assets and liabilities risk including the assessment of exposure to Treasury counterparty credit, market, liquidity, margin compression, basis and interest rate risk.	Chief Financial Officer
Residential Credit Group (RCG)	Oversight of the exposure to credit risks as a result of our residential lending activity.	Chief Risk Officer
Commercial Loans Risk Group (CLRG)	Managing and overseeing the exposure to credit risks and exit strategies of our closed commercial loan book.	Chief Risk Officer
Conduct Risk & Customer Review Group (CRCRG)	Oversight of the management of conduct risk and monitoring of customer outcomes from our savings and mortgage activities.	Chief Customer Officer
Operational Risk & Resilience Group (ORRG)	Oversight and management of all operational information and operational resilience risks. Secondary responsibility for conduct risk oversight, focussing particularly on the reporting of our risk events and policy and process oversight.	Chief Operating Officer
Information Security Forum (ISF)	As part of our overall cyber security risk governance, this forum brings together IT leaders, security professionals and business leadership to have First Line of Defence (1LOD) operational level discussions about cyber risk.	Chief Information Security Officer
Capital Review Group (CRG)	Overseeing our capital position.	Chief Financial Officer
Model Risk Group (MRG)	Overseeing our exposure to model risk across the business.	Chief Financial Officer

*The list of Non-Executive Directors who Chair and attend this committee is on page 65.

Principal risks and uncertainties

The following tables show our Board's Principal Risk external threats which have been identified by the RC, along with the responses and mitigants we have in place. The effectiveness of these mitigants is monitored regularly through the risk management committees/groups/forums.

Principal risk category	Principal external threats	Society response and mitigants
Business risk	<p>Adverse changes to the operating environment arising from the general uncertainty in the UK economy, due to the ongoing disruption caused by heightened geopolitical risks and ongoing cost of living crisis leading to:</p> <ul style="list-style-type: none"> • Higher inflation resulting in Bank Rate increasing above 5%. • Declining consumer confidence resulting in reduced activity in the housing market and adverse impact from both lower lending and a potential fall in house prices. • Elevated competition in the mortgage market and rising cost of retail funding. • Flat or declining economic growth and associated rising unemployment causing possible recession. • Increasing regulatory costs. 	<p>Business plans continue to model the impact of a range of scenarios and stress tests, which have been expanded to include potential macroeconomic impact of rising central Bank Rates to respond to higher inflation due to global trade and supply chain issues and rising energy costs. This is reflected within the IFRS 9 provision, ICAAP and ILAAP assessments. These outcomes have Board visibility and are reviewed by a number of risk management committees.</p> <p>These scenario and stress tests are complemented by RST to identify the circumstances that put us into an unviable position, i.e. capital and/or liquidity falls below minimum regulatory requirements.</p> <p>We're based in the UK and have no EU operations.</p>
Credit risk	<p>Higher unemployment because of self-employed/wider business insolvencies and/or an increase in Bank Rate (leading to increased arrears and losses).</p> <hr/> <p>Reduction in property prices (leading to a higher incidence of voluntary possessions and elevated shortfalls when properties are sold).</p> <hr/> <p>Low or flat economic growth combined with higher inflation (leading to further commercial property/BTL tenant failures).</p>	<p>Our IFRS 9 provisioning and stress testing models assume a range of unemployment levels and varying interest rate scenarios, including a stressed outcome. Should an increase in arrears accounts occur, we would expand our credit services resource and regularly review its capacity planning in this regard.</p> <hr/> <p>We're committed to work with our borrowers across a range of forbearance options to avoid possession wherever possible. In the event that possessions were to increase, our regular reviews of our IFRS 9 provisions would reflect this increase. Mortgage Indemnity Guarantee insurance is obtained on lending originated at above 80% Loan to Value to mitigate potential losses.</p> <hr/> <p>We have a well-resourced and highly experienced team dealing with commercial property and BTL mortgages and, as has been the case throughout the year, work with borrowers and agents to lessen the impact.</p>
Capital risk	<p>Rules for calculating capital (amount required and/or amount held) are changed.</p>	<p>Maintain regular dialogue with the regulator and ensure full understanding of, and compliance with, the relevant (existing and future Basel 3.1 and Small Domestic Deposit Taker regimes) rules.</p>

Principal risks and uncertainties (continued)

Principal risk category	Principal external threats	Society response and mitigants
Liquidity risk	Intensification of competition for retail and wholesale funding. Following the failure of US mid-size banks in 2023, rules for calculating liquidity (amount required and/or amount held) are changed.	We continue to demonstrate the ability to attract new retail deposits this year. We also have access to a diverse range of other funding sources, including wholesale options and funding provided through the Bank of England's Sterling Monetary Framework. Scenario and stress testing is undertaken to assess the requirements over several different time horizons. This is also complemented by RST to identify the circumstances that put us into an unviable position, i.e. liquidity falls below minimum regulatory requirements.
	Margin compression risk	Reduction in returns from residential tracker mortgage assets whose rate is linked to Bank Rate with no floor. A relative increase in funding costs affecting variable rate retail funding, and particularly the administered rate retail balances.
Market risk	The risk of a reduction in our net interest margin or economic value because of unexpected movements in interest rates.	We operate within Board approved limits and monitor the exposure to unexpected movements in rates or the yield curve through ALCo.
	Falling HPI, leading to a reduction in the book value of WBHL properties.	No new homes have been added, containing the exposure, and properties continue to be sold where appropriate.
Operational risk	Single points of failure are identified, potentially impacting on critical and important business services.	We maintain an operational resilience framework to prevent, adapt, respond to, recover, and learn from operational disruptions. Scenario analysis is also undertaken to identify vulnerabilities.
	A significant business continuity event.	Detailed business continuity plans are in place, which are regularly tested and supported by scenario testing.
	Investment in core technology introduces execution risk with the benefits being delayed or not delivered.	We have a robust change management framework in place with regular updates provided to our Board.
	Insurance arrangements do not sufficiently cover an event (requiring us to pick up the cost).	The annual review of insurance arrangements is based on advice from brokers and an annual benchmarking exercise.

Principal risks and uncertainties (continued)

Principal risk category	Principal external threats	Society response and mitigants
Cyber risk	One or more of our IT systems are attacked for the purposes of financial gain, theft of data or to cause disruption or negative exposure and threaten the security of members' information, and the availability of the services offered to them. Cyber-attacks, including those done through phishing, malware, ransomware or supply chain attack, remain a significant risk for financial institutions.	We recognise the need to maintain and develop our defences and responses in this area to protect us and maintain the trust of members and the confidence of regulators. We have a robust Cyber Security Strategy and RC is kept updated as to the maturity of our cyber defences and controls and a Chief Information Security Officer has been recruited to develop these further.
Conduct risk	Actions of third party and outsourced suppliers leading to adverse customer outcomes.	A robust supplier framework is in place to oversee the activities of key suppliers. The conduct risk appetite metrics monitoring is reported to RC.

Business conditions and the economic environment

The UK's economy is showing steady growth, though the unpredictable global trade and geopolitical situation adds some uncertainty about what's next. We face some challenges, like inflation still running a bit higher than desired and external shocks impacting the economy. Concerns over government borrowing remind us of the need to carefully manage public finances to keep things stable and sustainable in the long run.

The inflationary environment has changed over the year, which has allowed the Bank of England to lower interest rates from 5.25% to 4.5% as at 31 March 2025. However, price and wage pressures are still a bit high, so inflation remains above the 2% target. Mortgage rates have dropped, but affordability and the cost of living are still tough for many. Some people may face higher interest rates when renewing their mortgages. While mortgage arrears remain low, we've improved our support for borrowers, offering more personalised and proactive help.

Our focus is entirely on the UK, and the state of the UK economy plays a key role in our success. We regularly assess the risks of the broader economic environment – whether things are stable, stressed, or improving – to understand and manage their impact.

External factors that affect us include:

- Interest rates (like the Bank of England rate and other market rates).
- Inflation.
- Unemployment.
- The residential housing and commercial property markets.

For information on climate risk our Climate-related Financial Disclosures are shown on pages 41 to 49.

David Thomas
Chair of Risk Committee
28 May 2025

Climate-related Financial Disclosures

Climate change continues to be one of the most significant long-term risks facing the financial system.

We recognise the importance of managing the financial risks linked to climate change, and we're committed to playing our part in the transition to a more sustainable future.

We've been working since 2019 to strengthen how we identify, assess and respond to climate-related risks and opportunities. This includes both physical risks, such as the potential impact of flooding and extreme weather on mortgaged properties, and transition risks, which arise as the UK economy moves towards Net Zero.

Our disclosures follow the Task Force on Climate-related Financial Disclosures (TCFD) framework, covering governance, strategy, risk management, and metrics and targets. We're also aligned with regulatory requirements set out in the Companies (strategic report) (Climate-related Financial Disclosure) Regulations 2022 and continue to meet the expectations of the Prudential Regulation Authority's (PRA's) Supervisory Statement SS3/19.

We know there's more to do, but we're committed to continuing this work in a transparent and responsible way - supporting people, understanding the risks to our business, and contributing to a fair and orderly transition.



Governance

Our approach to climate governance ensures clear oversight and accountability for the management of climate-related financial risks. The governance framework supports informed decision-making, clear lines of responsibility, and continuous improvement in line with evolving regulatory expectations.

Board and committee oversight

Our Board has overall accountability for our climate-related risks and opportunities. Oversight of these matters is delegated to the Risk Committee, which sets the risk appetite for climate change and receives regular updates on climate-related risk exposure, emerging issues, and regulatory developments. The Audit Committee is responsible for reviewing external climate disclosures, ensuring they meet regulatory expectations and reflect a true and fair view.

Executive responsibility

The Chief Risk Officer (CRO) holds the designated Senior Management Function for climate financial risk. The CRO chairs the Executive Risk Committee (ERC), which provides executive-level oversight of climate-related matters, including review of the Climate Change Risk Management Framework (CCRMF), key risk indicators, and stress testing outputs. The ERC also reviews proposals relating to climate risk appetite and escalates these to the Risk Committee for approval.

Day-to-day responsibility

The Credit Risk team is responsible for managing climate-related financial risks on a day-to-day basis. They consider the implications of the risk in our mortgage portfolios and integrate these risks into underwriting practices and wider credit assessments.

Training and awareness

We recognise the importance of building internal capability across the Society. Climate-related training is embedded in our wider colleague engagement, including the development of our Climate Champions Network - a group of volunteers from across the business who share insights, support awareness, and encourage environmental responsibility in their teams.

We remain committed to strengthening climate knowledge at every level of the Society, supporting better decision-making, more effective risk management, and progress towards our Net Zero ambitions.



Strategy

Our climate strategy aligns with our Purpose as a member-focused mutual. During the year, we continued to take meaningful steps to address both the risks and opportunities climate change presents to our business model, while also supporting the UK's wider goal of reaching Net Zero.

Climate-related risks

The following table shows our initial assessment of the climate-related risks we face. This is informed by internal expertise and external data and will evolve over time as our understanding and capabilities develop. Climate risk assessments are integrated into the broader risk management framework and reviewed regularly to ensure they reflect changes in climate science, regulatory expectations, and market behaviour.

Risk category	Risk summary	Significance /Impact ¹	Ability to control ²	Horizon term risk ³
Business risk	'Green' competition in the mortgage lending and retail deposit space.	Low	High	Short
	Increasing frequency of environmental perils could affect the delivery of 3rd party goods & services.	Low	Medium	Long
	Increasing supply chain costs due to climate related inflationary pressures.	Low	Medium	Medium
Credit risk	Flood/subsidence risk materialising which impacts property values and subsequent losses to the Society.	Low	Medium	Long
	Higher energy efficiency standards for BTL properties may affect our BTL/Ltd Co. BTL books, Commercial Real Estate (CRE) and West Bromwich Homes (WBH) book.	Medium	High	Medium
Operational risk	Business continuity events as a result of increasing frequency and severity of weather events (Head Office, branches, suppliers).	Medium	Medium	Long
	Increased cost base (insurance, energy etc).	Low	High	Medium
	Supplier/third-party operational risk due to climate events, or sourcing of supplies from entities with poor climate change disclosures or strategy.	Medium	Medium	Medium
Market, liquidity, funding risk	Market/liquidity shocks in response to a specific weather event or repricing for new information causing disruption and volatility in specific asset categories, sectors, individual names or regions.	Medium	Medium	Medium
	Retail and wholesale participants only funding/dealing with firms with strong environmental credentials.	High	Medium	Short
	Higher haircuts on Bank of England pledged collateral with low energy efficiency ratings.	Medium	Medium	Medium
	Savings balances eroded to fund, for example property retrofits or replace income due to a climate related macroeconomic impact.	Medium	Medium	Medium

Risk category	Risk summary	Significance /Impact ¹	Ability to control ²	Horizon term risk ³
Conduct risk	Potential for borrowers with significant uninsurable flood or subsidence risk, or poorer EPC rated properties to become mortgage prisoners/face a 'Brown' discount.	Low	Medium	Long
	Inappropriate incentives for green products.	Medium	High	Short
	Potential liability and conduct risks from green propositions and assumed advice.	Low	High	Long
Regulatory & legal	Inadequate or inaccurate climate risk disclosures on past or anticipated events.	Medium	High	Long
	(Possible) capital add-ons for lack of governance and control of risks.	Medium	High	Medium
Reputational risk	Foreseeable, material risks left undisclosed.	High	High	Medium
	Society seen as not proactively addressing risks, but rather responding reactively to regulation and guidance or "greenwashing".	Medium	Medium	Medium

¹ Significance/Impact is based on the risk drivers crystallising.

² Ability to control reflects the extent of mitigation that can be applied by the Society

³ Horizon Term risk is defined by Short (1-2 years), Medium (3-4 years), and Long (5 years or more).

Managing climate risk in lending

Climate considerations are integrated into our lending policies. We apply additional scrutiny where properties are in areas with high flood risk or have low Energy Performance Certificate (EPC) ratings, as part of the property valuation and risk assessment process.

Climate-related opportunities

The transition to a low-carbon economy presents opportunities for us to support people in improving the energy efficiency of their homes. We continue to explore new ways to engage and educate members on energy efficiency measures, and are collaborating with suppliers, industry bodies, government, and regulators to share knowledge and support wider sector progress.

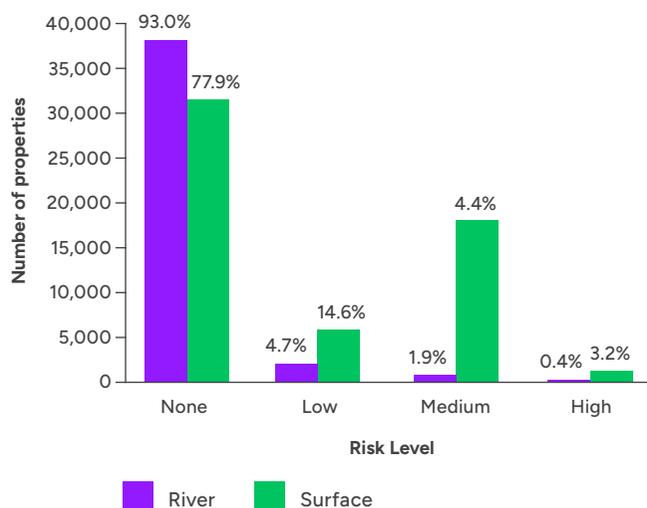
Scenario analysis

Scenario analysis plays a central role in assessing the resilience of our strategy to climate-related risks. We adopt a proportionate approach that reflects the nature of our business and the long-term time horizons over which climate risks may materialise.

Our current focus is on physical climate risks, including flooding and subsidence, across the mortgage portfolio. These assessments draw on modelling developed in partnership with 4most Analytics Consulting, using UK-specific pathways based on the Met Office Representative Concentration Pathways (RCPs). We explore a range of future outcomes, including low – less than 2°C warming (RCP 2.6), high – warming of 5°C (RCP 8.5), and interpolated medium emissions scenarios, consistent with the UK Climate Change Risk Assessment 2017 (CCRA2017).

Across all modelled scenarios to 2080, exposure to physical climate risk remains modest. For instance, under the high-emissions scenario, flood risk increases slightly by 2050, but the projected impact on expected losses is limited. The flood risk profile, based on the mortgage portfolio as of 31 March 2025, is shown below.

Distribution of Risk – England & Wales



Subsidence exposure is also low, with modelling indicating limited financial impact even under adverse climate outcomes.

These insights inform long-term strategic planning and financial planning. We are now exploring ways to expand this analysis to incorporate transition risks, such as policy and market changes.

Net zero

Our climate change target aligns with the UK's net zero goals:

- To achieve net zero emissions by 2050, with aspiration to become carbon negative (removing more carbon dioxide from the atmosphere than is emitted).

To reduce our operational emissions, we use renewable energy across all branches and Head Office. Our company vehicle fleet is fully electric, and further measures are under consideration, including the potential installation of solar panels and improvements to our lighting systems. We continue to collect and refine operational emissions data to support credible reporting.

In 2025, we're carrying out a full carbon foot printing exercise to better understand our baseline emissions across all areas of the Society. This work will lay the foundations for setting clear, measurable interim targets and developing a credible plan to reduce emissions over time.

We recognise that our journey towards a greener future is still in its early stages. As standards and best practice continue to evolve, we will refine our targets, develop transition plans, and evolve our disclosures to reflect emerging expectations.



Risk management

Climate change introduces uncertain and potentially irreversible risks. These risks can be physical (such as flooding and subsidence) or transition-related (for example, linked to changes in policy or regulation) and may develop over short, medium, or long timeframes. While the precise impacts are hard to predict, we recognise the financial implications are likely to increase over time.

We manage climate-related risks in line with expectations from the PRA, the FCA, and the TCFD. Our approach is proportionate to the Society's business model and the nature of the risks we face. We aim to balance managing financial risks in and emerging and uncertain area while avoiding unintended consequences. This approach will continue to evolve as the regulatory landscape and industry best practice develop.

Climate change isn't currently considered a Principal Risk for the Society. This is based on our modelling, which shows modest financial impacts from future physical risks such as flooding and subsidence. However, we treat it seriously as a sub-risk under Business Risk, with ongoing oversight from our Board.

To support this, we have a Climate Change Risk Management Framework (CCRMF) which helps us identify, assess and manage climate-related financial risks and ensures we stay aligned to our strategy and risk appetite.

How we identify and assess climate-related risks

We assess risk across three main areas:

Market-wide risks	These include new regulation or energy efficiency rules that affect the wider financial sector or mortgage market. These could lead to increased credit losses in the future.
Idiosyncratic risks	These are specific to our own exposures. For example, buy to let properties may be affected by tighter EPC standards, reducing property value or rental income.
Emerging risks	We keep a close watch on the external environment to identify new risks early, including shifts in climate policy, regulation or customer behaviour.

How we manage climate-related risks

We apply the following principles to managing these risks:

Regulatory compliance	We align with the PRA's Supervisory Statement (SS3/19), FCA disclosure rules, and other relevant requirements.
Proportionality	Our response is tailored to our size and complexity, and reflects the specific nature of our climate-related exposures.
Governance and policy alignment	Any changes to how we manage risk (for example, lending criteria) must follow our approved governance and policy processes.
Best practice	We actively consider insights and recommendations from the Climate Financial Risk Forum (CFRF), BSA and other sector groups to improve our approach.
Resilience in stress	We test whether our risk management would be effective in a range of stress events – whether sudden (e.g. flash flooding) or longer-term.

Use of scenario analysis

Scenario analysis is a core tool in understanding how climate-related risks may affect our mortgage portfolio over time. We assess both physical risks, such as flooding, subsidence, and coastal erosion, and transition risks, including those related to Energy Performance Certificate (EPC) ratings.

Physical risk modelling uses the Met Office Representative Concentration Pathways (RCPs), aligned with Intergovernmental Panel on Climate Change (IPCC) scenarios. We apply low (RCP 2.6), and high (RCP 8.5) emissions scenarios, with a medium emissions pathway interpolated between the two. Risk trajectories are benchmarked against the UK 2017 Climate Change Risk Assessment (CCRA2017), with projected impacts modelled to 2080 using a static balance sheet.

These exercises are integrated into our wider risk and capital planning and are reviewed by senior management and our Board. Our approach is aligned with Bank of England expectations, and we continue to refine this work as new data sets and guidance become available.

Risk appetite

We've defined a clear risk appetite for climate-related financial risk:

"We will ensure that the impact of physical and transition risks on our exposures do not give rise to potential losses that threaten our business model, or compromise our current or future viability."

This statement is reviewed annually and has not changed.

Monitoring and oversight

We track climate-related risks using a set of metrics and management information, which is reported twice a year to the Risk Committee. This includes metrics on flood and subsidence exposure and the energy efficiency of properties across our mortgage portfolio.

Based on current data and modelling, our exposure to financial losses from physical and transition risks remains modest. However, we remain vigilant as the climate risk landscape evolves and we'll continue to strengthen our understanding and response over time.

Metrics and targets

Operational emissions

We measure our greenhouse gas emissions in line with the Streamlined Energy and Carbon Reporting (SECR) framework, as implemented by the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

- **Scope 1** emissions cover direct emissions from sources we own or control, including the combustion of natural gas and fuels used in our electric vehicle fleet.
- **Scope 2** emissions are indirect and relate to the electricity we use in our day-to-day operations.

Location-based emissions

Scope 1 (natural gas) emissions saw a decrease in 2024/25 compared to 2023/24, owing to a conscious effort to reduce emissions through adjusted plant running times. Scope 2 (electricity) emissions saw a slight increase, reflecting higher activity across our estate as we continue to move away from pandemic-related operational patterns.

Location-based emissions (tCO ₂ e)		
	2024/25	2023/24
Scope 1		
Gaseous and other fuels	129.3	187.9
Transport (owned)	0.0	0.0
Scope 2		
Buildings electricity	449.4*	443.8
Total Scope 1 and 2	578.7	631.7

*To ensure accuracy of our emissions reporting we use actual consumption data where available. Due to issues outside our control, 4.67% of our Scope 2 energy data (kWh) for 2024/25 is based on extrapolated values, calculated in line with industry best practice.

Market-based emissions

All the electricity we purchased between April 2024 and March 2025 was 100% renewable, sourced through REGO-backed contracts. We've applied an emissions factor of 0.00 tCO₂/kWh to reflect this.

Market-based emissions (tCO ₂ e)		
	2024/25	2023/24
Scope 2		
Buildings electricity	0	0
Total Scope 2	0	0

Net Zero targets

Operational targets

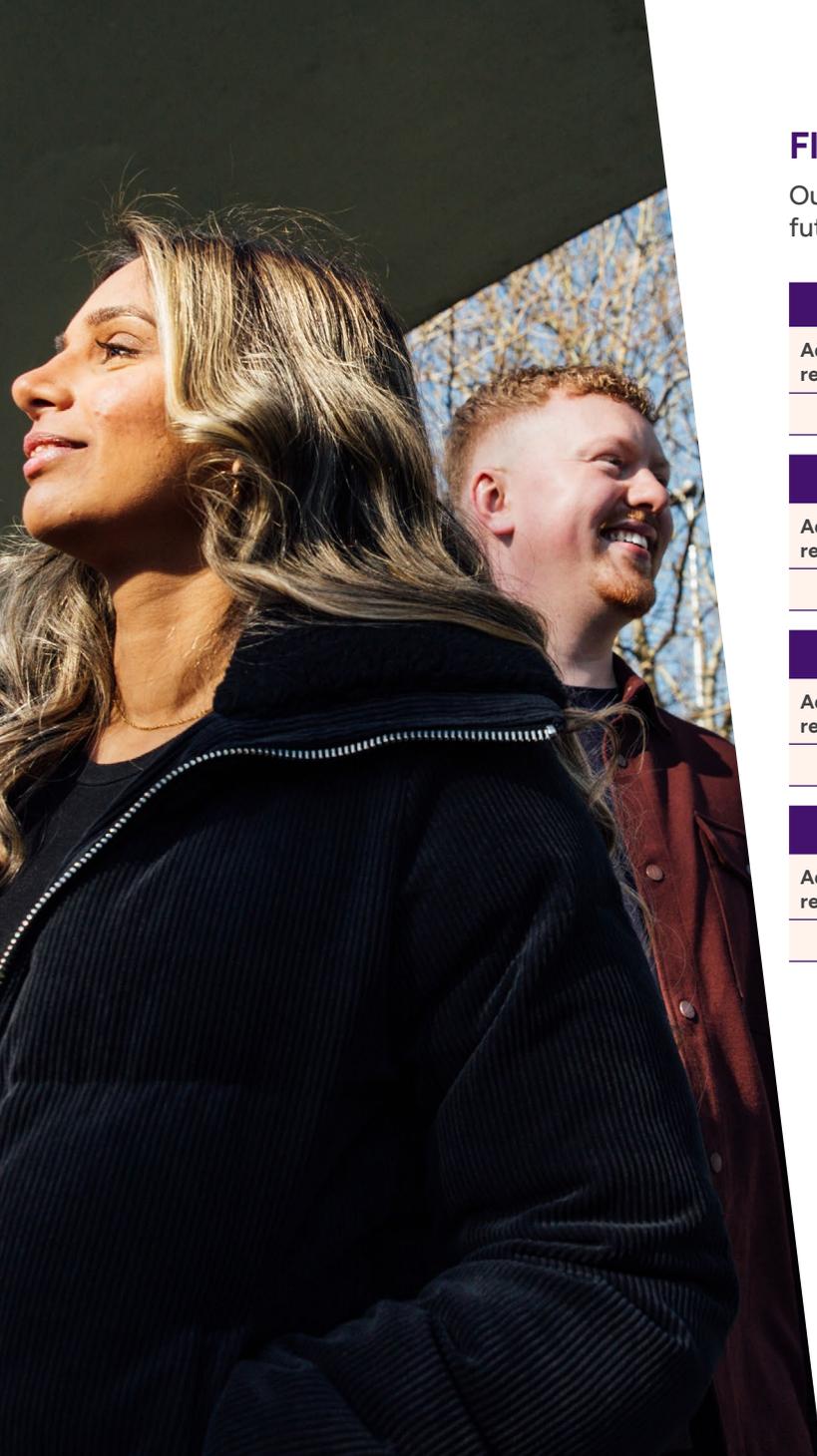
- To achieve net zero emissions by 2050, with aspiration to become carbon negative (removing more carbon dioxide from the atmosphere than is emitted).

We're committed to achieving Net Zero emissions from our operations by 2050 and have an aspiration to go further by becoming carbon negative. As well as Scope 1 and 2, this includes Scope 3 emissions which encompass indirect emissions generated from upstream and downstream activities. For the Society, the most significant element will be the emissions from properties we have financed.

Since 2020, we've taken meaningful steps towards this goal and in 2025, we're completing a full carbon foot printing exercise. We recognise that tackling Scope 3 emissions, particularly those linked to financed emissions, is where we can make the biggest impact. While we may need to use offsetting in the future, our priority remains on real emissions reduction wherever possible.

Physical risk metrics

We assess flood and subsidence risks across our mortgage portfolio using a climate scenario model that estimates the additional ECLs we could face due to climate impacts over different time horizons. These models cover river, coastal, and surface flooding and consider high, medium, and low emissions scenarios. The model adjusts property values to reflect potential costs related to flood and subsidence risks and assesses how these risks may affect the likelihood of borrowers falling into arrears. These factors are then used to calculate the increase in credit losses attributable to climate risk.



Flood risk

Our modelling has produced the following outputs for future flood-related ECLs across England and Wales.

	2025		
Additional flood risk related expected loss £m	Low	Medium	High
	0.33	0.42	0.51

	2030		
Additional flood risk related expected loss £m	Low	Medium	High
	0.35	0.46	0.57

	2050		
Additional flood risk related expected loss £m	Low	Medium	High
	0.43	0.60	0.79

	2080		
Additional flood risk related expected loss £m	Low	Medium	High
	0.51	0.76	1.02

Subsidence risk

Subsidence risk remains low under both the 2030 and 2070 scenarios.

Subsidence cost assumptions (£m)	2030	2070
"High cost" scenario – average cost £40,000	0.07	0.16

Overall, we believe our exposure to physical climate risk remains limited. Even under high-emissions scenarios, the projected increase in credit losses is modest. There's currently no material impact on our financial statements because of physical risk. However, we'll continue to monitor climate outputs and consider mitigation actions if risks become material in the future.

Transition risk metrics

We use Energy Performance Certificate (EPC) data to assess our exposure to transition risk, particularly those risks linked to energy efficiency standards and government policy.

As of 31 March 2025, the average EPC rating across our residential mortgage portfolio is D. We've successfully matched EPC ratings for most of the portfolio using government data and estimation models, giving us visibility over 98% of the book.

EPC Rating	Current EPC rating			Potential EPC rating		
	Total %	Owner Occupied %	Buy to let %	Total %	Owner Occupied %	Buy to let %
A	0.9	1.1	0.0	14.8	17.8	2.5
B	17.9	20.8	6.0	43.9	44.5	41.2
C	22.0	19.8	31.1	25.1	22.6	35.4
D	43.7	42.8	47.6	14.0	13.0	18.2
E	13.0	12.8	13.6	2.0	1.9	2.4
F	2.1	2.2	1.4	0.2	0.2	0.2
G	0.4	0.5	0.3	0.0	0.0	0.1
Average	D	D	D	B	B	C

We're aiming to improve the average EPC rating of our mortgage portfolio to a C by 2028. While we recognise that achieving this goal relies on continued Government support and wider policy shifts, we're committed to taking action within our control. For the portfolio of rental properties we own, the EPC rating is C or better for 98.5% of the properties.

We'll continue to explore how we can best support borrowers to improve the energy efficiency of their homes and are closely monitoring developments in the policy landscape. Although we're focused on the positive steps, we can take to support a just transition, we acknowledge that the scale of the challenge facing the UK's housing stock is significant. Reaching our 2050 Net Zero ambition will require coordinated action across the sector, underpinned by meaningful policy change, and targeted government intervention.

David Thomas
Chair of Risk Committee
28 May 2025

Governance

- Corporate Governance report
- Nominations Committee report
- Audit Committee report
- Remuneration Committee report
- Directors' report

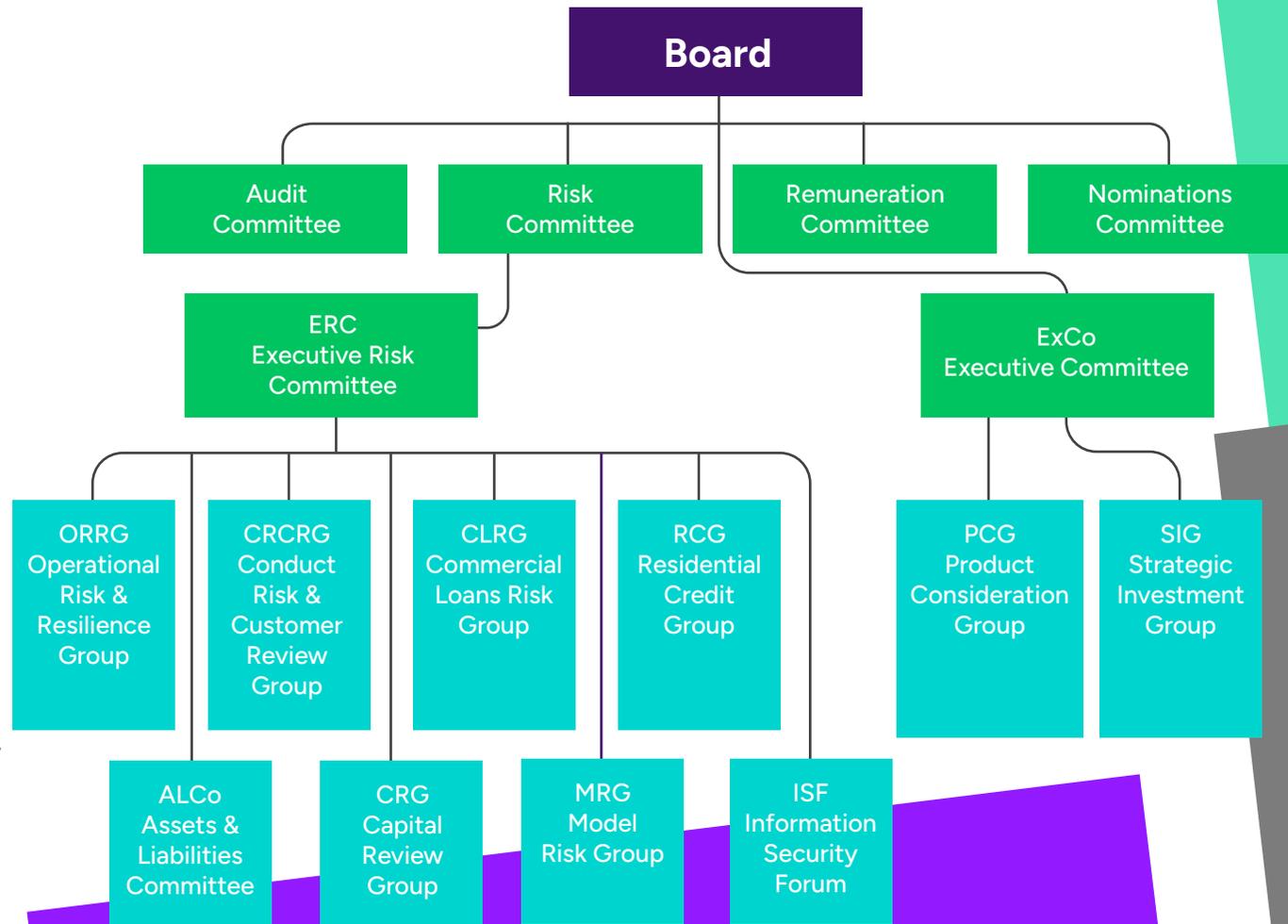
Corporate Governance report

This report outlines how the Society's managed in the interest of our members and highlights the role, constitution and governance framework of the Board and Committees. The report gives a detailed explanation of the following:

- Governance structure.
- Board.
- Executive Committee.

The UK Corporate Governance Code seeks to establish the best governance practices across companies whose shares are listed. As a mutual organisation, the Society isn't required to comply with the UK Corporate Governance Code (the Code). However, the Board pays due regard to it when establishing and reviewing our corporate and governance arrangements.

The Building Societies Association states that the role of a building society Board is typically seen as one of stewardship, running a society not just for the benefit of current members, but also for future generations of members. The notion of stewardship demands a long-term perspective on financial stability, member propositions and investment. Therefore, the focus in the Code on Boards' promoting long-term sustainable success supports our mutual ethos.



TIER 1

TIER 2

Governance framework

Our Governance framework supports best governance practices within the Society to help the Board do its job it is supported by several Committees.

Tier 1 Committees are run by a Non-Executive Director or Chair. Further information on each Committee can be found in the Committee reports.

Tier 2 Committees and Groups are run by an Executive Director or one of the Executive Committee.

The Board

The Board has a wide range of skills, its main role is to shape the strategy and ensure adequate resources are in place to achieve our Purpose. Our Board's responsible for:

- Setting clear goals and defining how much risk the Society is willing to take.
- Building and maintaining strong systems that help identify and manage risks.
- Making sure appropriate financial and people resources are in place to achieve our objectives.
- Regularly reviewing how well the management team is performing.
- Making sure our members receive a good service and, when members give their feedback it's addressed and any trends are monitored.
- Making sure that we comply with the relevant laws and regulations.



John Maltby – appointed January 2021

Chair of the Board

Committees – Chair of the Nominations Committee and member of Remuneration Committee

John's an experienced board member having served on boards across financial services, public and private sectors, not-for-profit, and private-equity backed businesses. He also has experience chairing purpose-led organisations – having been Chair of Good Energy for over six years. John's currently Chair of Allica Bank, Non-Executive Director of Nordea Bank and Chair of Max Nicholas Renewables.

John was previously on the Board of Trustees for the National Citizen's Service Trust and in recognition of this role was awarded an MBE in 2022.



Lynne Atkin – appointed May 2025

Non-Executive Director

Committees – Member of Risk, Remuneration and Nominations Committees

Lynne has over 30 years' experience within HR. Working within the energy and financial services industries, this has included HR Director roles across Retail, Business and Corporate Banking and across global regions.

In January 2022 she joined the Board of Trustees for Action for Children, helping children grow up safe and happy.

She was awarded an MBE in 2017 for services to HR in banking, for the work of herself and her team in driving apprenticeships and other inclusive working programmes.



Sara Bennison – appointed August 2023

Non-Executive Director

Committees – Member of Remuneration and Risk Committees

Sara has over 15 years of experience in retail financial services, having worked in senior roles at Nationwide and Barclays. Before that, she worked in advertising agencies in the UK and Asia for well-known brands. She also serves as a Non-Executive Director on other Boards within the regulated sector and beyond.



Martin Boyle – appointed April 2023

Chief Operating Officer

Committees – Member of Executive and Executive Risk Committees

Martin's an experienced change and operations leader with extensive retail banking expertise, most recently as Chief Transformation Officer at Metro Bank Plc, where he sat on the Group Executive Committee. He's also held senior roles at Nationwide and Portman building societies, Visa Europe and Accenture.

Martin has a wealth of experience leading transformation and managing large-scale operations. He's responsible for modernising and digitising our infrastructure and operations to better serve our current and future customers.



Manjit Hayre – appointed September 2021

Chief Risk Officer

Committees – Chair of Executive Risk Committee, member of Executive and Assets & Liabilities Committees

Manjit joined us in 2006. Before this, he was at the Britannia Building Society for five years. In total he has over 30 years of financial services experience, having started his career at NatWest Mortgage Services, and in risk related roles since 1993.



Nimisha Patel – appointed June 2024

Non-Executive Director

Committees – Member of Audit, Nominations and Risk Committees

Nimisha is a highly experienced executive leader with over 23 years of experience in technology, digital transformation, and cyber security. She's made a significant impact across both private and public sectors, including financial services, healthcare, energy, and automotive manufacturing. She's currently the Group CIO at Mishcon de Raya. Nimisha was Chief Digital and Information Officer for Bupa and HM Cabinet Office. She was also on the Board of Bank North, where she was a member of the Bank's Audit, Risk and Remuneration Committees.



Alex Pawley – appointed January 2023

Chief Financial Officer

Committees – Chair of Assets & Liabilities Committee, member of Executive and Executive Risk Committees

Alex joined our Board having been promoted to Chief Financial Officer after spending the preceding six years in different roles in the Society's Treasury and Finance team. Prior to joining the West Brom, he spent over a decade working for Deloitte, where he qualified as a Chartered Accountant, and specialised in the financial services sector.



Lynne Shamwana – appointed February 2019

Non-Executive Director

Committees – Chair of Audit Committee and member of Nominations (until 31 January 2025) and Risk Committees

Lynne previously held the position of Chief Financial Officer at Virgin Care and before that Global Finance Director of Christie's, the international auction house. She's held a variety of senior finance and management roles at Centrica plc, British Gas, Goldfish Bank plc and Alliance & Leicester plc. Lynne is a Director and Chair of the Audit Committee of Antin Infrastructure Partners and a Director and Governor of the Southbank Centre. She's also a fellow of the Institute of Chartered Accountants in England and Wales.



David Thomas – appointed August 2020

Non-Executive Director

Committees – Chair of the Risk Committee and member of Remuneration, Nominations (from 1 November 2024) and Audit Committees

David has a wealth of experience in general and risk management, internal audit and regulatory activities. His previous roles include Chief Risk Officer at SMBC, EMEA Region, Chief Risk Officer at RBS Plc, Corporate Banking Division and Managing Director responsible for Ulster Bank's Corporate and SME business in Ireland.



Jonathan Westhoff – appointed May 2009

Chief Executive

Committees - Chair of Executive Committee, Chair of the Employee Council, Member of Assets & Liabilities and Executive Risk Committees

Jonathan has spent over 40 years in financial services, mainly in the building society sector. He served as Finance Director at two building societies before joining the West Brom Board, initially as Finance Director and Deputy Chief Executive. He was appointed as Chief Executive Officer in May 2011. Jonathan is also a past Chair of the Building Societies Association and currently serves as a Non-Executive Director of Livv Housing Group.

The Executive Committee

Meet the Executive Committee

The Executive Committee, led by Jonathan our CEO, is responsible for the delivery of the Society's strategy and the day to day operations.



Jonathan Westhoff
Chief Executive



Martin Boyle
Chief Operating Officer



Manjit Hayre
Chief Risk Officer



Alex Pawley
Chief Financial Officer



Sophie Pazzaglia
Chief People Officer &
Group Secretary



Sarah Teague
Chief Internal Auditor



Alex Windle
Chief Customer Officer

An overview of our Executive Committee is available on our website.

We're committed to a high level of Corporate Governance and follow the 2018 UK Corporate Governance Code (the Code). On 22 January 2024, a revised 2024 Code was published which applies to listed entities with accounting periods commencing on or after 1 January 2025. The principal changes are those around internal controls, in particular, Principle O and a new Provision 29, effective from 1 January 2026, which asks boards to make a declaration in relation to the effectiveness of their material internal controls. We're currently working to evaluate how this is incorporated in future reporting.

This section explains to our members how we've complied with the principles and the Code so far as its provisions are relevant to building societies. Any non-adherence to the Code has been listed at the end of this report.

Board leadership

The responsibilities of our Board include setting the purpose, values and strategy, ensuring they are aligned to our objectives, providing the leadership to put them into effect, monitoring performance and reporting to members on their stewardship.

The Board meets regularly to fulfil its responsibilities. They met 10 times last year, details on who attended Board and Committee meetings are in a table at the end of this report.

At every Board and Committee meeting, minutes are taken capturing all important discussions and any challenges that have been raised. These minutes are shared with all Directors. At the next Board meeting, the Chair of each committee updates everyone on the key points discussed.

We're owned by our members, therefore, regular feedback from our members is sought in several ways which can be found in the strategic report on pages 6 to 29 and the Corporate Governance report on pages 51 to 63.

Colleagues can raise any concerns they may have. We operate an 'Open door' ('Whistleblowing') policy, which is in line with the Public Interest Disclosure Act 1998. Colleagues can get in touch with the Chief Executive (CEO), Chief People Officer and Group Secretary and the Chief Compliance Officer by email, phone, or face to face. They can also leave an anonymous message on a dedicated phone line, or get in touch with Lynne Shamwana (Chair of Audit Committee), our whistleblowing champion.

The Audit Committee reviewed a report on whistleblowing incidents over the past 12 months. There was no evidence of any issues with financial reporting or anything else covered by the Public Interest Disclosure Act 1998.

Division of responsibilities

The Chair is responsible for leading our Board, making sure there are plans in place for the future and development. They set clear rules to guide decision-making and manage its activities, making sure the right committees are formed. They also chair the AGM and represent the Society with the regulators.

The Board delegates responsibility for framing and, after approval, implementing strategy and the management of the day-to-day operation of the Society to the CEO. The Executive Committee supports the CEO in carrying out their role. The CEO reports to the Board at each meeting. The Chair also has access to the Group Secretariat for advice and support. The Chief People Officer and Group Secretary advises the Chair and Board on governance matters, policies and procedures.

Executive Committee

The CEO leads the Executive Committee which is responsible for management and oversight of all matters related to the Society on a daily basis.

Board Committees

Risk Committee

The Risk Committee is responsible for evaluating and assessing risk appetite and tolerance, reviewing the management of principal risks within the Risk Management Framework (RMF), reviewing our risk profile, considering the key risk issues we face and ensuring the independence of the Risk and Compliance functions.

Audit Committee

The Audit Committee is responsible for monitoring the integrity of financial reporting, the effectiveness of internal controls, and the independence and effectiveness of internal and external audit.

Nominations Committee

The Nominations Committee regularly reviews our Board and Committee structures. They do this to make sure they're the right size and they have the right skills and experience to oversee our business activities and objectives.

Our Non-Executive Directors commit at least 30 days each year, while the Chair and Chairs of Board committees commit additional time.



Remuneration Committee

The Remuneration Committee is responsible for overseeing the remuneration arrangements for the Society's Executive Directors and senior leadership, setting overarching principles and policy for remuneration and reward within the Society, and the design and operation of performance related incentive plans.

Our Directors have access to independent professional advice should they need it.

Composition, succession and evaluation

The Nominations Committee is responsible for the recruitment of our Board members and Executive Committee.

More details are included in the Nominations Committee report on page 64.

Audit, risk and internal control

The Board is responsible for developing strategies relating to risk management and internal control. The day-to-day responsibility sits with the Executive Directors and senior managers. Risk management systems and internal controls are designed to help achieve our objectives and stay in line with the Risk Appetite Statements while systems and controls are implemented to mitigate and manage risk.

More information can be found in the Audit Committee report on pages 65 to 67 and the risk management report on pages 31 to 40.

Remuneration

More information can be found in the Remuneration Committee report on pages 68 to 76.

Operational resilience

The Board has considered the Operational Resilience of the Society through Business Continuity planning. The Board has been kept up to date of changes made to processes within the Society to improve resilience and ensure we're compliant with regulatory requirements and has received regular updates on the ongoing enhancement of our IT infrastructure, Information Security and process automation. The Board reviews the annual Operational Resilience Self-Assessment which provides a robust view of the resilience of our important business services to severe but plausible disruption, and the necessary steps to ensure those services can be recovered before causing intolerable harm to members.

Liquidity and capital management

The Board has evaluated extensively our assessment of capital and liquidity requirements to ensure ongoing financial security. The Board continues to monitor the availability of funding markets (retail and wholesale) to enable us to achieve our strategic objectives.

Evaluation of the Board and its effectiveness

The previous external Board effectiveness review was conducted by New Street Consulting Limited in the year ended 31 March 2024 and concluded that the Board and its sub-Committees were operating effectively. The Chief People Officer and Group Secretary undertakes an annual Board Effectiveness Review as part of compliance with the Code.

Engagement with our members and other stakeholders

As a member-led organisation, we've always placed emphasis on the relationship with our members and other stakeholders over the years and continue to do so. The Member Council and Employee Council are a testament to the commitment to our members and colleagues.

Our commitment to member engagement is clear throughout this report. The table shows how member views are considered in Board decisions.

Stakeholders	How the Board considers views when making decisions	Other ways we make sure views are considered
Society members	<p>The Member Council, set up in 2019, helps the Board make sure our long-term strategic decision making considers the views of our members.</p> <p>Through the year, the Council held three meetings, chaired by the CCO, with the CEO and one of the Non-Executive Directors in attendance.</p> <p>In November the Member Council refreshed its membership, welcoming 12 new members representing a broad cross-section of our member base.</p>	<ul style="list-style-type: none"> Over the last 12 months the Member Council has supported the Board with insights into our strategic direction, Executive Director remuneration, refreshed brand and approach to green mortgages. Every month information is given to the Board covering our key customer metrics including: <ul style="list-style-type: none"> Customer feedback Net Promoter Score. Complaints. Our customer panel has over 1,500 members. We regularly ask for feedback to help us shape what we do. This includes testing literature for new products to make sure it's clear, balanced and easy to understand.
Colleagues	<p>Just like the Member Council, our Employee Council helps make sure the Board's long-term strategic decision making considers the views of all colleagues.</p> <p>Over the last 12 months, we held three meetings, chaired by our CEO or one of our Non-Executive Directors. To help strengthen the link between the Council and the Board, one of our Non-Executive Directors also attends the Council. It discussed broadly the same topics as our Member Council.</p>	<ul style="list-style-type: none"> Regular colleague surveys give colleagues the chance to have their say on our key operational matters. Our colleague-led Connect group promotes equity, inclusion and diversity. Further details can be found on page 18 of this report. WeBe, our intranet platform, is a place where our colleagues, including our executive team, can have open and honest conversations. All colleagues can stay connected and share ideas, creating a more inclusive workplace.
Communities	<p>As a regional building society, our strong community relationships play a key role in making us a sustainable business that truly cares about the communities we serve.</p> <p>In June, Birmingham-based charity Jericho was selected as our charity partner for the year. Its mission is to support people into long term jobs and a brighter more secure future – a mission that is wholly aligned to our own Purpose.</p> <p>Over the last 12 months our Charitable Foundation has continued to work alongside Barnardo's to deliver the Birmingham Gap Homes project. This will support young care leavers into sustainable housing, enabling them to have a more secure future.</p> <p>The Board gets regular updates on our community activities.</p>	<ul style="list-style-type: none"> We provide much-needed funding to local charities and community through grants made by the Mercian Community Trust. This funding is enabled by members saving into our Community Account affinity product. In the last year we have supported 43 local causes through this grant scheme. We support various community needs through fundraising and volunteering and deliver financial education sessions to local schools and colleges, helping students feel more confident about managing money. <p>More information on how we're supporting our communities can be found on page 17 of our strategic report.</p>

Stakeholders	How the Board considers views when making decisions	Other ways we make sure views are considered
<p>Wider stakeholder groups</p>	<p>The Board gets regular updates on the relationships we have with our wider stakeholder groups including:</p> <ul style="list-style-type: none"> • Mortgage brokers and third-party suppliers. • Relationships with wholesale investors, which are overseen by the Assets & Liabilities Committee. 	<ul style="list-style-type: none"> • Regular attendance at supplier user groups encourages a positive feedback loop between clients and providers. • Engaging with investors helps build strong collaborative working relationships.
<p>Environment</p>	<ul style="list-style-type: none"> • Climate considerations are being integrated into strategic decisions, aligning with regulatory expectations and stakeholder priorities. • Climate risk is embedded within our Climate Change Risk Management Framework, with regular Board oversight through the Risk Committee. • The Board receives bi-annual updates on climate risk, assesses physical and transition risks, and oversees the development of our Climate and Environment Strategy. • Sustainability principles are incorporated into lending policies, procurement, and operational decisions, ensuring a long-term commitment to environmental responsibility. 	<ul style="list-style-type: none"> • We are working to enhance our climate disclosures, improving Scope 1, 2, and 3 emissions reporting. • We engage colleagues at all levels through training and awareness initiatives, including our Climate Champions Network, which drives sustainability action across the business. • Through member communication, partnerships, and industry collaboration, we ensure that stakeholder views shape our approach to climate and environmental responsibility. <p>More information can be found in our Climate-related Financial Disclosures report on pages 41 to 49.</p>
<p>Regulators</p>	<p>The Board has an open and transparent relationship with both the FCA and the PRA. This includes:</p> <ul style="list-style-type: none"> • Managing actions raised from regulatory reviews at Board level, with key updates provided on a regular basis. • Making sure Board members attend important regulatory update meetings. This means our position is considered for any emerging developments. 	<ul style="list-style-type: none"> • Monthly updates on key regulatory changes are provided to the Board. • Regular conversations with our regulatory supervisors to cover principal risks and other matters.

Attendance records – Board and Board Committee meetings

Our Board met 10 times in the last year. The table below shows each member's attendance. The number of meetings each was eligible to attend is shown in brackets.

	Board	Nominations	Audit	Risk	Remuneration
Sara Bennison	10 (10)			7 (7)	4 (4)
Martin Boyle *	10 (10)				
Dave Dyer	4 (4)		1 (1)	2 (2)	
Anne Gunther	4 (4)			2 (2)	1 (1)
Russell Galley	8 (9)			6 (6)	4 (4)
Manjit Hayre *	10 (10)				
Julie Hopes	9 (10)	5 (6)	2 (4)		4 (4)
John Maltby (Chair)	10 (10)	6 (6)			4 (4)
Nimisha Patel	6 (8)	4 (4)	3 (3)	4 (5)	
Alex Pawley *	10 (10)				
Lynne Shamwana	9 (10)	5 (5)	3 (4)	6 (7)	
David Thomas	10 (10)	2 (2)	4 (4)	7 (7)	4 (4)
Jonathan Westhoff *	10 (10)				

* Executive Directors

Non-adherence to the Principles and Provisions of the Code

The Code's expectation is one of 'Comply or Explain'. The philosophy of the Board is to comply with the Code and the guidance on it issued by the Financial Reporting Council and the Building Societies Association. As the Code was not designed for mutual organisations, it inevitably contains sections with which we cannot comply. The areas of non-compliance during the year were:

- Provision 3, which requires the Chair to discuss governance matters with major shareholders and relay their views to the Board as a whole (as a mutual organisation, owned by its members, with each voting member having one vote, there are no shareholders and therefore this specific requirement is not relevant to us).
- Provision 36, which requires remuneration schemes to promote long-term shareholdings by Executive Directors (not possible for the Society due to its mutual status).

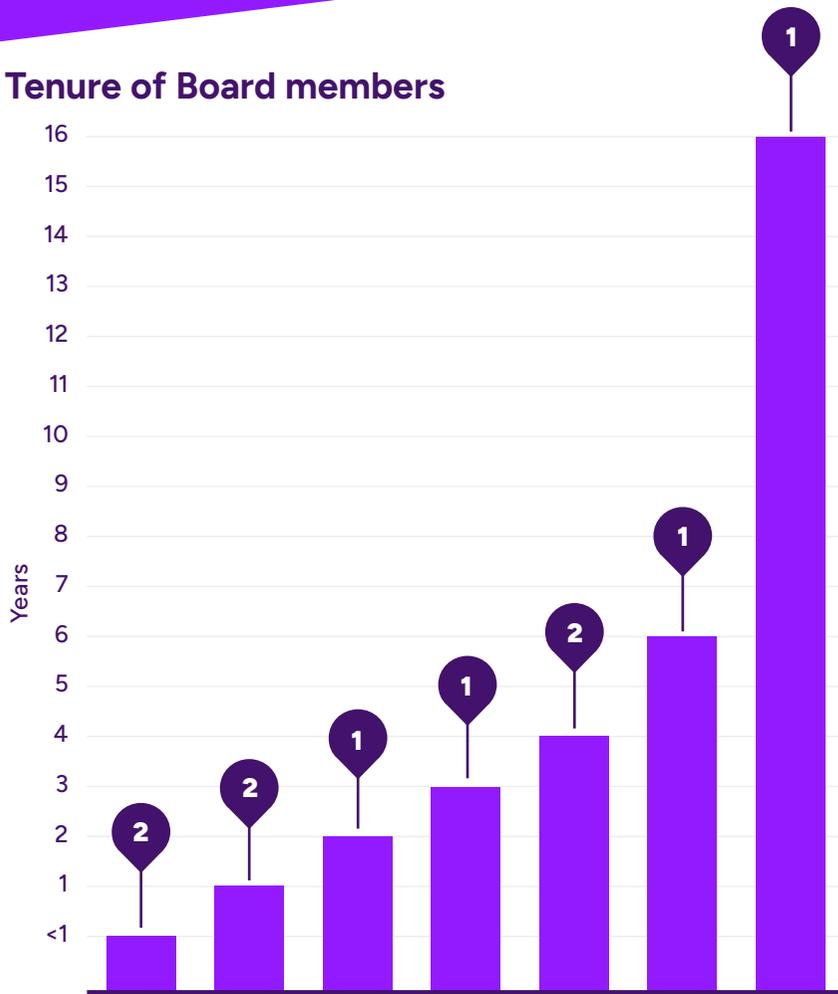
During 2024/25, other than the points listed above, the Board is of the opinion that we have complied with all other aspects of the Code.

On behalf of the Board

John Maltby
Chair
28 May 2025

Board diversity and engagement

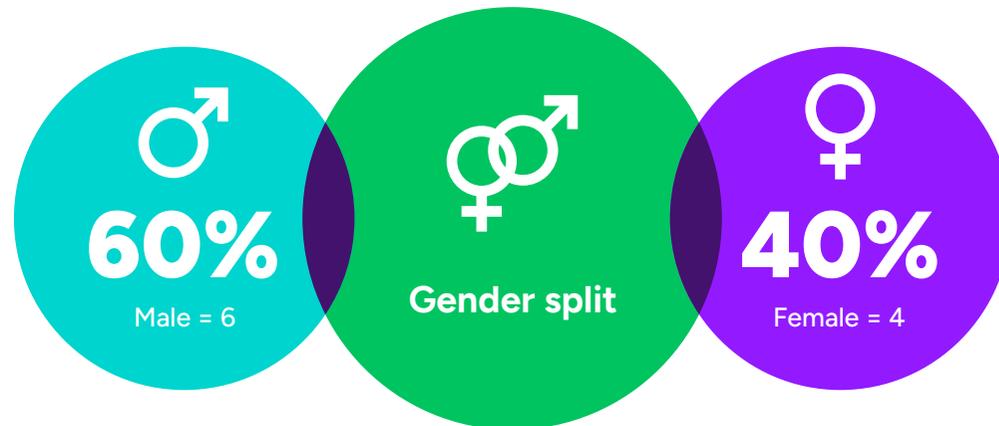
Tenure of Board members



The Board analysis detailed represents the Board as at 28 May 2025.

Board Members

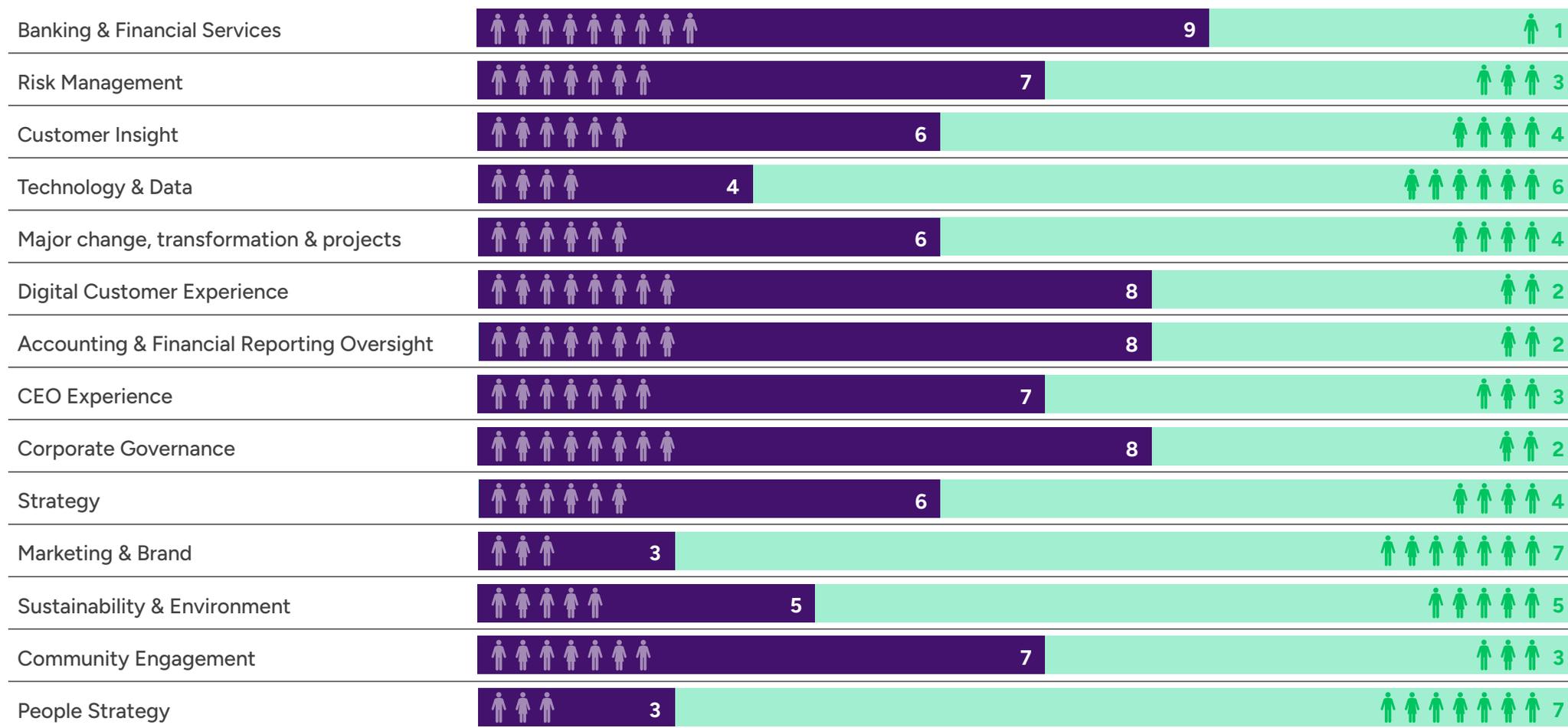
The experience and diversity of our Board is essential to achieving our Purpose.



Ethnic diversity



Board skills and experience as at 28 May 2025



Advanced or higher level skills/ experience
 Indirect skills/experience

The output of the 'Boards skills and experience' is self-assessed by each individual Director.

Nominations Committee report

This report tells you about:

- The Nominations Committee's responsibilities and activities over the year.

Purpose of the Committee

The purpose of the Nominations Committee is to define what skills and capabilities are needed, and to recruit and ensure the ongoing development of Board members and the Executive Committee.

Committee membership and responsibilities

The Committee's made up of:

- John Maltby (Chair)
- Lynne Atkin (joined the Committee 01/05/25)
- Julie Hopes (stepped down from the Committee 28/05/25)
- Nimisha Patel (joined the Committee 01/06/24)

- Lynne Shamwana (stepped down from the Committee 31/01/25)
- David Thomas (joined the Committee 01/11/24)

All members are Non-Executive Directors. Our Chief Executive and Chief People Officer & Group Secretary attend meetings when they're invited.

The Committee's responsible for:

- Overseeing appointments and succession planning for the Board and Executive Committee.
- Ensuring the Board is the right size and has the skills and experience to govern the Society.

If you'd like a copy of the Committee's terms of reference, please email us at communications@westbrom.co.uk

Key areas of focus

In the last 12 months the Committee met six times, and its key areas of focus were:

- Attracting, selecting and appointing new NEDs.
- Developing and enhancing the Board's performance. A Board effectiveness review was completed to make sure it is delivering strong, effective and dynamic governance of the Society.
- Overseeing our people strategy and how it supports the delivery of our goals.

Non-Executive Director appointments

The Committee regularly reviews our plans for Board succession which includes both Executive Directors and Non-Executive Directors. With several Non-Executive Directors due to complete their set terms on the Board, the Committee has carefully selected new candidates who can help drive our strategy at Board level. To do this, the Committee looks at the skills and

experience needed for the Board to continue to give us the support we need. We've used specialist advisers to support this process. Details of the appointments that have been made can be found on our website.

Board development

There is a comprehensive induction programme for NEDs, tailored to their individual experiences. For example, after joining the Board, they're invited to visit us, have meetings with our senior management team, and review reports on our Group's strategy and operations. A separate induction programme is in place for Executive Directors. Throughout their term with us, Board Directors continue to undertake activities which maintain the level of skill and knowledge they need in their roles; development logs track the activities each Director takes part in, and each year a skill assessment matrix is completed to identify any gaps.

NEDs usually serve on the Board for a maximum of nine years.

All NEDs need to meet the independence criteria when they're appointed and throughout their time on the Board. Each Director currently serving at the Society is confirmed as independent in both character and judgement, with no conflicts of interest that could influence their decision making.

John Maltby

Chair of Nominations Committee
28 May 2025

Audit Committee report

This report tells you about:

- The Audit Committee's roles and responsibilities.
- Their key focus over the year.

Purpose of the Committee

The Audit Committee plays a crucial role in our corporate governance, making sure our financial statements, and compliance and risk management is honest and fair.

Committee membership and responsibilities

The Committee's made up of:

- Lynne Shamwana (Chair)
- Julie Hopes (stepped down from the Committee 28/05/25)
- Nimisha Patel (joined the Committee 01/06/24)
- David Thomas

All members are Non-Executive Directors. Our Chair and other Non-Executive Directors, members of ExCo and the external auditors also attend meetings when they're invited.

The Committee also gets advice from independent consultants when it's needed.

The Committee's responsible for:

- Reviewing the statements made in the annual and half-year reports before publication.
- Making sure we're compliant with accounting standards and regulatory requirements.
- Monitoring and reviewing how our Internal Audit team provide assurance regarding the management of risk.
- Assessing the effectiveness of our internal controls and risk management systems (including conduct risk).
- Approving the appointment and removal of our Chief Internal Auditor.

- Recommending the appointment or reappointment of the external auditors at the AGM.
- Monitoring the effectiveness of the external auditors.
- Making sure we align to legal, regulatory and ethical standards.
- Monitoring our whistleblower policies and fraud investigations.

These roles and responsibilities follow the guidelines set by the Financial Reporting Council (FRC) Guidance for Audit Committees. If you'd like a copy of the terms of reference for the Audit Committee, please email us at communications@westbrom.co.uk

Key areas of focus

The Audit Committee met four times this year and their key areas of focus were:

- Financial reporting oversight.
- Risk and internal control.
- External auditors.
- Compliance and ethical standards.

Financial reporting oversight

The committee reviewed our financial statements and interim report. The key areas that needed more attention are in the table on the next page.



Area of focus	Actions taken
Loan impairment provisions	<ul style="list-style-type: none"> • We reviewed the expected credit loss provisions for each mortgage portfolio under IFRS 9. • We've considered the use and completeness of Post Model Adjustments. • For commercial loans, we've examined exposure levels, and provision coverage for 'at risk' sectors. • We've challenged the impairment model assumptions in different forecasts and scenario analyses. • We confirmed credit risk disclosures were accurate and properly reported. • We reviewed the development of updates to IFRS 9 models to make sure they continue to meet our needs.
Investment property valuations	<ul style="list-style-type: none"> • We've made sure that our West Bromwich Homes residential properties are fair valued as per IAS 40. • We reviewed the valuation process and the effect of any adjustments and concluded the year-end portfolio value is well supported by market data and independent valuations of properties.
Financial instruments (Fair value and hedge accounting)	<ul style="list-style-type: none"> • We've made sure that the IAS 39 rules for hedge accounting are correctly applied. • We reviewed our hedging requirements and made sure that our processes based on previous external audit findings have been updated where necessary.
Defined benefit pension liability	<ul style="list-style-type: none"> • We reviewed the key assumptions for the funded defined benefit pension scheme (see note 30). • We've monitored the 'Buy In' that the defined benefit retirement scheme went through. • We've reviewed our assumptions to calculate the retirement benefit obligations are appropriate as of 31 March 2025.
Accounting standard updates	<ul style="list-style-type: none"> • We reviewed that our disclosures relating to new or amended accounting standards are fair and accurate.
Going concern and viability statement	<ul style="list-style-type: none"> • We reviewed our evidence supporting the going concern and long-term viability during economic uncertainty. • We've assessed the Group's strategy, business model, and capital/liquidity under current and stressed conditions. • We approved the Annual Report on a going concern basis and affirmed the viability statement in the Directors' report.
Fair, balanced and understandable reporting	<ul style="list-style-type: none"> • We've made sure that the financial statements and interim reports fairly represent the Group's position, performance, and strategy.
External audit	<ul style="list-style-type: none"> • We've considered the external auditors' feedback and concluded that no significant changes to our financial statements were needed.

Risk and internal control

We know that strong risk management and effective internal controls are key to reaching our goals and protecting our assets. They help operations run smoothly, make sure we report accurately, and help keep us in line with laws and regulations.

You can find out more about how we manage risk in our risk management report on pages 31 to 40.

Through the Committee, the Internal Audit team gives our Board an independent view on how risks are managed and, when needed, they're supported by external specialists. The Committee's responsible for making sure the Internal Audit team have the skills and resources to deliver the right level of assurance and remain independent. For the 2024/25 financial year, we maintained an effective internal control framework in line with the principles of the UK Corporate Governance Code.

The Committee approves the Internal Audit plan for the year. The plan's developed with a risk-based approach and with input from a range of sources, including management and the Committee. The Committee reviews reports, and other management information provided by the Internal Audit team, including tracking any actions through to completion.

We approved the Internal Audit plan for 2024/25. This year, the main areas we reviewed were:

- Information security, cyber security and operational resilience.
- Areas of prudential and financial risk.
- Material 'change' projects.
- Aspects of our credit risk management framework.
- A range of operational and conduct risk related reviews.

The Committee monitors and assesses the role and effectiveness of Internal Audit, including an annual external quality review of a sample of audit files, and an External Quality Assessment (EQA) every five years.

The last EQA took place in 2021/22 concluded that Internal Audit 'generally conforms' to the standards, the highest rating.

We're satisfied Internal Audit is operating effectively.

External auditors

PwC are in their fifth year as the Society's external auditors.

On a yearly basis the Committee monitors our relationship with the external auditors to make sure they are independent and objective. This assessment is facilitated by the Chief People Officer and Group Secretary and is initially discussed without auditors present. The Committee is confident that the relationship with the auditors is working well and is satisfied with their effectiveness and independence.

Details of the fees paid to the external auditors for both audit and non-audit services can be found in note 6 of the financial statements.

Open door reporting

Every year the Committee oversees the use of our confidential reporting channel, and our 'Open Door' policy. The policy is in place to give colleagues, who may have serious concerns, a way of coming forward to voice those concerns. We make sure all colleagues know about the policy through their induction as well as regular education.

In the last year, no reports were made.

Audit Committee effectiveness

Every 3 years an external firm assesses the Committee's effectiveness, looking at time management, processes, support, work and future priorities. This was last completed in 2023/24 with the conclusion that the Committee is effective. Internal reviews are completed in the years in between external reviews.

Committee members must complete relevant training regularly, and the Committee also receives periodic training on current topics.

Lynne Shamwana

Chair of Audit Committee
28 May 2025

Remuneration Committee report

This report tells you about:

- The Remuneration Committee's responsibilities and activities over the year.
- The pay and benefits of our Executive Directors and fees paid to Non-Executive Directors.

Purpose of the Committee

The key purpose of the Remuneration Committee is to review colleagues' pay and benefits and to make sure policies align with the Society's values, risk appetites and legal and regulatory requirements.

Committee membership and responsibilities

The committee's made up of:

- Julie Hopes (Chair) (stepped down from the Committee 28/05/25)
- Lynne Atkin (joined the Committee 01/05/25)
- John Maltby
- Sara Bennison
- Russell Galley (joined the Committee 01/05/24, stepped down from the Committee 30/04/25)
- David Thomas

All members are Non-Executive Directors. Our Chief Executive Officer and Chief People Officer & Group Secretary attend meetings when they are invited. Under the Committee's terms of reference, at least one member must also be a member of either the Risk Committee or Audit Committee. We meet this requirement.

The Committee receives advice from independent consultants, when required.

The Committee is responsible for:

- Setting the Remuneration Policy (the Policy).
- Overseeing the implementation of the Policy.
- Determining remuneration arrangements for our Executive Directors and other Code Staff*.
- Consideration of whether anyone's actions or behaviour could affect their eligibility to take part in performance-related pay schemes.

* Under the Remuneration Code, we must identify colleagues who we think have an impact on our risk profile, we call these Code Staff. This includes all Executive and Non-Executive Directors and all members of our Executive Committee.

If you'd like a copy of the Committee's terms of reference, please email us at communications@westbrom.co.uk

Remuneration Policy

Our Remuneration Policy exists to ensure fair and transparent decisions are made about pay and benefits for all colleagues.

Background

The Policy provides the framework for the Committee to make remuneration decisions and recommendations to our Board in relation to Executive Directors and other Code Staff.

The Policy is designed to promote appropriate behaviours and practices consistent with risk appetite.

The approach of the Remuneration Committee is to ensure that Executive Directors' remuneration is designed to promote the long-term success of the Society, with full consideration of other stakeholders such as customers, colleagues and regulators.

Remuneration decisions are made based on total compensation comprising salary, performance-related pay and benefits, ensuring an appropriate balance between the fixed and variable components of remuneration. The variable element of the remuneration package creates flexibility to allow for changes in current and future performance.

The Society's remuneration principles are:

- The Policy is in line with our strategy, objectives and values, thereby aligning it with both short and long-term interests.
- The policies, procedures, remuneration practices and performance-related payment schemes are consistent with the promotion of good and effective risk management and are structured in such a way as to discourage risk taking which is outside our risk appetite.
- Focus is on the underlying business position where management can influence performance. Performance-related pay schemes may therefore exclude the impact of specific one-off items which would be agreed at the outset by the Committee.
- All remuneration packages are designed such that we can attract and retain high calibre individuals.
- Performance measures for individuals are challenging and robust and measured on a consistent basis.
- Performance-related pay is based on the Board's objectives for the period, 40% of any award is deferred over a four year period, to allow the Remuneration Committee to review whether the payment remains appropriate, and providing the ability to reduce or cancel the payment. The Committee also has discretion to recover payments previously made (clawback), should information come to light after the payment being made, that would have resulted in the Committee withholding the payment, had this information been known.

The Policy follows, as a minimum, the Remuneration Code and good corporate governance practices.

Remuneration policy and practice

Components of remuneration

The tables below show the Policy for Code Staff.

Component 1

Basic salary

Fixed remuneration set to attract and retain individuals of sufficient calibre through the payment of competitive rates.

Operation and performance metrics

Reviewed annually (or more frequently if required).

Influencing factors include role and experience, personal performance, salary increases awarded across the Society, and benchmarking comparisons against organisations of a similar size/complexity, and roles of similar responsibilities.

Opportunity

Set at a level considered appropriate, considering the relevant factors tabled. The Committee considers very carefully any pay awards which do not reflect the wider increases across the Society and will only make them where there is a clear commercial rationale for doing so.

Component 2

Performance-related pay

Linked to the delivery of Key Performance Indicators and personal objectives. Used to reward within the context of achieving the Society's goals and objectives.

Operation and performance metrics

40% of the performance-related pay earned is deferred over a four-year period. Deferred payments are made in equal instalments over the following four years and are subject to annual review by the Committee. The Committee has discretion to make a reduction in the level of award (down to zero) or recover awards if necessary including withholding vested awards (malus arrangements) and recovering payments (clawback arrangements) in line with relevant regulation, which is for a period of seven years for Executive Directors, and five years for deferred payments/one year for non-deferred payments for other Code Staff. The annual review prior to payment of a deferred element will consider several factors, making sure management has operated within our risk appetite, not exposed the Society to regulatory or control failings, or taken other such actions that would represent a poor outcome for customers.

All awards are non-pensionable.

Based on several measures, including customer, financial, change, risk and people.

Reviewed by the Committee annually to ensure that the measures are appropriate.

Opportunity

The Committee has the discretion to allow maximum annual opportunity of 75% of basic salary (as approved by voting members at the 2018 AGM). However, the maximum opportunity for 2024/25 remained at 50% of basic salary.

Component 3

Pension or pension allowance

A part of fixed remuneration intended to attract and retain individuals of sufficient calibre.

Operation and performance metrics

A choice is offered; either to join the Society's stakeholder pension plan or, as an alternative, be provided with a cash allowance (for example, where they have exceeded the annual or lifetime allowance).

Opportunity

A pension contribution or cash allowance equal to the maximum pension contribution available to all other colleagues (for 2024/25: 10.6%).

Component 4

Benefits

A part of fixed remuneration intended to attract and retain individuals of sufficient calibre.

Operation and performance metrics

Benefits are in line with market practice; private medical care for themselves and their family, and life assurance (4X basic salary). Other benefits may be provided in individual circumstances.

Opportunity

Set at a level considered appropriate, as part of a review of total compensation arrangements.

The table below shows the Policy for Non-Executive Directors.

Component	Operation	Application
Fees To attract and retain Non-Executive Directors of the right calibre for the Society.	Fees are reviewed annually for Non-Executive Directors by the Chair and Executive Directors. Fees for the Chair are recommended by the Remuneration Committee and approved by our Board. The Chair is not present when these fees are discussed or approved.	Fees are set at a level to attract individuals with the appropriate knowledge and experience and to reflect the responsibilities and time commitment for Board and Board Committees, considering market practice. Reimbursement is also made for reasonable travel expenses for attending meetings/ Society business.

Whilst Non-Executive Directors do not participate in any performance-related pay scheme, their overall performance is reviewed annually by the Chair.

Recruitment policy for Executive Directors

The appointment of an Executive Director could be either an internal or external appointment. In principle, we would look to provide no additional benefits than those provided to an existing Executive Director.

The approach is to offer a package that is sufficient to recruit an individual of sufficient calibre, but to pay no more than is necessary to attract the appropriate candidate.

Component	Application
Basic salary	An amount commensurate with their experience and responsibilities.
Benefits	Comparable benefits to existing Directors, although if required to attract the right candidate these may be widened to include additional benefits, such as a relocation allowance.
Performance-related pay	The maximum performance-related pay would be in line with the current Policy, unless the market rate required to recruit the individual supported a higher amount. In any event, this would be no more than what is considered commercially justifiable.
Pension or pension allowance	The option to join the stakeholder pension scheme or to receive a cash allowance up to the maximum pension contribution available to all colleagues, which is 10.6% of salary (with the cash allowance option subject to deduction of tax and national insurance).
Recruitment compensation	Compensation arrangements are only considered if the new Executive Director was required to forego an arrangement from their previous employer. In such instances the award would be no more in terms of amount than the award due to be foregone. The timing and vesting requirements of any payment would be replicated as far as possible.

The Remuneration Committee has the right to exercise discretion within the Policy and recommend to our Board an override of any formulaic approach laid out in the PRP Scheme Rules should it be deemed appropriate in line with good corporate governance.

In agreeing remuneration arrangements for new hires, the Committee will consider the value of the total package on offer compared to similar positions in the market, the structure of the remuneration and the experience of the candidate, to ensure that arrangements are in the best interests of both the Society and its customers, without paying in excess of what is deemed necessary to recruit an individual of the required calibre.

Recruitment policy for Non-Executive Directors

As with Executive Directors, the approach is to offer a package that is sufficient to recruit an individual of sufficient calibre, but to pay no more than is necessary to attract the appropriate candidate.

Component	Application
Fees	A new Non-Executive Director would receive fees. The level of fees would be set at a level commensurate with the Director's experience and responsibilities and with due regard to the fees of other Non-Executive Directors.

Service contracts

The terms and conditions of employment for Executive Directors are detailed in their service contracts. The contract is terminable with 12 months' notice if given by us, or six months' notice if given by the Director. Non-Executive Directors do not have service contracts and instead have letters of engagement which set out their time commitments and responsibilities.

Policy on payment for loss of office

The Policy, as reflected in Executive Director contracts, is for loss of office payments to be reduced by an amount equivalent to basic salary from new employment entered into during the period covered by loss of office payments.

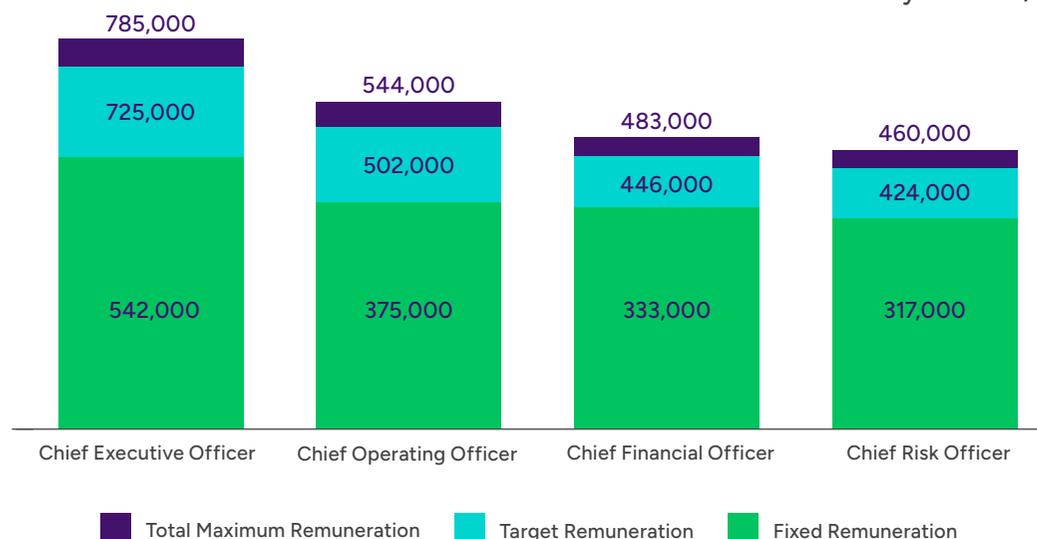
Component	Application
Salary and benefits	A termination payment would be based on the relevant notice period. There would be no payment in the event of misconduct or poor performance.
Performance-related pay	Any performance-related pay awards would be made solely at the discretion of the Committee. Any deferred awards would remain payable in future years subject to the normal rules of the Scheme, including possible reduction or cancellation.

Employment conditions elsewhere in the Society

The pay and benefits of colleagues is considered annually by the Committee, which also determines the amount of general performance-related pay. Subject to eligibility, we offer a comprehensive range of benefits to colleagues, including pension, life assurance, health care, car scheme and performance-related pay. Our annual salary review scheme looks at the salary for each colleague based on robust external benchmarking, considering the market rate and level of responsibility for each role. From April 2025, eligible colleagues will get base salary increases of up to 14%.

Remuneration scenarios

The chart shows the breakdown of the component parts of the remuneration package for Executive Directors 2024/25 on the following basis:



- Fixed remuneration – comprising basic salary, pension and benefits.
- Target remuneration – the anticipated annual remuneration incorporating a performance-related award.
- Maximum remuneration – the maximum remuneration that could be awarded.

When developing the remuneration scenarios, the following assumptions were made:

- Fixed remuneration includes basic salary, pension and benefits only.
- Target remuneration is based on a performance-related award of 37.5% of basic salary.
- Maximum award is based on a performance-related pay award of the maximum achievable which is 50% of basic salary (as stated on page 69, the Remuneration Committee has the right to allow an increase in performance-related award to 75% if deemed appropriate, with effect from financial year 2019/20).

Key areas of focus

The Committee met four times this year and their key areas of focus were:

- Pay and benefits of Executive Directors, Non-Executive Directors and Code Staff.
- Oversight of salary review for all colleagues.
- Budget for salary and performance-related pay for our colleagues, including overseeing our approach to pay, reward and recognition.
- Level of performance-related pay for this financial year and deferred awards.
- Continued oversight of alignment of remuneration practices across the whole colleague base to ensure continued equity in our pay practices.
- Review of the benefits package offered to all colleagues (including enhancement to pensions and recognition schemes).
- Society and individual performance-related pay objectives for our Executive Directors and Code Staff for the 2025/26 financial year.
- Approach for Gender Pay Gap and Ethnicity Pay Gap reporting.

Attracting and retaining a talented team

Every year, every colleague's salary is benchmarked against the financial services market, to make sure everyone is paid fairly and competitively for their role and level of responsibility.

The Committee recently benchmarked our Executive Directors' remuneration using the remuneration adviser, FIT Consultants.

The following Executive Director pay increases were agreed:

- Chief Executive Officer 2%.
- Chief Financial Officer 5%.
- Chief Risk Officer 2%.
- Chief Operating Officer 2%.

Our Executive Directors' remuneration, including performance-related pay can be found on page 73.

FIT Consultants reviewed Non-Executive Director fees for next year. To stay competitive and keep a strong Board, the Committee agreed to increase non-executive fees by 1.85%, and give the same increase to our Chair. The additional fees for Chairs of Board Committees will remain constant.

Gender and Ethnicity Pay Gap reporting

We're committed to maintaining a diverse and inclusive workplace where all colleagues are paid fairly. As part of our commitment, we regularly track and share our pay gap statistics.

You can read our 2024 gender and ethnicity pay gap report on our website.

A more diverse team helps us to provide a better service for our customers. In March 2024, we introduced a new diversity and inclusion questionnaire, giving our colleagues the chance to share and update demographic information.

Fair pay for our colleagues

The Committee reviews the pay and benefits of colleagues every year. We offer a comprehensive range of benefits to colleagues, including pension, life assurance, health care, car scheme and performance-related pay. We're committed to paying all colleagues the Real Living Wage as an absolute minimum.

Every year, we review salaries by using market comparisons and role responsibilities. From April 2025, eligible colleagues will get base salary increases of up to 14%.

Annual remuneration report

In this report, the tables marked 'audited' meet the requirements of the Building Societies Act 1986. We follow the Prudential Regulation Authority's (PRAs) code on Remuneration Practices and disclosure requirements and align our policy with the PRAs best practice guidelines and the UK Corporate Governance Code where appropriate.

Loans to Directors are in line with s68 disclosure of interest of associated personnel (Director) to the Society.

At 31 March 2025, one Director (2023/24: one Director) or persons connected with Directors had mortgage loans granted in the ordinary course of business totalling £0.2m (2023/24: £0.2m). A register containing details of loans and transactions between the Society and its Directors may be inspected at our Head Office, during normal office hours, in the period of fifteen days expiring on the date of the AGM, or at that meeting.

Non-Executive Directors' fees (audited)

Non-Executive Director	Date appointed	2024/25 Fees ⁽¹⁾	2024/25 Benefits ⁽²⁾	2023/24 Fees	2023/24 Benefits ⁽²⁾
		£000	£000	£000	£000
John Maltby (Society Chair since 01/03/21)	04/01/21	135	3	130	1
Julie Hopes (Remuneration Committee Chair. Deputy Chair since 01/08/19)	01/04/16	79	2	77	2
Lynne Shamwana (Audit Committee Chair since 23/07/20)	01/02/19	69	2	67	1
David Thomas (Risk Committee Chair since 04/05/21)	01/08/20	69	2	67	1
Sara Bennison	01/08/23	54	2	35	1
Russell Galley (from 01/05/24)	01/05/24	50	2	-	-
Nimisha Patel (from 01/06/24)	01/06/24	45	2	-	-
David Dyer (until 24/07/24)	01/09/21	18	1	52	1
Anne Gunther (until 24/07/24)	01/11/21	18	1	52	1
Victoria Mitchell (until 31/03/24)	01/04/18	-	-	52	1
Total		537	17	532	9

Notes:

1. The Society's Chair (John Maltby) and other Non-Executive Directors received a 4% increase in their base fee from April 2024.
2. In addition to the payment of fees, Non-Executive Directors receive expenses for travel and accommodation in relation to their attendance at meetings.

Executive Director remuneration – 2024/25 (audited)

Executive Director	Basic salary	Performance - related pay ⁽¹⁾	Pension	Other benefits	Total
	£000	£000	£000	£000	£000
Jonathan Westhoff (Chief Executive Officer)	487	232	52	3	774
Manjit Hayre (Chief Risk Officer)	286	127	30	1	444
Alex Pawley (Chief Financial Officer)	300	138	32	1	471
Martin Boyle (Chief Operating Officer)	338	161	36	1	536
Total	1,411	658	150	6	2,225

1. Includes an element that is subject to deferral. The subsequent table headed 'Deferred performance-related pay' details the amount due for payment, subject to review by the Committee at the appropriate time.

Note: Jonathan Westhoff also received £4,500 during the year from Livv Housing Group, for his role as a Non-Executive Director on their Board. Livv Housing Group is an entirely separate and unrelated business to the Society and this fee was not related to services performed for the Society.

Executive Director Remuneration – 2023/24 (audited)

Executive Director	Basic salary £000	Performance - related pay ⁽¹⁾ £000	Pension £000	Other benefits £000	Total £000
Jonathan Westhoff (Chief Executive Officer)	468	222	50	3	743
Manjit Hayre (Chief Risk Officer)	275	121	29	1	426
Alex Pawley (Chief Financial Officer)	260	119	28	1	408
Martin Boyle (Chief Operating Officer)	325	152	35	2	514
Total	1,328	614	142	7	2,091

1. Includes an element that is subject to deferral. The subsequent table headed 'Deferred performance-related pay' details the amount due for payment, subject to review by the Committee at the appropriate time.

Note: Benefits of £49,481 in lieu of pay and benefits for the period from April 2023 to November 2023 were paid to Ashraf Piranie under the terms of his contract when he stepped down from his role.

Performance-related pay is made up of both Society and personal objectives set at the start of each year (the maximum award is 50% of basic salary). This is made up of:

- Society objectives:
 - 30% for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.
 - 10% for the Chief Risk Officer.
- Personal objectives:
 - 20% for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.
 - 40% for the Chief Risk Officer.

This year (2024/25), the total performance-related pay for our Executive Directors is:

Executive Director	% awarded for Society objectives	% awarded for personal objectives	Total % awarded
Jonathan Westhoff (Chief Executive Officer)	28.575%	19%	47.575%
Alex Pawley (Chief Financial Officer)	28.575%	17.5%	46.075%
Martin Boyle (Chief Operating Officer)	28.575%	19%	47.575%
Manjit Hayre (Chief Risk Officer)	9.525%	35%	44.525%

Our objectives for the year include:

Objectives	% of overall award potential	% of award achieved
Customer: Gross residential lending, retention of lending, customer satisfaction, ease of doing business	20%	18.75%
Financial: Profitability, net interest margin, cost efficiency	15%	15%
Change: System enhancement and implementation for savings and mortgages	15%	13.75%
Risk: Operational resiliency, support capability for lending	15%	14%
People: Strengthening leadership and management capability, enhancing diversity and inclusivity	15%	13.75%
Overall assessment by the Board of Executive performance	20%	20%
Overall Society objectives	100%	95.25%

The Remuneration policy gives us the option to increase Executive Directors' maximum performance-related pay award up to 75% of basic salary. It has been agreed this will remain at 50% of salary for 2025/26.

Deferred performance-related pay

Part of the Executive Directors' performance-related pay has been deferred, this means set aside to be paid in future years, as shown in the table. Before any payments are made, they are reviewed by the Committee. They may be reduced or cancelled, if any negative actions or behaviours come to light that have resulted in undue harm to the Society.

Deferred performance-related payments for relevant prior years have been approved for payment at the end of the 2024/25 financial year. These payments are for our:

- Chief Executive Officer.
- Chief Financial Officer.
- Chief Risk Officer.
- Chief Operating Officer.
- Former Group Finance & Operations Director.

Executive Director	Deferred from	Payable after year ending				
		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Jonathan Westhoff	2021/22	17	17	-	-	-
	2022/23	19	19	19	-	-
	2023/24	22	22	22	22	-
	2024/25	-	23	23	23	23
Total		58	81	64	45	23
Ashraf Piranie (until 31/12/2022)	2021/22	12	12	-	-	-
	2022/23	10	10	10	-	-
Total		22	22	10	-	-
Manjit Hayre	2021/22 ¹	7	7	-	-	-
	2022/23	10	10	10	-	-
	2023/24	12	12	12	12	-
	2024/25	-	13	13	13	13
Total		29	42	35	25	13
Alex Pawley	2022/23 ²	6	6	6	-	-
	2023/24	12	12	12	12	-
	2024/25	-	14	14	14	14
Total		18	32	32	26	14
Martin Boyle	2023/24	15	15	15	15	-
	2024/25	-	16	16	16	16
Total		15	31	31	31	16

¹ The 2021/22 breakdown shown for Manjit Hayre includes elements subject to deferral from his total performance-related pay awarded for the year, including the period for which he was not an Executive Director.

² The 2022/23 breakdown shown for Alex Pawley includes elements subject to deferral from his total performance-related pay awarded for the year, including the period for which he was not an Executive Director.

Chief Executive Officer (CEO) pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 came into force for accounting periods starting 1 January 2019 and requires the publication of the ratio of the CEO's total remuneration to that of all colleagues.

We use the government's preferred method to work out the total pay and benefits of all UK colleagues. We then compare the median, 25th, and 75th percentiles against the CEO's pay. The ratios below are based on our colleague data from 31 March 2025.

Year	Method	25th Percentile	Median	75th Percentile
2024-25	Option A	30:1	23:1	16:1
2023-24	Option A	30:1	23:1	16:1
2022-23	Option A	29:1	22:1	16:1
2021-22	Option A	30:1	23:1	15:1
2020-21	Option A	31:1	23:1	16:1

Remuneration Element	25th Percentile £	Median £	75th Percentile £
Total pay and benefits	26,004	34,063	49,727
Salary	22,932	31,273	45,393

Statement on member voting at the 2024 AGM

At last year's AGM members voted on the Directors' Remuneration Report, and the results are shown below.

Approval of the Directors' Remuneration Report (advisory vote, i.e. not conditional on resolution being passed):

Vote	Votes for	% Votes	Votes against	Withheld*
To approve the Directors' Remuneration Report	10,036	92.34%	832	249

* The withheld figures are not included in the calculation of % 'Votes for'.

Focus for 2025/26

Next year, the Committee will focus on supporting the leadership team during an exciting transformation to keep the Society strong and resilient for our customers.

The Committee will follow industry best practices and regulations while considering what is best for the Society, its customers, colleagues and community.

Julie Hopes

Chair of Remuneration Committee
28 May 2025

Directors' report

The Directors are pleased to present the Annual Report and Accounts of the Society and its subsidiary undertakings for the financial year ended 31 March 2025. The Directors confirm that, to the best of their knowledge, the Annual Report and Accounts, taken in its entirety, is fair, balanced, provides an understandable assessment of the Society's position and prospects and provides the information necessary to members to assess our performance, business model and strategy.



Board of Directors

The names of the Directors, along with their biographies, who were serving at the time of signing this report are set out on pages 52 to 55 in the Corporate Governance report.

In addition, the following Directors served for part of the financial year:

David Dyer (resigned 24/07/24)

Russell Galley (appointed 01/05/24, resigned 30/04/25)

Anne Gunther (resigned 24/07/24)

Julie Hopes (resigned 28/05/25)

In accordance with the Corporate Governance Code, all Executive and Non-Executive Directors can offer themselves for election or re-election by the members at the 2025 AGM. None of the Directors have any beneficial interest in equity shares in, or debentures of, any connected undertaking of the Society.

Businesses objectives

The main purpose of the Society and its subsidiaries (the Group) is to work together to meet the primary financial needs of our members. This includes the provision of a range of personal financial products, offering competitive pricing and excellent service.

Business review

The Group's business and future plans are referred to in the Chair's review on page 7, the CEO's review on page 8 to 9 and under 'Our strategy' on pages 12 to 23. Details of our KPIs can be found under 'Our strategy' on pages 12 to 23.



Profit and capital

The Society reported a consolidated profit before tax for the year of £36.5m (2023/24: £32.1m). Our capital position can be found in the financial review of the year on pages 24 to 29 and the annual business statement on page 160.

Our Pillar 3 capital disclosures for the current year are available on our website.

Country-by-country reporting

Information in respect of the Capital Requirements (country-by-country reporting) Regulations 2013 can be found on page 156.

Risk management

We operate in a competitive environment. The management of risk and the development of a suitable strategy are critical activities in achieving our business objectives.

The Board and its Committees ensure that risk management and strategic direction are regularly reviewed with suitable actions implemented as necessary. Any considerations are outlined in our Internal Capital Adequacy Assessment Process (ICAAP) document.

The principal risks inherent to the Society, along with how these risks are managed are outlined in the risk management report on pages 31 to 40. In addition to these principal risks there are, because of economic environment for banks and building societies, ongoing actions under the

PRA's supervisory review process which include extensive stress testing exercises. The Directors are aware, in arriving at their judgements, that we will be subject, in the same way as others within the sector, to these ongoing tests of capital and recognise the uncertainty inherent in the process as factors within each test change.

Financial risk management objectives and policies

The Board's objective is to reduce the impact of financial risk upon our performance. The financial risks consist of interest rate, credit and liquidity risks. The Board manages these risks through its risk management framework, Board policies and the Treasury and Credit Risk functions. The Risk and Assets & Liabilities Committees provide necessary governance and oversight. Details of our financial instruments, hedging activity and risk mitigation can be found in notes 12 and notes 32 to 34 of the financial statements. Any other emerging risks concerning the Society can be found on pages 12 to 29 of the strategic report and the risk management section on pages 30 to 49.

Mortgage arrears

At 31 March 2025 there were 123 residential and 7 commercial mortgage accounts (2023/24: 88 residential and 5 commercial mortgage accounts) where payments were 12 months or more in arrears.

The total amount outstanding on these accounts was £105.4m (2023/24: £74.8m), of which £91.1m (2023/24: £66.9m) related to commercial mortgage accounts. The total amount outstanding

represented 1.92% (2023/24: 1.52%) of mortgage balances. The amount of arrears was £18.7m (2023/24: £14.3m), relating mainly to commercial mortgage accounts. We made appropriate provisions for potential losses on mortgages, following the provisioning policy shown in note 1 to the financial statements.

Supplier payment policy

Our policy is to agree on payment terms before trading with a supplier and to pay according to the contractual and other legal obligations. At 31 March 2025, the creditors' days figure was 27 days (2023/24: 29 days) which is in line with the aim of paying creditors promptly.

Charitable donations

We've raised significant sums of money for charities through several community programmes, affinity accounts, and voluntary initiatives. Our charitable activities over the past 12 months are outlined in the strategic report on page 17. We donated £1,592 to the charity of the year, Jericho (2023/24: £1,311 to Barnardo's), from the number of votes received at the 2024 Annual General Meeting (AGM).

No donations were made for political purposes.

Whilst we encourage our colleagues to take part in community affairs, we do not support any of our colleagues in the pursuit of political activity.

Colleagues

We are an equal opportunities employer and consider all job applications based on skills and abilities regardless of race, gender, sexual orientation, age or disability. If current colleagues become disabled, every effort is made to help them retain their position or provide relevant retraining. We consult with the Employee and Member Councils and evaluate the results of colleague surveys to ensure that colleagues' conditions and workload are maintained at an acceptable level. Details of meetings, team briefings, circulars and information updates are placed on our intranet to ensure that colleagues are both aware of the Society's objectives and performance, and conscious of the wider financial and commercial environment within which we operate.

Managing health and safety

We maintain high health and safety standards for all colleagues, members and anyone affected by any of our operations. All our colleagues receive health and safety training when starting their employment with additional training available when needed.

We recognise the need to consult with our colleagues on health and safety issues through accredited safety representatives and a Health and Safety Committee every six months. Health and safety issues are communicated through business channels and colleagues are encouraged to raise issues through their managers.

No enforcement notices or legal proceedings were issued against us for health and safety breaches during the reporting year.



Directors' responsibilities in respect of the preparation of the Annual Report, Annual business statement, Directors' Report and Annual Accounts

The Building Societies Act 1986 (the Act) requires the Directors to prepare financial statements for each financial year. Under the Act the Directors are required to prepare the Group accounts in accordance with UK adopted International Accounting Standards (IAS) and applicable law and have elected to prepare the Society accounts on the same basis.

Under the Act the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Society and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether the financial statements have been prepared in accordance with IAS.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that we will continue in business.

In addition to the Annual Accounts the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Group and Society.

A copy of the Annual Report and Accounts is available on our website.

Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors who held office, at the date of approval of this report confirm, to the best of their knowledge that:

- The financial statements prepared under International Financial Reporting Standards (IFRS) as shown in note 1 of the accounts, provide a true and fair view of the Society's assets, liabilities, financial position and results.
- The management reports, found on pages 6 to 49, offer a clear review of our performance, position, and the main risks and uncertainties faced by the Society.

Directors' responsibilities for accounting records and internal control

The Directors are responsible for ensuring that the Society:

- Keeps accurate accounting records that reflect the Group and Society's financial position, complying with the Act.

- Takes reasonable care to establish, maintain and review appropriate systems and controls which comply with the rules set by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors have a general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for maintaining the integrity of corporate and financial information which is available on our website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Going concern

In preparing the financial statements, we must confirm that adopting the going concern basis is reasonable. We meet our daily liquidity needs through managing both retail and wholesale funding and maintain a buffer over regulatory capital requirements to stay authorised.

Details of our business activities and performance, including factors that may affect it in the future, are set out in the CEO's review on pages 8 to 9 and the strategic report on pages 10 to 29. Our financial position, including our capital structure, risk management and control processes for managing exposure to credit, market, liquidity and operational risk are described in the strategic report on pages 24 to 29 and the risk management report on pages 31 to 40.

Our capital exceeds the PRA's minimum requirement in all considered scenarios, including high inflation, potential recession, and geopolitical instability. After reviewing the situation, we're confident we have the resources to continue for the next 12 months, confirming the going concern basis for the Annual Accounts.

Our viability statement

We've chosen, in line with the UK Corporate Governance Code, to publish a viability statement.

We've assessed our viability over a three-year period. The assessment's based on a thorough review of our main risks, Medium Term Plan (MTP) and risk management framework, including risk appetite and culture. It's backed by the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Reverse Stress Testing and Recovery Plan.

The three-year period is within the period covered by our MTP, ICAAP, ILAAP and stress tests. We chose this period because, as time goes on, uncertainty increases, especially with the changing economic, market, and regulatory environments.

The MTP shows our financial performance, capital, and funding will remain strong.

Through the ICAAP, we model scenarios at least as severe as in the Bank of England's Bank Capital Stress Test scenario, which shows the Society remains viable with a surplus above total capital requirements. Even in more severe conditions, such as high inflation and geopolitical instability, the Society remains in a strong position. Despite uncertainties, we're confident that, based on this thorough assessment, we can continue to operate and meet our obligations through to March 2028.

External auditors

PricewaterhouseCoopers LLP are eligible for re-appointment and have offered themselves for re-election. A resolution to reappoint PwC will be proposed at this year's AGM, as required by the Building Societies Act 1986.

Each of the persons who is a Director at the date of approval of this report confirms that, so far as they are aware, there is no relevant audit information of which our Auditor is unaware and that they have taken all the steps that should be taken by a Director in order to be aware of any relevant audit information, and to establish that our Auditor is aware of that information.

Section 172 (1) statement

The Directors have acted in good faith, to promote the success of the Society for the benefit of our members and wider stakeholders. This section forms the Society's Section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. Although we as a building society are not required to follow the Act, we seek to apply its requirements where appropriate.

The statement holds our Directors accountable to act in ways that benefit the Society's members and wider stakeholders. It covers key areas such as:

- Long-term impacts of decisions.
- The interests of colleagues.
- Building strong relationships with suppliers and other key stakeholders.

- Considering the community and environmental impacts.
- Upholding its reputation for high standards.
- Balancing the interests of the members fairly.

Our commitment to stakeholder engagement is clear throughout this report. How stakeholder views are considered in Board decisions is available under our Corporate Governance report on pages 51 to 63.

On behalf of the Board

John Maltby
Chair
28 May 2025

Financial Statements

- Independent Auditors' report
- Income Statements
- Statements of Comprehensive Income
- Statements of Financial Position
- Statements of Changes in Members' Interests and Equity
- Statements of Cash Flows
- Notes to the Accounts
- Country-by-Country Reporting
- Annual Business Statement



Independent Auditors' report to the members of West Bromwich Building Society

Report on the audit of the annual accounts

Opinion

In our opinion, West Bromwich Building Society's Group annual accounts and Society annual accounts (the "annual accounts"):

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 March 2025 and of the Group's and the Society's income and expenditure and the Group's and the Society's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Society statement of financial position as at 31 March 2025; the Group and Society income statement and statement of comprehensive income, the Group and Society statement of cash flows, and the Group and Society statement of changes in members' interests and equity for the year then ended; and the notes to the annual accounts, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the annual accounts, the Group, in addition to applying UK-adopted international accounting standards, has applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group annual accounts have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, which includes the FRC's Ethical Standard applicable to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. Other than those disclosed in the note 6 to the annual accounts, we have provided no non-audit services to the Group in the period from 1 April 2024 to 31 March 2025.

Our audit approach

Overview

Materiality

- £4.5m (2024: £4.3m) - Group annual accounts
- Based on 1% of Group net assets
- £3.8m (2024: £3.7m) - Society annual accounts
- Based on 1% of net assets

Scoping

- We conducted all of our audit work over the Group and its components using one audit team, using information obtained from the Groups' staff and records based in West Bromwich.
- Audit procedures were performed over all material account balances and financial information in the Society due to its significance to the Group's financial performance and position.
- The Group consists of the Society and six other entities. Our audit procedures provide coverage over 99.7% of the interest income of the Group and 99.9% of the total assets of the Group.

Key audit matters

- Risk of inappropriate judgements and estimates relating to the significant management judgements involved in determining the appropriateness of account specific scenarios and associated weightings given the historic facts and circumstances in each account within the commercial loan portfolio (Group).
- Risk of inappropriate judgements and estimates relating to future economic assumptions, the appropriateness of changes made to the methodology regarding the calculation of the probability of default and the suitability of the staging thresholds selected by management on loans and advances to customers in the residential portfolios (Group and Society).
- Risk of inappropriate manual adjustments made in the hedging process (Group and Society).
- Risk of material misstatement in the valuation of investment property through inappropriate assumptions applied in the year end valuation (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual accounts. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the annual accounts section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations including, but not limited to, the Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the annual accounts. We also considered those laws and regulations that have a direct impact on the annual accounts such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the annual accounts (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase income and inappropriate management bias in accounting estimates. Audit procedures performed included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Review of correspondence with the Society's regulators, the FCA and the PRA, in relation to compliance with Financial Services Regulations;
- Reviewing internal audit reports, and relevant meeting minutes including those of the Audit Committee and the Board;
- Testing significant accounting estimates (see key audit matters below);
- Obtaining completeness over journal entries and testing those entries that contained unusual account combinations back to corroborating evidence;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud; and
- Specific audit procedures over non-interest revenue streams significant to the Group accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The primary change in key audit matters (KAM) from the previous year is the removal of the pension liability valuation key audit matter. During the reporting period, the scheme has entered into a buy-in arrangement whereby an insurance policy was acquired to match c.96.9% of the scheme's liabilities. This transaction materially reduces the scheme's exposure to future investment and longevity risks, which are associated with the liabilities. All other key audit matters listed below remain consistent with those from last year.

Key audit matter

Risk of inappropriate judgements and estimates relating to the significant management judgement involved in determining the appropriateness of commercial account specific scenarios and associated weightings.

The modelling of commercial loans, which is a closed book, is performed separately to the residential portfolio, with management performing individual assessments given the unique circumstances and large exposures. The focus of our audit work was on the methodology used to determine the staging of loans and the level of individual assessment required.

Management performs individual impairment assessments for stage 3 loan exposures where unique circumstances mean that management judgement is required to determine the different possible future scenarios and the level of provision required for each one. Our focus was on the principal assumptions applied by management in estimating impairment provisions such as the valuation of collateral, forecast and timing of future cash flows and the completeness and severity of future scenarios.

These assumptions are based on existing contracts between the Group and borrowers or tenants and management's best estimates of future work out strategies, including alternative scenarios which are used as part of the weighted final provision calculation.

This significant risk is confined to the Society's Shopping Centre portfolio and exposures where there has been a material change in provision relative to the prior period. The remaining exposures have been evaluated with the normal risk assessment for material misstatement.

See notes 14 and 32 to the financial statements for the IFRS 9 impairment disclosures.

How our audit addressed the key audit matter

We performed the following procedures to address the areas of judgement and estimates used in the calculation of commercial ECL:

- We performed a walkthrough of management's process of determining the commercial loans expected credit loss. We tested the design, modelling methodology and reviewed the appropriateness of the management's assumptions used in determining the expected credit loss.
- We assessed the methodology used to stage the commercial loans for compliance with the standard, including the application of this within the model itself.
- We selected a sample of loans and tested them for consistency with the individual scenarios modelled by management and challenged the appropriateness of current year assumptions regarding collateral values, rental yields and other cash flows on individual accounts by agreeing key data points back to supporting documents (eg. contracts, lease agreements and valuation reports).
- We performed a retrospective analysis of these cases by comparing the prior year assumptions against actual developments in the year and against alternative scenarios.
- We challenged management's assumptions where case reviews indicated that alternative outcomes could occur and considered the impact on the ECL of these.
- We tested completeness of the provision by selecting an additional sample of loans with nil provision and testing the ECL calculation to confirm this was reasonable.

Key audit matter

Risk of inappropriate judgements and estimates relating to future economic assumptions, the appropriateness of changes made to the methodology regarding the calculation of the probability of default and the suitability of the staging thresholds selected by management on loans and advances to customers in the residential portfolios

Under the IFRS 9 impairment models, losses are recognised on an 'expected credit loss' (ECL) basis. The calculation of expected credit losses requires the use of forward looking information, reflecting management's view of potential future economic scenarios. The standard also requires management to make judgements regarding when a loan has experienced a 'significant increase in credit risk' and to make assumptions regarding expected customer default rates and repayment behaviour.

We focused our audit work on the areas of the methodology and assumptions that we identified as most judgemental. This was informed by our understanding of the model and areas of increased management judgement.

For the residential book ECL, the key assumptions and focus areas were:

- The key economic variables and scenarios used in the model, particularly the severity and likelihood of the base and downturn economic scenarios that form part of the forward looking modelling of default rates and house price values and their impact on ECL;
- The appropriateness of changes made to the methodology regarding the calculation of the probability of default (PD) for both Owner Occupied and Buy-to-Let portfolios; and
- The appropriateness of the 'staging' thresholds selected by management to determine whether a significant increase in credit risk had arisen, and hence whether a 12 month or lifetime loss provision is recorded.

How our audit addressed the key audit matter

We performed the following procedures to address the areas of judgement and estimates used in the calculation of residential ECL:

- We performed a walkthrough of management's process of determining the residential expected credit loss. We reviewed changes made to the model in the current year and assessed the appropriateness and implementation of these changes.
- We challenged management on the implementation issues identified and evaluated the mathematical accuracy of the calculation of PD by performing a full independent replication of the year end modelled ECL calculation of management's modelled ECL.
- We compared the forward-looking economic assumptions to independent forecasters. The severity and magnitude of the scenarios were compared to external forecasts and data from historical economic downturns, and the sensitivities of the scenarios were considered against consensus.
- We tested whether the economic scenarios used were appropriately severe so as to capture nonlinear effects in credit losses which may arise in economic downturns and weighted appropriately given the current economic uncertainty.
- We assessed the reasonableness of management's selection of staging criteria and their definition of a 'significant increase in credit risk'. We engaged our risk modelling specialists to re-perform the application of these staging thresholds. We found that the criteria and thresholds adopted were reasonable and that their application was appropriate.

Key audit matter

Risk of inappropriate manual adjustments made in the hedging process

The Group & Society has designated hedge accounting relationships linked to the migration of interest rate risk. They are exposed to interest rate risk as a result of the mismatch between fixed and floating rate cash flows due to entering into fixed interest income mortgage contracts with customers.

The risk of future movements in market rates of interest affecting the profitability of the Group & Society is mitigated using derivative financial instruments in the form of interest rate swap contracts. These are designated in hedge accounting relationships so that the underlying hedged items are recorded at fair value, as long as they can demonstrate that the hedge accounting arrangements are effective in accordance with accounting standards. We focused our work on the manual adjustments that are required to be posted to system outputs to achieve compliance with accounting standards.

We focused our work on this area as the hedge accounting rules are complex and given the nature of manual adjustments required can give rise to an increased risk of error application.

The Group & Society disclosures are given in Note 12.

How our audit addressed the key audit matter

We performed the following procedures to address the risks in relation to hedge accounting:

- We re-performed the valuation of a sample of derivatives and underlying hedged items using valuation specialists where appropriate.
- We assessed the completeness and accuracy of the mortgage, deposit and swap data flowing into hedging calculations.
- We tested the completeness and accuracy of income statement ineffectiveness recorded in the income statement in the year and challenged management on the completeness of manual adjustments made to achieve compliance with accounting standards.
- We reconciled the output of hedging calculations to the general ledger to ensure that the amounts recorded in the annual accounts are accurate.
- We tested the disclosures in respect of hedge accounting and confirmed that they were compliant with accounting standards.

Key audit matter

How our audit addressed the key audit matter

Risk of material misstatement in the valuation of investment property through inappropriate assumptions applied in the year end valuation

The Group holds a portfolio of investment properties within the West Bromwich Homes Limited subsidiary. In line with the requirements of the accounting standard these properties are held at fair value with changes in the fair value recognised within the income statement.

Management calculates the year end valuation with the assistance of external valuation experts who assess the current valuation through comparison to expected market values at the balance sheet date.

In certain situations, management makes adjustments to the valuations provided by their experts to capture specific risks identified.

Given the overall valuation of the investment property portfolio at the year end and the potential reasonable range of reasonable valuations we determined that this represents a significant risk within our audit plan. Further disclosure is given within note 17 of the financial statements.

How our audit addressed the key audit matter

Our procedures over the year end valuation included:

- We performed a walkthrough of management's process of determining the fair value of the property portfolio.
- We evaluated the competence, objectivity and independence of experts engaged by the directors to assist with the property valuations and review of historical performance of the valuations against actual sales.
- We engaged our internal Real Estate valuation experts to evaluate the work performed by management's experts and assessed the reasonableness of any differences in the valuations used with regard to externally available sources (such as land registry data).
- We tested adjustments to the expert valuation made by management, including assumed costs in relation to cladding, back to supporting documentation or evidence.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the Group and the Society, the accounting processes and controls, and the industry in which they operate.

Substantially all of the Group's activities are in the United Kingdom and it reports its operating results along three business lines, being retail, commercial real estate and property businesses (see note 37 of the financial statements). We performed an audit of all material account balances and other financial information for the Society and five subsidiaries, together with the assessment of management's going concern assumption.

All audit work over the Group and its components was performed by a single audit team.

Taken together, our audit procedures on the Society and its subsidiary undertakings provided us with sufficient audit evidence as a basis for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the annual accounts as a whole.

Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

	Group annual accounts	Society annual accounts
Overall materiality	£4.5m (2024: £4.4m).	£3.8m (2024: £3.7m).
How we determined it	1% of net assets.	1% of net assets.
Rationale for benchmark applied	We believe that the subscribed capital and reserves ("net assets") is the most appropriate benchmark to use for the Society and Group, whose strategy is not one of profit maximisation. Regulatory capital is a key benchmark for management and regulators and hence we continue to use net assets, a proxy to regulatory capital, as our benchmark.	

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.1m to £4.3m.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3.4m for the Group financial statements and £2.8m for the Society materiality.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m (2024: £0.2m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Society's ability to continue to adopt the going concern basis of accounting included:

- Evaluation and challenge of key assumptions used by the directors in their determination of the going concern of the Group and Society;
- Consideration as to whether our audit work had identified events or conditions which may give rise to uncertainty as to the Group's and Society's future ability to trade; and
- Review of legal and regulatory correspondence to ensure that any compliance issues which may impact the going concern of the Group and Society had not been identified.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the annual accounts are authorised for issue.

In auditing the annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the

audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

Annual Business Statement and Directors' Report

In our opinion, based on our work undertaken in the course of the audit:

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31 March 2025 is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Group and Society and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the annual accounts

As explained more fully in the Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts, the directors are responsible for the preparation of the annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Group's and Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 20 September 2020 to audit the annual accounts for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2021 to 31 March 2025.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 May 2025

Income Statements

for the year ended 31 March 2025

	Note(s)	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Interest receivable and similar income					
Calculated using the effective interest method		279.9	229.4	276.7	217.4
On instruments measured at fair value through profit or loss		36.5	57.6	33.6	57.5
Total interest receivable and similar income	2	316.4	287.0	310.3	274.9
Interest expense and similar charges	3	(220.2)	(183.4)	(222.6)	(183.3)
Net interest receivable		96.2	103.6	87.7	91.6
Fees and commissions receivable		0.7	1.1	0.9	0.8
Other operating income	4	4.2	4.6	0.3	0.6
Fair value gain/(loss) on financial instruments	5	4.4	(0.4)	(3.3)	(0.4)
Total income		105.5	108.9	85.6	92.6
Administrative expenses	6	(57.6)	(54.0)	(54.9)	(51.4)
Depreciation and amortisation	16,18	(7.0)	(5.5)	(7.0)	(5.5)
Operating profit before revaluation gains, impairment, provisions and cost on debt buyback		40.9	49.4	23.7	35.7
Gains on investment properties	17	2.4	2.5	-	-
Impairment on loans and advances	14	(6.9)	(14.7)	(0.3)	(1.4)
Cost on debt buyback	27	-	(5.1)	-	(5.1)
Provisions for liabilities	24	0.1	-	0.1	-
Provisions against investments in subsidiary undertakings	15	-	-	(8.0)	(13.5)
Profit before tax		36.5	32.1	15.5	15.7
Taxation	9	(6.9)	(7.7)	(6.9)	(6.8)
Profit for the financial year		29.6	24.4	8.6	8.9

The profit for the year derives wholly from continuing operations.

The notes on pages 100 to 155 form part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 March 2025

	Note	Group 2025 £m	Group 2024 £m
Profit for the financial year		29.6	24.4
Other comprehensive (expense)/income			
Items that may subsequently be reclassified to profit or loss			
Fair value through other comprehensive income investments			
Valuation (losses)/gains taken to equity		(0.6)	1.3
Taxation	29	0.2	(0.3)
Items that will not subsequently be reclassified to profit or loss			
Actuarial losses on defined benefit assets	30	(4.5)	(7.2)
Taxation	29	1.1	1.7
Other comprehensive expense for the financial year, net of tax		(3.8)	(4.5)
Total comprehensive income for the financial year		25.8	19.9
	Note	Society 2025 £m	Society 2024 £m
Profit for the financial year		8.6	8.9
Other comprehensive (expense)/income			
Items that may subsequently be reclassified to profit or loss			
Fair value through other comprehensive income investments			
Valuation (losses)/gains taken to equity		(0.6)	1.3
Taxation	29	0.2	(0.3)
Items that will not subsequently be reclassified to profit or loss			
Actuarial losses on defined benefit assets	30	(4.5)	(7.2)
Taxation	29	1.1	1.7
Other comprehensive expense for the financial year, net of tax		(3.8)	(4.5)
Total comprehensive income for the financial year		4.8	4.4

The notes on pages 100 to 155 form part of these financial statements.

Statements of Financial Position						
at 31 March 2025		Note	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Assets						
Cash and balances with the Bank of England	10	159.8	491.6	159.8	491.6	
Loans and advances to credit institutions		88.8	46.3	58.4	44.7	
Investment securities	11	467.6	391.5	658.6	391.5	
Derivative financial instruments	12	44.9	61.8	36.2	61.7	
Loans and advances to customers	13	5,398.1	4,785.1	4,538.3	3,786.0	
Deferred tax assets	19	12.9	19.0	6.9	12.6	
Trade and other receivables	20	4.3	3.9	4.1	3.8	
Investments	15	-	-	912.0	1,070.3	
Intangible assets	16	20.7	13.9	20.7	13.9	
Investment properties	17	143.2	148.7	-	-	
Property, plant and equipment	18	20.3	21.8	20.3	21.8	
Retirement benefit asset	30	1.2	6.1	1.2	6.1	
Total assets		6,361.8	5,989.7	6,416.5	5,904.0	
Liabilities						
Shares		5,071.6	4,670.6	5,071.6	4,670.6	
Amounts due to credit institutions		459.1	788.2	460.2	788.2	
Amounts due to other customers	21	29.1	37.0	474.4	31.7	
Derivative financial instruments	12	16.8	12.8	16.8	12.8	
Debt securities in issue	22	289.8	-	-	-	
Current tax liabilities		-	2.0	-	2.0	
Deferred tax liabilities	19	12.9	14.2	2.1	3.7	
Trade and other payables	23	18.8	17.6	17.9	16.9	
Provisions for liabilities	24	0.4	0.5	0.3	0.4	
Subordinated liabilities	27	2.1	2.1	2.1	2.1	
Total liabilities		5,900.6	5,545.0	6,045.4	5,528.4	
Members' interests and equity						
Core capital deferred shares	26	127.0	127.0	127.0	127.0	
Subscribed capital	25	3.9	7.8	3.9	7.8	
General reserves		326.5	305.7	236.4	236.6	
Revaluation reserve		3.2	3.2	3.2	3.2	
Fair value reserve		0.6	1.0	0.6	1.0	
Total members' interests and equity		461.2	444.7	371.1	375.6	
Total members' interests, equity and liabilities		6,361.8	5,989.7	6,416.5	5,904.0	

The accounting policies and notes on pages 100 to 155 form part of these financial statements.

Approved by the Board of Directors on 28 May 2025 and signed on its behalf by:

John Maltby
Chair

Jonathan Westhoff
Chief Executive Officer

Alex Pawley
Chief Financial Officer



Strategic report

Risk management

Governance

Financial statements

Glossary

Statements of Changes in Members' Interests and Equity

for the year ended 31 March 2025

Group	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2024	127.0	7.8	305.7	3.2	1.0	444.7
Profit for the financial year	-	-	29.6	-	-	29.6
Other comprehensive expense for the year (net of tax)						
Retirement benefit assets	-	-	(3.4)	-	-	(3.4)
Fair value through other comprehensive income investments	-	-	-	-	(0.4)	(0.4)
Total other comprehensive expense	-	-	(3.4)	-	(0.4)	(3.8)
Total comprehensive income for the year	-	-	26.2	-	(0.4)	25.8
Distribution to the holders of core capital deferred shares	-	-	(5.8)	-	-	(5.8)
Buyback and cancellation of subscribed capital	-	(3.9)	0.4	-	-	(3.5)
At 31 March 2025	127.0	3.9	326.5	3.2	0.6	461.2

for the year ended 31 March 2024

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

Statements of Changes in Members' Interests and Equity

for the year ended 31 March 2025

Society	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2024	127.0	7.8	236.6	3.2	1.0	375.6
Profit for the financial year	-	-	8.6	-	-	8.6
Other comprehensive expense for the year (net of tax)						
Retirement benefit assets	-	-	(3.4)	-	-	(3.4)
Fair value through other comprehensive income investments	-	-	-	-	(0.4)	(0.4)
Total other comprehensive expense	-	-	(3.4)	-	(0.4)	(3.8)
Total comprehensive income for the year	-	-	5.2	-	(0.4)	4.8
Distribution to the holders of core capital deferred shares	-	-	(5.8)	-	-	(5.8)
Buyback and cancellation of subscribed capital	-	(3.9)	0.4	-	-	(3.5)
At 31 March 2025	127.0	3.9	236.4	3.2	0.6	371.1

for the year ended 31 March 2024

Society	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2023	127.0	7.8	238.8	3.3	-	376.9
Profit for the financial year	-	-	8.9	-	-	8.9
Other comprehensive (expense)/ income for the year (net of tax)						
Retirement benefit assets	-	-	(5.5)	-	-	(5.5)
Realisation of previous revaluation gains	-	-	0.1	(0.1)	-	-
Fair value through other comprehensive income investments	-	-	-	-	1.0	1.0
Total other comprehensive expense	-	-	(5.4)	(0.1)	1.0	(4.5)
Total comprehensive income for the year	-	-	3.5	(0.1)	1.0	4.4
Distribution to the holders of core capital deferred shares	-	-	(5.7)	-	-	(5.7)
At 31 March 2024	127.0	7.8	236.6	3.2	1.0	375.6

The notes on pages 100 to 155 form part of these financial statements.

Statements of Cash Flows

for the year ended 31 March 2025

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Net cash outflow from operating activities (below)	(491.7)	(13.8)	(184.4)	(159.2)
Cash flows from investing activities				
Purchase of investment securities	(333.6)	(333.0)	(524.7)	(333.1)
Proceeds from disposal of investment securities	256.8	258.4	256.9	629.0
Proceeds from disposal of investment properties	8.5	7.4	-	-
Purchase of property, plant and equipment, intangible assets and investment properties	(6.3)	(9.7)	(5.6)	(8.7)
New funding to subsidiaries	-	-	(48.1)	(228.4)
Repayment of funding from subsidiaries	-	-	197.7	40.4
Net cash (outflow)/inflow from investing activities	(74.6)	(76.9)	(123.8)	99.2
Cash flows from financing activities				
Repurchase of subordinated liabilities	-	(20.4)	-	(20.4)
Net Issuance of debt securities	286.9	-	-	-
Interest paid on subordinated liabilities	(0.2)	(1.8)	(0.2)	(1.8)
Payment of lease liabilities	(0.5)	(0.4)	(0.5)	(0.4)
Distribution to the holders of core capital deferred shares	(5.8)	(5.8)	(5.8)	(5.8)
Repurchase of subscribed capital	(3.4)	-	(3.4)	-
Net cash inflow/(outflow) from financing activities	277.0	(28.4)	(9.9)	(28.4)
Net decrease in cash	(289.3)	(119.1)	(318.1)	(88.4)
Cash and cash equivalents at beginning of year	537.9	657.0	536.3	624.7
Cash and cash equivalents at end of year	248.6	537.9	218.2	536.3

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following balances with less than 90 days original maturity:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Cash in hand (including Bank of England Reserve account)	159.8	491.6	159.8	491.6
Loans and advances to credit institutions	88.8	46.3	58.4	44.7
	248.6	537.9	218.2	536.3

The Group's loans and advances to credit institutions include £28.3m (2023/24: £nil) of balances belonging to the Society's structured entities which are not available for general use by the Society.

Statements of Cash Flows (continued)

for the year ended 31 March 2025

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Cash flows from operating activities				
Profit before tax	36.5	32.1	15.5	15.7
Adjustments for non-cash items included in profit before tax				
Impairment on loans and advances	6.9	14.7	0.3	1.4
Depreciation and amortisation	7.0	5.5	7.0	5.5
Disposal of property, plant and equipment and investment properties	0.4	0.1	0.3	-
Revaluations of investment properties	(2.4)	(2.5)	-	-
Provisions against investments in subsidiary undertakings	-	-	8.0	13.5
Interest on subordinated liabilities	0.2	0.8	0.2	0.8
Fair value losses/(gains) on equity release portfolio	0.1	(0.2)	0.1	(0.2)
Interest paid on lease liabilities	0.1	-	0.1	-
Changes in fair value on hedged items in fair value hedge relationships	(20.0)	(36.7)	(18.5)	(31.6)
	28.8	13.8	13.0	5.1
Changes in operating assets and liabilities				
Loans and advances to customers	(599.9)	(391.9)	(734.1)	(530.6)
Loans and advances to credit institutions	-	14.0	-	14.0
Derivative financial instruments	20.9	44.8	29.5	45.0
Shares	401.0	364.3	401.0	364.3
Deposits and other borrowings	(334.1)	(64.1)	114.7	(63.0)
Trade and other receivables	(0.4)	6.8	(0.3)	6.9
Trade and other payables	(5.5)	0.9	(5.7)	1.5
Retirement benefit obligations	0.4	(2.4)	0.4	(2.4)
Tax paid	(2.9)	-	(2.9)	-
Net cash outflow from operating activities	(491.7)	(13.8)	(184.4)	(159.2)

The notes on pages 100 to 155 form part of these financial statements.

Notes to the Accounts for the year ended 31 March 2025

1. Accounting policies

The principal accounting policies applied consistently in the preparation of these consolidated Annual Accounts are set out below.

Basis of preparation

The Annual Accounts of the Group and the Society have been prepared in accordance with UK adopted International Accounting Standards and conform with the requirements of the Building Societies Act 1986. In addition to complying with International Accounting Standards in conformity with the requirements of the Building Societies Regulations, the consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Annual Accounts have been prepared under the historical cost convention as modified by the application of fair value revaluation of other comprehensive income assets, derivatives, investment properties, certain categories of property, plant and equipment and other financial assets measured at fair value through profit or loss.

The Annual Accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest one hundred thousand.

Going concern

The Directors have prepared forecasts for the Group, including its capital position, for a period in excess of 12 months from the date of approval of these financial statements. The Directors have also considered the effect upon the Group's business, financial position, liquidity and capital of more pessimistic, but plausible, trends in its business using stress testing and scenario analysis techniques.

The Society's Medium Term Plan has been updated to reflect the continuing uncertainty in the UK and global economies.

The Directors consider that the Society and Group have adequate resources to continue in operational existence for the next 12 months. Accordingly they continue to adopt the going concern basis in preparing the financial statements. For further details see pages 80 to 81 of the Directors' report.

New or amended accounting standards

No changes to accounting standards have been implemented in the period that have a material impact on the Group's accounting policies.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Society and its subsidiary undertakings.

Subsidiaries

Subsidiaries are all entities controlled by the Society. Under IFRS 10 'Consolidated Financial Statements' control is achieved where the Group has the power to govern the financial and operating policies of an entity, has the exposure or rights to the variable returns from the involvement with the entity, and is able to

use its power to affect the amount of returns for the Group. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the results from the date that control commences until the date that control ceases.

The purchase method of accounting has been adopted, under which the results of subsidiary undertakings acquired or disposed of in a year are included in the Income Statement from the date of acquisition or up to the date of disposal. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

In the Society, investments in subsidiary undertakings are carried at cost less any provisions for impairment.

Securitisation transactions

The Group and Society have entered into securitisation transactions in which they sold mortgages to structured entities. Cash flows received from the mortgage repayments are transferred to the structured entity. As the Group and Society retained substantially all the risks and rewards including, but not limited to, holding the legal title of the mortgages, in accordance with IFRS 9 'Financial Instruments' the Group continues to recognise securitised assets as loans and advances to customers.

The equity of the structured entities created for these securitisations is not owned by the Group. However, to comply with IFRS 10, the structured entities are included as subsidiaries in the consolidated financial statements, where certain criteria are met. The analysis of whether the criteria are met is subject to regular reassessment. Where IFRS 10 consolidation criteria are no longer met, securitised mortgage assets continue to be recognised with an offsetting deemed loan liability recorded in the Group financial statements.

Where the IFRS 10 consolidation criteria are met and the Society is the originator of the transferred mortgage interests, the Society continues to recognise the securitised assets as loans and advances to customers and consequently also shows a deemed loan liability to the structured entities.

Deemed loans are included within amounts due to other customers.

Interest in unconsolidated structured entities - Group

As outlined further below, management has judged that the securitisations Sandwell Commercial Finance No. 1 Plc and Sandwell Commercial Finance No. 2 Plc do not meet the consolidation criteria set out in IFRS 10.

The principal activity of the entities is that of holding non-core commercial mortgage portfolios – these being the assets that were transferred when the securitisations were established. Whilst these structured entities are not consolidated, the securitised commercial mortgages continue to be recognised in the Group financial statements via subsidiary West Bromwich Commercial Limited (WBCL), the originator of the securitised commercial loans. The deemed loan liability in WBCL, in relation to Sandwell Commercial Finance No. 1 plc and Sandwell Commercial Finance No. 2 plc, is recorded in the Group balance sheet. The deemed loan liability is continually revalued to reflect the impairment provisions held against the underlying commercial mortgages, given the impairments are ultimately borne by the loan note holders and the Group is no longer exposed to the structure. In these entities, the Group has limited exposure to credit losses, with risk transferred, in part, to third party investors who have purchased loan note securities issued by the entities.

1. Accounting policies (continued)

The table below indicates the interests in unconsolidated structured entities. Following redemption of the final loans in the structure, a special resolution to wind up Sandwell Commercial Finance No. 1 Plc was filed during the year ended 31 March 2025.

31 March 2025				31 March 2024				
Deemed loan balances	Mortgages transferred	Notes held in structured entities at fair value	Maximum exposure to loss in unconsolidated structured entities	Deemed loan balances	Mortgages transferred	Notes held in structured entities at fair value	Maximum exposure to loss in unconsolidated structured entities	
£m	£m	£m	£m	£m	£m	£m	£m	
Group	4.8	4.5	0.3	-	5.2	5.0	0.4	-

Segmental reporting

IFRS 8 'Operating Segments', requires operating segments to be identified on the basis of internal reports and components of the Group regularly reviewed by the chief operating decision maker to allocate resources to segments and to assess their performance. In terms of the Group, the chief operating decision maker is the Chief Executive Officer.

Each segment is determined according to the distinguishable operating component of the Group that is regularly reviewed by the Group's chief operating decision maker and for which discrete financial information is available.

Information regarding the results of each reportable segment is included in note 37.

Interest receivable and expense

Interest receivable and expense are recognised in the Income Statement for all instruments measured at amortised cost or fair value through other comprehensive income using the effective interest rate method. Interest income on defaulted loans categorised as 'stage 3' under IFRS 9 is recognised by applying the effective interest rate to the balances net of the provisions for expected credit losses.

Effective interest rate (EIR)

The EIR method is the method used to calculate the amortised cost of financial instruments and to recognise interest receivable or payable over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows or receipts through the expected life of the instrument, or where appropriate, a shorter period, to its carrying amount. From inception, mortgage products are treated as having distinct periods (initial and follow-on) and income in the follow-on period is recognised as it is received. In addition, where mortgage advances have upfront fees, such as application and arrangement fees, and costs, these are spread over the initial period. When a mortgage redeems early, any deferred fees and costs for that mortgage are recognised in the period.

Fees and commissions receivable and payable

Fees and commissions are generally recognised on an accruals basis when the service has been provided. Mortgage arrangement fees and other direct costs are deferred and incorporated in the mortgage portfolio as part of the effective interest rate method. Commissions and fees arising from negotiating or participating in the negotiation of a transaction with a third party are recognised on completion of the underlying transaction.

Investment properties

Investment properties are properties held for long-term rental yields and capital appreciation. Investment properties are carried in the Statement of Financial Position at fair value, representing open market value determined annually and subject to review by independent specialist valuers. Changes in fair values are recorded in the Income Statement in accordance with IAS 40 'Investment Properties'. Leasehold properties held for long-term rental yields are classified as investment properties and carried at fair value.

Financial instruments

a) Financial assets

Under IFRS 9, financial assets are classified as amortised cost or fair value (through other comprehensive income or through profit or loss), based on the business model under which they are held and the characteristics of their contractual cash flows.

Amortised cost

Financial assets are measured at amortised cost if they are held for the purpose of collecting contractual cash flows ("held to collect" business model) and have contractual terms which give rise on specified dates to cash flows which are solely payments of principal and interest (SPPI) on the outstanding amount.

This category includes cash and balances with the Bank of England, loans and advances to credit institutions and the majority of the Group's loans and advances to customers. All of the Group's mortgage portfolios were originated or purchased for the purposes of collecting contractual cash flows comprising of both capital and interest on the outstanding balance, apart from the closed equity release portfolio.

For the Society, loans to subsidiary undertakings and holdings of certain investment securities issued by Group entities are also measured at amortised cost based on the business model and SPPI assessments. In the case of mortgage-backed securities, the SPPI criteria are only met where the underlying asset pools contain mortgages which are SPPI and the exposure to credit risk inherent in the tranches held by the Society is equal to or lower than the exposure to credit risk of the underlying mortgage pools.

Assets measured at amortised cost are initially recognised at fair value, being the cash consideration to originate or purchase the asset including any directly attributable transaction costs, and subsequently measured using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

Financial assets are classified as FVOCI where the associated business model objective is achieved by both collecting contractual cash flows and selling the assets ("held to collect and sell" business model). The contractual terms of FVOCI assets give rise on specified dates to cash flows which are solely payments of principal and interest on the outstanding balance.

This category comprises the Group's portfolio of investment securities held in order to meet current and future liquidity requirements and which have been assessed by the Group to be in a "held to collect and sell" business model. Consistent with the criteria for FVOCI, the Group collects contractual cash flows which, without exception, meet the IFRS 9 SPPI definition and periodically sells a proportion of the portfolio to evidence the liquidity of the investment assets. In the case of mortgage-backed securities, the SPPI criteria are only met where the underlying asset pools contain mortgages which are SPPI and the exposure to credit risk inherent in the tranches held by the Society is equal to or lower than the exposure to credit risk of the underlying mortgage pools.

1. Accounting policies (continued)

FVOCI assets are recognised at fair value on trade date, which is the cash consideration including any directly attributable transaction costs, and measured subsequently at fair value. Gains and losses from changes in fair value are recorded in other comprehensive income via the fair value reserve, except for impairment losses which are recognised in the Income Statement. Gains or losses arising on sale, including any cumulative gains and losses previously recognised in other comprehensive income, are recognised in the Income Statement. Interest is calculated using the effective interest rate method.

The fair values of FVOCI assets are based on quoted prices or, if these are not available, valuation techniques developed by the Group. These include, but are not limited to, the use of discounted cash flow models, option pricing models and recent arm's length transactions.

Fair value through profit or loss (FVTPL)

Financial assets which do not meet the classification criteria to be held at amortised cost or FVOCI are measured at FVTPL.

This category includes derivative assets and the closed equity release portfolio (presented within loans and advances to customers). An assessment of the contractual terms of the equity release loans concluded that the SPPI criteria, which must be satisfied to carry an asset at amortised cost or FVOCI, were not met. In the Society's Statement of Financial Position, certain investment securities issued by unconsolidated structured entities are measured at FVTPL.

The fair values of derivatives are based on level 2 valuation techniques, as described in section (f) below. Changes in the fair value of derivative assets are presented within fair value gain/(loss) on financial instruments in the Income Statement offset, where the derivatives are hedging instruments in a qualifying IAS 39 'Financial Instruments: Recognition and Measurement' fair value hedge relationship, by the fair value movements on the corresponding hedged items. Interest arising on derivative financial instruments is recognised within net interest on an accruals basis.

Due to the bespoke nature of equity release books, relevant market pricing data is not available. The fair value of the equity release portfolio is therefore determined using an internal discounted cash flow model which estimates the amount and timing of future cash flows arising on redemption and discounts these at assumed market rates to calculate the fair value of the mortgages. Model inputs are informed by the Society's historic experience (e.g. redemption rates). Under IFRS 13 'Fair Value Measurement' and Amendments to IFRS 7 'Financial Instruments: Disclosures', the fair value measurement of equity release mortgages is categorised as level 3.

An entity may, at initial recognition or on adoption of IFRS 9, make an irrevocable designation to measure a financial asset at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise if the asset were to be held at amortised cost or FVOCI. The Group and Society have not designated any financial assets as FVTPL on adoption of IFRS 9 or subsequently.

b) Financial liabilities

In accordance with IFRS 9, all of the Group and Society's financial liabilities are classified and subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss.

Amortised cost

This category includes shares, amounts due to credit institutions, amounts due to other customers, debt securities in issue and subordinated liabilities.

Liabilities subsequently measured at amortised cost are recognised initially at fair value, being the issue proceeds, net of premia, discounts and directly attributable transaction costs incurred. They are subsequently measured at amortised cost using the effective interest rate method.

Fair value through profit or loss (FVTPL)

This category includes derivative liabilities for which changes in fair value are presented within fair value gain/(loss) on financial instruments in the Income Statement offset, where the derivatives are hedging instruments in a qualifying IAS 39 fair value hedge relationship, by the fair value movements on the corresponding hedged items. Interest arising on derivative financial instruments is recognised within net interest on an accruals basis.

The fair values of derivative liabilities are determined in accordance with the three tier valuation hierarchy as defined within IFRS 13 and in section (f) below.

An entity may, at initial recognition or on adoption of IFRS 9, make an irrevocable designation to measure a financial liability (that would otherwise be held at amortised cost) at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The Group and Society have not designated any financial liabilities as FVTPL on adoption of IFRS 9 or subsequently.

c) Impairment of financial assets

Expected credit losses (ECLs) are recognised for all financial assets carried at amortised cost or FVOCI under IFRS 9, and also for undrawn loan commitments where a mortgage offer has been made but the loan is yet to be advanced and recognised in the Statement of Financial Position.

The year end modelled ECL has been updated where necessary, for example:

- Account level assumptions for commercial provisions have been refined to reflect the latest developments on an individual account level. Factors such as strategy, rental cover and exit value valuation assumptions have been considered when informing these decisions.
- The macroeconomic scenarios have been updated to reflect the latest economic position in the UK at the reporting date, including assumptions of the cost of living challenges, interest rates and house price movements.

During the year, the ECL model has been enhanced, enabling several residential Post Model Adjustments (PMAs) applied in previous years to be retired. Total PMAs in 2024/25 of £3.3m (2023/24 £3.7m) cover the factors detailed below:

- The flat price index diverges from the all-house price index, driven by uncertainty over impacts of cladding and high leasehold charges. The overlay compensates for this divergence.
- The commercial portfolio is concentrated in the retail sector for which the impact of global events, including recent US tariff announcements, is uncertain.

Staging

At each reporting date, financial assets subject to the impairment requirements of IFRS 9 are categorised into one of three stages:

Stage 1 (Initial recognition)

On initial recognition, financial assets which are not credit impaired and have not experienced a significant increase in credit risk (SICR) since initial recognition are categorised as stage 1 and provision is made for 12 month ECLs, being the losses from default events expected to occur within the next 12 months. Assets remain in stage 1 until such time as they meet the criteria for another stage or are derecognised.

1. Accounting policies (continued)

Stage 2 (significant increase in credit risk)

Financial assets which are not in default, but have experienced a SICR since initial recognition, are categorised as stage 2. The loss allowance recognised is equivalent to lifetime ECL, being the loss arising from default events expected to occur over the lifetime of the financial asset.

Determining whether a SICR has occurred is a critical aspect of the IFRS 9 methodology and one which involves judgement, based on a combination of quantitative and qualitative measures. As described in the ECL calculation sections which follow, the criteria applied vary across portfolios depending on the nature of the portfolio and availability of relevant credit risk information, but all include the IFRS 9 'backstop' of 30 days past due as a stage 2 trigger.

Stage 3 (default)

Defaulted or credit-impaired financial assets are categorised as stage 3, requiring recognition of lifetime ECLs.

Transfers to lower stages (curing)

Financial assets in stages 2 or 3 can transfer back to stages 1 or 2, once the criteria for SICR or default cease to be met for a period of time, ranging from 6 months to 24 months, based on certain qualitative attributes defined within the ECL methodology for that portfolio, sometimes known as the 'cure' period. In practice, this means that a stage 2 or 3 loan which ceases to breach the threshold(s)/criteria for that stage will remain in the higher stage for a pre-determined number of months. The use of cure periods gives assurance that accounts have rehabilitated before re-entering lower stages and reduces the level of volatility that might otherwise arise from accounts regularly migrating between stages.

Forward-looking ECL approach

ECL is measured as the present value of the difference between the cash flows contractually due on a financial asset or undrawn commitment and the cash flows expected to be received. In the Statement of Financial Position, the loss allowance is presented as a reduction in the carrying value of the financial asset. In the case of an undrawn loan commitment, the impairment provision is instead presented within provisions for liabilities.

For each of the Group and Society's financial asset portfolios in the scope of IFRS 9 impairment, the estimate of ECL is unbiased and weighted to take into account a range of possible outcomes.

In accordance with IFRS 9, forecasts of future economic conditions are integral to the ECL calculations for each portfolio. The Group currently models four forward-looking macroeconomic scenarios: a central forecast (assigned the highest weighting), together with upside, downside and stress scenarios. The scenarios have been updated to take into account the economic and geopolitical backdrop.

ECL calculation – core residential mortgages

For the core residential mortgage books, the impairment model employs industry-accepted statistical techniques to address the complex requirements of IFRS 9, with model assumptions and parameters initially determined by regression analysis of historical default data. The assumptions are validated using 'out of time' samples, across a range of economic scenarios, enabling the predictive capabilities of the models to be confirmed.

The model incorporates quantitative factors for identifying a SICR by comparing reporting date lifetime PD with residual origination lifetime PD. For the purposes of this quantitative staging assessment, mortgages are segmented by lending type (owner occupied or buy to let). Residual origination PD curves and (relative and absolute) threshold levels are established via an iterative process involving statistical analysis of the Group's default data. In addition, a range of internally monitored potential impairment indicators has been

selected as qualitative criteria for classifying an individual loan as stage 2. Examples of qualitative indicators include cancelled direct debit instructions, certain forbearance measures and evidence of impaired credit history obtained from external agencies.

The default criteria for core residential loans are entirely aligned with those used for capital and credit risk management purposes. Loans are considered to be in default or credit-impaired if they are in arrears by three or more months, in litigation, possession or Law of Property Act (LPA) receivership, or meet one of a range of internal 'unlikely to pay' indicators.

Within the core residential model, ECL is calculated by multiplying the forward-looking PD, exposure at default (EAD) and loss given default (LGD). The model outputs monthly ECLs, which are aggregated over the first 12 months to obtain 12 month ECL and over the life of the loan to calculate lifetime ECL.

The model combines a number of account-specific variables and forecasts of future economic conditions within the calculation of PD. Macroeconomic variable inputs to the model are reviewed quarterly and include house price index (HPI), interest rates, unemployment and GDP. The variables were selected based on statistical tests and other analysis which evidenced their correlation with credit risk.

ECL calculation – undrawn commitments

The loss allowance for undrawn commitments is inferred from the core residential mortgage impairment model outputs for existing loans with similar risk characteristics.

All undrawn commitments are currently allocated to stage 1 such that a 12-month ECL calculation is appropriate.

The Group's IFRS 9 provision requirements for undrawn commitments were negligible at 31 March 2025 and 31 March 2024.

ECL calculation – second charge residential mortgages

For the closed second charge loan book, a SICR is assessed using external credit agency PD indicators. Absolute thresholds have been set based on analysis of monthly PD scores from origination (or earliest available date) to point of default.

Second charge mortgages are considered to be in default if they are in arrears by three or more months or in bankruptcy, litigation or possession.

Impairment provisions for the closed second charge mortgage book are determined using a simple discounted cash flow model which segregates accounts by payment status. Estimated future cash flows, which consider the forced sale property valuation and level of first charge debt remaining, are discounted to their present value using the effective interest rate of the loan and compared with the account balance at the reporting date. This estimated loss on possession is multiplied by the probability of possession occurring to calculate the ECL requirement.

The key macroeconomic variable affecting the level of second charge impairment losses is HPI, as forecast within the Group's central, upside, downside and stress scenarios.

ECL calculation – commercial mortgages

The key indicator of a SICR for a commercial loan is a downward migration in internal credit rating, determined via an established internal credit risk assessment process. The internal grade is determined at an individual account level, combining expert judgement with prescriptive measures including, but not limited to, loan to value and income/debt service coverage ratios.

1. Accounting policies (continued)

Commercial loans are categorised as default if a LPA Receiver (or equivalent) has been appointed, if they are in arrears by greater than or equal to three months, and/or are past scheduled maturity (unless past maturity by no more than 3 months and active negotiations to extend are in progress with the customer). Loans not meeting these criteria may be classified as stage 3 based on expert management judgment of the perceived risk of non-payment.

The ECL requirements for commercial mortgages are assessed on an individual loan basis, with the right to offsetting ECL requirements where cross-collateralisation exists between connected commercial mortgages, using cash flow scenario modelling. This involves estimating the timing and amount of future cash flows, in the event of default, for one or more probability weighted account-specific scenarios based on the Group's central forecast of economic conditions. Applying the Group's macroeconomic scenarios effectively creates a range of alternative outcomes in addition to the central forecast.

Estimated future cash flows, comprising rental receipts and final sales proceeds (each net of costs), are discounted at the effective interest rate of the loan and compared with its carrying value to determine the ECL under each combination of account-specific and macroeconomic scenarios. The relevant macroeconomic weightings are then applied to calculate the overall provision requirement at the reporting date.

ECL calculation – liquid assets

For liquid assets, comprising cash and balances with the Bank of England, loans and advances to credit institutions and investment securities, a SICR is determined by counterparty type and adverse movements in counterparty credit rating beyond specified thresholds. None of the Group's liquid assets are categorised as stage 2 at the reporting date.

Liquid assets are in default if categorised as such by external credit rating agencies. The Group has never experienced an impairment loss or default on its Treasury investment portfolio.

The ECL calculation for liquid assets multiplies the carrying value of the asset by a PD applicable to its credit rating at the reporting date. The PD is obtained from publicly available external credit rating agency data tables. The macroeconomic weighted scenarios are translated to shifts in counterparty credit ratings thereby changing the PDs applied in the calculation.

The Group's liquid asset provision requirements at 31 March 2025 and 31 March 2024 were negligible.

ECL calculation – investments in subsidiary undertakings

Investments in subsidiary undertakings comprise (minimal) share capital and intercompany loans. Intercompany loans are financial assets of the Society which are measured at amortised cost and therefore subject to the impairment requirements of IFRS 9.

For lending subsidiaries, a SICR is deemed to occur when the net assets of the subsidiary are lower than the amount owed to the Society, calling into question the recoverability of the amount owed to the Society. Where there is a significant increase in credit risk, the intercompany loan is categorised as stage 2; all other intercompany loans are recorded as stage 1. The ultimate recovery of these amounts is linked to the recoverability of the underlying loans and advances, for which the ECL methodology, including related judgments and estimation techniques, has been provided above. The impairment provision requirement is reviewed periodically.

Write off of financial assets

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

d) Derecognition of financial assets and liabilities

The Group's policy is to derecognise financial assets when the contractual right to the cash flows from the financial asset expires. The Group also derecognises financial assets that it transfers to another party provided the transfer of the asset also transfers the right to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership.

The Group derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

e) Modification of contractual cash flows

The Group may, in certain circumstances, renegotiate or otherwise modify the contractual cash flows of loans and advances to customers. If qualitative assessments conclude that the new cash flows are substantially different to the original cash flows, the original loan is derecognised and a new financial asset recognised in the Statement of Financial Position. If the modified cash flows are not substantially different, a modification gain or loss is recognised in profit or loss, calculated by adjusting the loan's gross carrying amount to the present value of the modified contractual cash flows discounted at the asset's original effective interest rate.

Where contractual terms are modified due to financial difficulties of the borrower (forbearance), the modification gain or loss is included within impairment on loans and advances; otherwise it is presented within interest receivable.

For residential mortgages, a change of product at the end of a fixed rate deal period is not considered to be a modification to the contract but instead a repricing to market interest rates which was envisaged at the start of the customer relationship.

f) Determination of fair value

The Group determines fair values by the three tier valuation hierarchy as defined within IFRS 13 and Amendments to IFRS 7.

Level 1: For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, FTSE) and broker quotes (for example, Bloomberg).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions in an orderly transaction between market participants. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or there are few recent transactions.

Level 2: For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, SONIA yield curve, volatilities and counterparty spreads) existing at the reporting dates.

1. Accounting policies (continued)

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as interest rate swaps. For these financial instruments, inputs into models are generally market observable.

Level 3: Fair value is determined using valuation techniques where significant inputs are not based on observable market data.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

g) Sale and repurchase agreements

Investment and other securities may be lent or sold subject to a commitment to repurchase them. Where substantially all of the risks and rewards of ownership remain with the Group, the securities are retained on the Statement of Financial Position. The counterparty liability is recognised separately in the Statement of Financial Position as appropriate. The difference between the sale and repurchase price is accrued over the life of the agreements.

h) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational, financing and investment activities.

In accordance with its Treasury and Financial Risk Management Policy and the Building Societies Act 1986, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments (both assets and liabilities) are initially recognised and subsequently held at fair value in the Statement of Financial Position with changes in their fair value going through the Income Statement. However, by applying the hedge accounting rules set out in IAS 39, the changes in fair value of derivatives used to hedge particular risks can be offset in the Income Statement.

i) Fair value hedges – The Group undertakes hedges of the fair value of recognised assets or liabilities (fair value hedges) provided that certain criteria are met. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group undertakes hedge accounting on both an individual and a portfolio basis. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortised to profit or loss over the remaining expected life of the previously hedged item.

The Group documents, at the inception of any hedging transaction, the relationship between the hedging instrument and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

ii) Derivatives that do not qualify for hedge accounting – Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

i) Offsetting

Financial assets and financial liabilities are offset and the net amount presented within the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Currently there are no financial assets or liabilities which are offset within the Statement of Financial Position and all financial assets and liabilities are presented on a gross basis. Income and expenses are presented on a net basis only when permitted under IFRS.

i) Equity instruments

Equity instruments, comprising core capital deferred shares (CCDS), subscribed capital and, in previous years, profit participating deferred shares (PPDS), are financial instruments issued which do not give rise to a contractual obligation to deliver cash or another financial asset to the holder. Where such an obligation exists, the instrument is classified as a financial liability.

The proceeds of issuing equity instruments are recognised within equity, net of directly attributable costs and tax.

Distributions to holders of equity instruments are recognised directly in equity as a deduction from general reserves.

Intangible assets

Computer software

Computer software which is not an integral part of the related hardware is recorded as an intangible asset. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits, that exceed its cost, will flow from its use over more than one year. Intangible assets are held at amortised cost; amortisation is charged to the Income Statement on a straight line basis over the estimated useful life of 3 to 10 years. Intangible assets are subject to regular impairment reviews. Costs associated with maintaining software are recognised as an expense when incurred.

Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, except the Head Office, is stated at valuation less depreciation. All gains on the revaluation of property are recognised in the revaluation reserve when they arise. Freehold branches are revalued every 3 to 5 years by an independent firm of valuers. The Head Office building and plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

1. Accounting policies (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight line method (unless otherwise stated) to allocate their cost less their residual values over their estimated useful lives, as follows:

Freehold branches	Up to 50 years
Head office	25 years
Leasehold improvements	Annual instalments over the period of the lease
Equipment, fixtures and fittings and motor vehicles	
• Office equipment	3 to 7 years
• Computer equipment	3 to 7 years
• Motor vehicles	25% per annum reducing balance
• Refurbishments	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Leases

When the Group enters into a contract which conveys the right to control the use of an identified asset for a period of time in excess of 12 months in exchange for consideration, it recognises a right-of-use (ROU) asset and a corresponding lease liability in the Statement of Financial Position. The majority of the Group's leases relate to its branch property network.

The lease liability is measured at the present value of the remaining lease payments at the commencement date, discounted using the Group's incremental borrowing rate. The lease term incorporates lease extension or termination options where they are reasonably certain to be exercised. The incremental borrowing rate is determined with reference to the market pricing of securities with similar risk characteristics and terms to the leased assets at the commencement date. The carrying value of the lease liability is adjusted for interest charged and repayments. The lease liability is remeasured for changes in future lease payments, the lease term or the Group's assessment of whether it will exercise a lease extension or termination option. Any remeasurement results in a corresponding adjustment to the ROU asset. Interest is charged on the lease liability at the Group's incremental borrowing rate and recorded in interest expense and similar charges within the Income Statement.

The ROU asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for remeasurement of the corresponding lease liability. The initial measurement of the ROU asset includes the lease liability, initial direct costs, lease payments made prior to the commencement date and lease incentives received. It is subsequently depreciated using the straight line method over the shorter of the asset's estimated useful life and the period to the end of the lease term. ROU assets are subject to an annual impairment assessment.

As permitted by IFRS 16 'Leases', the Group does not recognise a ROU asset or lease liability for leases of low value or with lease terms of less than 12 months. For these leases, payments are recognised on a straight line basis over the lease term and disclosed within administrative expenses in the Income Statement.

The Group has elected to separate its lease components and non-lease components for its property leases (e.g. service charges).

In the Statement of Cash Flows, payments of lease liabilities are categorised as cash flows from financing activities.

Where the Group acts as a lessor, these leases are treated as operating leases. The Group recognises lease payments received in line with receipt of payments in the Income Statement.

Determining the incremental borrowing rate used to discount the future lease payments involves a degree of estimation uncertainty. However, these judgements and estimates are not deemed critical, as they do not materially impact the financial statements.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash comprises cash in hand and loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value, with maturities of 90 days or less from the date of acquisition.

Taxation

Tax on the profit/loss for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income within the Statement of Comprehensive Income or directly in equity.

Current tax is the expected tax payable/receivable on the taxable income/expense for the year, using the tax rate which applies to the accounting period ending at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is determined using tax rates (and laws) that have been substantively enacted by the year end date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only where it is probable that future taxable profits will be available against which they can be utilised.

1. Accounting policies (continued)

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, is a contingent liability. A contingent liability is disclosed but not recognised in the Statement of Financial Position.

Employee benefits

The Group provides both a defined benefit scheme (closed to new employees from 2002/3 and accruals from 2009/10) and a defined contribution scheme on behalf of staff and Directors. The defined benefit scheme is funded by contributions from the Society at rates assessed by independent actuaries. These contributions are invested separately from the Group's assets. The Scheme assets are measured at market value at each year end date and the liabilities are measured using the projected unit valuation method, by qualified actuaries, discounted using a corporate bond rate. The resulting pension scheme surplus or deficit is recognised in the Statement of Financial Position.

Actuarial gains and losses are recognised in full in the period in which they occur. As permitted by the revised standard (IAS 19 'Employee Benefits'), actuarial gains and losses are recognised outside profit or loss in other comprehensive income, as an increase or decrease in general reserves.

Net interest, comprising interest income on plan assets less interest costs on scheme liabilities, and other expenses relating to the defined benefit pension scheme are recognised in the Income Statement. Actuarial gains or losses, that are gains or losses arising from differences between previous actuarial assumptions and actual experience, are recognised in the Statement of Comprehensive Income.

For defined contribution plans, the contributions are recognised as employee benefit expenses in the Income Statement when they are due, in accordance with the rules of the scheme. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pensions

The Group operates a defined benefit pension scheme. The year end valuation of the scheme assets and liabilities relies on estimates of future interest, inflation and mortality rates informed by external advice from the scheme actuaries. The main assumptions used in the valuation, together with sensitivity analysis of the impact of movements in key variables, are outlined in note 30 to the Accounts.

Critical accounting estimates and judgements in applying accounting policies

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

Significant judgements in applying accounting policies

Impairment

For IFRS 9 impairment, judgement is required to define the staging criteria, i.e. what constitutes a significant increase in credit risk (stage 2) and what circumstances give rise to a default (stage 3). Where assets meet the stage 2 or 3 criteria, lifetime ECL must be recognised.

The staging methodologies for each portfolio are detailed within the "Impairment of financial assets" accounting policy in this note. Model monitoring and model validation procedures are used to continually evaluate the appropriateness of the staging criteria and macroeconomic variable inputs.

Securitisation transactions

In order to determine whether the Group controls a structured entity or not, the Group has to make judgements about the degree of control and assess the ability to make operational decisions for the structured entity in question. In many instances, elements are present that, when considered in isolation, indicate control or lack of control over a structured entity, but when considered together make it difficult to reach a clear conclusion. When assessing whether the Group has to consolidate a structured entity it evaluates a range of factors following the rules and guidance of IFRS 10.

Where the Group has concluded that it does, in substance, control the entity to which financial assets have been transferred, the structured entity is included in these financial statements and the transferred assets are recognised in the Group's Statement of Financial Position. Where the securitised assets were originated by the Society they continue to be recognised in the Society's Statement of Financial Position. In the case of Sandwell Commercial Finance No. 1 Plc, Sandwell Commercial Finance No. 2 Plc, management judge that these entities no longer meet the consolidation criteria set out in IFRS 10. In particular, the Group's limited exposure to credit losses in these entities (through deferred consideration and subordinated debt) has been fully written down, with little prospect of recovery, meaning that there is no longer any future exposure to variability of returns from these entities. As a result, these entities are no longer consolidated within the Group. Consequently, the Group accounts do not include the results of these entities after deconsolidation.

Sources of estimation uncertainty

Impairment on loans and advances – forward-looking ECL approach

The estimation of ECLs is inherently uncertain and the IFRS 9 impairment models incorporate a number of assumptions and estimates, changes in which could materially affect the carrying amounts of assets and liabilities within the next financial year. The IFRS 9 requirements to incorporate forward-looking information within the ECL calculation, including forecasts of future macroeconomic conditions, necessitate judgement thereby increasing the potential for volatility in future periods.

The Group's impairment models incorporate four macroeconomic forecasts (central, upside, downside and stress), each comprising a number of economic variables considered to be credit risk drivers. As already explained, economic scenarios and weightings have been updated to reflect the changing economic conditions to which the Group is exposed.

Impairment on loans and advances – residential mortgages (core and second charge)

The following table indicates the main economic variables included within the IFRS 9 macroeconomic scenarios at 31 March 2025 and the associated weightings, along with the sensitivity to the total residential and commercial ECL provision arising from the application of 100% weightings to each scenario. The macroeconomic scenarios and associated weightings at 31 March 2024 are also provided for comparative purposes.

The forward looking macroeconomic scenarios are updated with reference to third party published economic data and forecasts. Management judgement is applied to the relative weighting of the scenarios in line with the prevailing conditions and uncertainty in the UK economy.

1. Accounting policies (continued)

Macroeconomic scenarios as at 31 March 2025:

	Scenario weighting	Metric	Current scenario (%)					5 year average	(Decrease)/ Increase in provision with 100% scenario weighting £m	(Decrease)/ Increase in provision with 10% increase in scenario weighting* £m
			2025/26	2026/27	2027/28	2028/29	2029/30			
Central scenario	50%	Bank Rate	4.0	3.8	3.8	3.8	3.5	3.8		
		HPI	2.1	1.7	2.3	3.1	3.8	2.6	(9.1)	-
		Unemployment	4.6	4.7	4.8	4.7	4.6	4.7		
		GDP	0.9	1.5	1.5	1.6	1.7	1.4		
Upside scenario	5%	Bank Rate	3.8	3.5	3.5	3.5	3.3	3.5		
		HPI	3.9	4.5	5.0	4.5	5.1	4.6	(11.5)	(0.3)
		Unemployment	4.1	3.8	3.9	4.1	4.1	4.0		
		GDP	1.8	1.8	2.0	1.8	1.9	1.9		
Downside scenario	30%	Bank Rate	6.0	5.3	4.0	3.0	2.3	4.1		
		HPI	(5.3)	(5.0)	(2.0)	1.8	2.8	(1.5)	6.1	1.5
		Unemployment	5.3	6.2	6.0	5.8	6.1	5.9		
		GDP	(0.3)	(0.1)	0.9	1.1	1.6	0.6		
Stress scenario	15%	Bank Rate	2.3	0.5	1.0	1.5	2.0	1.5		
		HPI	(7.6)	(14.7)	(8.0)	6.9	6.3	(3.4)	21.9	3.1
		Unemployment	5.7	8.4	8.2	7.5	6.8	7.3		
		GDP	(4.9)	0.9	1.2	1.3	1.4	-		

*10% increase in weighting with a corresponding reduction to the central scenario weighting.

1. Accounting policies (continued)

Macroeconomic scenarios as at 31 March 2024:

	Scenario weighting	Metric	Year ended 31 March 2024 scenario (%)					5 year average	(Decrease)/ Increase in provision with 100% scenario weighting £m	(Decrease)/ Increase in provision with 10% increase in scenario weighting* £m
			2024/25	2025/26	2026/27	2027/28	2028/29			
Central scenario	50%	Bank Rate	4.5	3.8	3.5	3.5	3.3	3.7	(8.9)	-
		HPI	(2.9)	(1.0)	1.2	3.0	3.8	0.8		
		Unemployment	4.5	4.7	4.8	4.7	4.9	4.7		
		GDP	0.5	1.3	1.6	1.8	1.7	1.4		
Upside scenario	5%	Bank Rate	4.3	3.5	3.0	3.0	3.0	3.4	(12.2)	(0.4)
		HPI	2.8	2.8	4.1	4.7	5.6	4.0		
		Unemployment	4.0	3.8	3.7	3.7	3.7	3.8		
		GDP	1.1	2.0	2.5	2.3	2.3	2.0		
Downside scenario	30%	Bank Rate	6.5	5.8	5.3	4.8	4.0	5.3	5.8	1.4
		HPI	(9.2)	(6.7)	(3.5)	1.6	2.4	(3.2)		
		Unemployment	5.0	5.8	6.9	7.1	7.6	6.5		
		GDP	(0.5)	(0.2)	0.5	0.9	1.0	0.3		
Stress scenario	15%	Bank Rate	2.3	0.3	0.3	0.3	0.3	0.7	22.2	3.2
		HPI	(10.4)	(15.2)	(8.3)	7.2	6.6	(4.5)		
		Unemployment	7.6	8.3	7.7	7.1	6.5	7.4		
		GDP	(4.1)	0.1	1.2	1.3	1.4	-		

*10% increase in weighting with a corresponding reduction to the central scenario weighting

1. Accounting policies (continued)

Key assumptions for the residential portfolios are the weightings of the macroeconomic forecasts, which each incorporate a different outlook for the economic variables shown in the table above, the forecast of future house price inflation and the relative threshold used to identify a significant increase in credit risk. The sensitivity of the residential provision calculations to the key assumptions in the current and prior year is as follows:

Assumption	Change to current assumption	(Decrease)/increase in impairment provision 2025 £m	(Decrease)/increase in impairment provision 2024 £m
HPI growth	Increase of 5.0%	(0.4)	(0.3)
HPI growth	Decrease of 5.0%	0.6	0.4
Quantitative threshold for identifying a significant increase in credit risk	Relative increase of 10%	(0.4)	(0.1)

Impairment on loans and advances - commercial mortgages

Consistent with residential mortgages, the IFRS 9 ECL calculation for the commercial portfolio incorporates central, upside, downside and stress economic scenarios with weightings of 50%, 5%, 30% and 15% respectively.

In addition to the scenario weightings and account-specific factors that impact cash flows, the key model assumption for commercial provisioning is considered to be the exit yield requirement, which is used to estimate the cash flows arising from realisation of the property values on sale. While interest rates also have a significant impact on the ECL, via the discount factor applied in the model, compensating economic hedge arrangements would substantially offset the provision movement in profit or loss terms with an opposing fair value movement. Compared with the central economic forecast, the exit yield requirement for each loan increases by 0.85% and 1.93% in the downside and stress scenario respectively and reduces by 0.18% in the upside scenario. This compares to an average exit yield of 8.15%.

The table below illustrates the sensitivity of the commercial ECL calculation to the scenario weightings and exit yield requirement.

Assumption	Change to current assumption	(Decrease)/Increase in impairment provision 2025 £m	(Decrease)/Increase in impairment provision 2024 £m
Upside scenario weighting	Increase weighting by 10% (with a corresponding reduction to the central scenario)	(0.1)	(0.2)
Downside scenario weighting	Increase weighting by 10% (with a corresponding reduction to the central scenario)	1.0	1.0
Stress scenario weighting	Increase weighting by 10% (with a corresponding reduction to the central scenario)	1.5	2.5
Exit yield requirement	Increase of 0.5% across all scenarios	0.9	1.7

Investment properties

Independent specialist valuers have undertaken a valuation review of the portfolio of residential investment properties on an open market value for existing use basis, calculated on the net income allowing for reversionary potential. In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the Statement of Financial Position date. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. The calculation of the fair value of investment properties incorporates house price assumptions which are regularly reviewed by management.

If house prices were to increase by 5%, the carrying value of the investment properties would change by £7.2m (2023/24: £7.5m) with a corresponding change to Gains on investment properties.

2. Interest receivable and similar income

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
On financial assets not at fair value through profit or loss:				
Loans fully secured on residential property	233.8	180.9	185.3	126.4
Other loans				
Connected undertakings	-	-	44.7	44.1
Loans fully secured on land	4.0	4.2	-	-
Investment securities	20.2	19.5	25.3	22.4
Other liquid assets	21.9	24.8	21.4	24.5
On financial assets at fair value through profit or loss:				
Loans fully secured on residential property	0.8	0.9	0.8	0.9
Net Income on derivative financial instruments	35.7	56.7	32.8	56.6
Total interest receivable and similar income	316.4	287.0	310.3	274.9
Interest receivable includes:				
Income from fixed income securities	2.9	3.7	2.9	3.7

During the year ended 31 March 2025, the total interest receivable and similar income calculated using the effective interest method was: Group £259.7m (2023/24: £209.8m) and Society £251.4m (2023/24: £195.0m) for financial assets held at amortised cost, and Group £20.2m (2023/24: £19.5m) and Society £25.3m (2023/24: £22.4m) for financial assets held at fair value through other comprehensive income. Accrued interest on qualifying derivative financial instruments is recognised in interest receivable/payable depending on whether they hedge assets/liabilities respectively.

Included within interest receivable and similar income is interest accrued on impaired residential mortgage assets: Group £1.6m (2023/24: £1.4m) and Society £2.4m (2023/24: £1.8m) and interest accrued on impaired commercial mortgage assets: Group £4.3m (2023/24: £5.4m) and Society £nil (2023/24: £nil). For the purposes of this disclosure, impaired mortgage assets are those which have been categorised as stage 3 under IFRS 9.

3. Interest expense and similar charges

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
On financial liabilities not at fair value through profit or loss:				
Shares held by individuals	180.6	142.5	180.6	142.4
Deposits from banks and other deposits	31.8	39.8	31.8	39.5
Debt securities in issue	7.6	-	-	-
Subordinated liabilities	0.2	0.8	0.2	0.8
Deemed loans	-	(0.3)	10.0	-
On financial liabilities at fair value through profit or loss:				
Net expense on derivative financial instruments	-	0.6	-	0.6
Total interest expense and similar charges	220.2	183.4	222.6	183.3

4. Other operating income

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Other operating income includes:				
Rent receivable on investment property	7.1	7.5	-	-
Operating expenses on investment property	(3.2)	(3.4)	-	-
Pension fund net interest (note 30)	0.3	0.5	0.3	0.6
Total other operating income	4.2	4.6	0.3	0.6

5. Fair value gain/(loss) on financial instruments

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Fair value hedges				
Derivatives designated as fair value hedges	(18.0)	(41.2)	(18.0)	(41.2)
Adjustments to hedged items in fair value hedge relationships	20.1	37.2	20.1	37.2
Fair value gain/(loss) on hedge accounting	2.1	(4.0)	2.1	(4.0)
Other derivatives	2.4	3.4	(5.3)	3.4
Financial instruments mandatorily at fair value through profit or loss	(0.1)	0.2	(0.1)	0.2
Total fair value gain/(loss) on financial instruments	4.4	(0.4)	(3.3)	(0.4)

6. Administrative expenses

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Staff costs				
Wages and salaries	29.0	27.2	28.3	26.6
Social security costs	2.9	2.8	2.9	2.7
Other pension costs	2.5	2.1	2.4	2.1
Other administrative expenses	23.2	21.9	21.3	20.0
	57.6	54.0	54.9	51.4
Other administrative expenses include:				
Remuneration of auditors (excluding VAT element)				
Audit of these financial statements	0.5	0.4	0.5	0.4
Audit of the subsidiary financial statements	0.3	0.2	-	-

Wages and salaries include £0.2m (2023/24: £0.3m) redundancy costs paid as part of the restructuring and rationalisation undertaken during the year.

Other assurance services provided by the external auditors comprise £11,000 (2023/24: £6,000) in respect of audit-related assurance services and £nil (2023/24: £nil) in respect of other assurance services, in each case excluding VAT.

7. Employee numbers

	Group and Society 2025	Group and Society 2024
The average number of employees employed throughout the year was:		
Full time	542	505
Part time	197	196
	739	701
Building Society		
Central administration (Society and subsidiaries)	567	523
Branches	172	178
	739	701

All employees were employed within the United Kingdom.

8. Directors' emoluments

Total Directors' emoluments including expenses amounted to £2.8m (2023/24: £2.7m). Full details are given in the Remuneration Committee report on pages 68 to 76.

9. Taxation

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
UK corporation tax at 25% (2023/24: 25%)	1.4	2.6	1.4	2.5
Corporation tax - adjustment in respect of prior years	(0.5)	(0.5)	0.2	0.1
Total current tax	0.9	2.1	1.6	2.6
Deferred tax				
Current year	5.3	5.3	4.7	4.7
Adjustment in respect of prior periods	0.7	0.3	0.6	(0.5)
Tax on profit on ordinary activities	6.9	7.7	6.9	6.8

UK corporation tax has been calculated at the applicable prevailing rate.

The tax charge is reconciled to the profit before tax in the Income Statement as follows:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Profit before tax	36.5	32.1	15.5	15.7
Profit before tax multiplied by the UK standard rate of tax of 25% (2023/24: 25%)	9.1	8.0	3.9	3.9
Effects of:				
Income not taxable and expenses not deductible for tax purposes	0.3	0.2	2.2	3.5
Securitisation profits	(1.9)	-	-	-
Adjustment in respect of prior years	0.2	(0.2)	0.8	(0.4)
Transfer pricing adjustments	-	-	(0.6)	(0.2)
Chargeable gains	0.6	-	0.6	-
Movement in deferred tax not recognised	(1.0)	-	-	-
Revaluation	(0.4)	(0.3)	-	-
Tax charge	6.9	7.7	6.9	6.8

10. Cash and balances with the Bank of England

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Cash in hand	1.3	1.2	1.3	1.2
Other deposits with the Bank of England	158.5	490.4	158.5	490.4
	159.8	491.6	159.8	491.6

Cash in hand is non-interest bearing.

11. Investment securities

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Listed transferable investment securities:				
Fair value through other comprehensive income	467.3	391.1	467.3	391.1
Amortised cost	-	-	191.0	-
Fair value through profit or loss	0.3	0.4	0.3	0.4
Total investment securities	467.6	391.5	658.6	391.5

The movement in investment securities is summarised as follows:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
At beginning of year	391.5	315.6	391.5	686.2
Investment securities with maturities > 3 months at date of acquisition:				
Additions	333.6	333.0	524.7	333.0
Disposals (sale and redemption)	(256.8)	(258.4)	(256.9)	(629.0)
(Losses)/Gains from changes in fair value	(0.7)	1.3	(0.7)	1.3
At end of year	467.6	391.5	658.6	391.5

The Directors consider that the primary purpose for holding investment securities is as liquid assets with the intention of use on a continuing basis in the Group's activities.

12. Derivative financial instruments and hedge accounting

(a) Use of derivative financial instruments for interest rate risk management purposes

The Group is exposed to the risk that movements in interest rates change the value of, or income arising from, its assets and liabilities. This type of market risk is known as interest rate risk.

The Group has an integrated approach to interest rate risk management, taking advantage of natural hedges which exist within the Group Statement of Financial Position and using derivatives where no such natural hedges exist. Derivatives are financial instruments whose value is derived from one or more underlying price, rate or index (such as interest rates, exchange rates or stock market indices) but have a smaller or no initial net investment relative to financial assets/liabilities offering the same risk/return, as cash flows are generally settled at a future date.

The derivatives currently held by the Group comprise interest rate swaps with highly rated counterparties. Counterparty credit risk is mitigated by the posting of collateral and the use of central clearing counterparties. In accordance with the Building Societies Act 1986, derivatives are solely used for risk mitigation and never for trading purposes. From an accounting perspective, where the IAS 39 criteria are met, the derivatives are designated as hedging instruments in fair value hedge relationships and hedge accounting is adopted. Otherwise, the derivatives are held as economic hedges and valued at fair value through profit or loss. The accounting policies for derivatives and hedge accounting are described in note 1 to the accounts.

The following table describes the significant activities undertaken by the Group, the associated risks, the type of derivatives typically used in managing such risks and related hedge relationships.

Activity	Risk	Derivative type	Hedge relationship	Hedge accounting
Fixed rate mortgage lending	Sensitivity to changes in interest rates	Pay fixed receive floating interest rate swaps	Fair value hedge	Yes
Fixed rate investment securities	Sensitivity to changes in interest rates	Pay fixed receive floating interest rate swaps	Fair value hedge	Not at present
Fixed rate savings products	Sensitivity to changes in interest rates	Receive fixed pay floating interest rate swaps	Fair value hedge	Not at present
Commercial mortgage loss provisions	Sensitivity to changes in interest rates	Pay fixed receive floating interest rate swaps	Economic hedge	No

These arrangements have been established solely for the mitigation of interest rate risk. Other risks, such as credit risk, are separately managed but not hedged. The interest rate risk component of the hedge relationship is ascertained with reference to the benchmark rate of interest being hedged.

12. Derivative financial instruments and hedge accounting (continued)

(b) Derivative financial instruments in the Statement of Financial Position

The following tables show the notional and carrying amounts of derivative financial instruments at the year-end date.

Group	Carrying value in the Statement of Financial Position		
	Notional amount 2025 £m	Assets 2025 £m	Liabilities 2025 £m
Interest rate swaps			
Designated as fair value hedges	2,743.8	33.6	(7.8)
Economic hedges	1,061.8	11.3	(9.0)
Total derivatives held for hedging purposes	3,805.6	44.9	(16.8)

Group	Carrying value in the Statement of Financial Position		
	Notional amount 2024 £m	Assets 2024 £m	Liabilities 2024 £m
Interest rate swaps			
Designated as fair value hedges	2,237.8	58.0	(12.3)
Economic hedges	159.8	3.8	(0.5)
Total derivatives held for hedging purposes	2,397.6	61.8	(12.8)

Society	Carrying value in the Statement of Financial Position		
	Notional amount 2025 £m	Assets 2025 £m	Liabilities 2025 £m
Interest rate swaps			
Designated as fair value hedges	2,743.8	33.6	(7.8)
Economic hedges	636.4	2.6	(9.0)
Total derivatives held for hedging purposes	3,380.2	36.2	(16.8)

Society	Notional amount 2024 £m	Carrying value in the Statement of Financial Position	
		Assets 2024 £m	Liabilities 2024 £m
Interest rate swaps			
Designated as fair value hedges	2,237.8	58.0	(12.3)
Economic hedges	159.8	3.7	(0.5)
Total derivatives held for hedging purposes	2,397.6	61.7	(12.8)

(c) Hedge accounting

(i) Fair value hedges

Hedges of the fair value of recognised assets or liabilities are termed 'fair value hedges'. Under hedge accounting rules, changes in the fair value of derivatives (hedging instruments) are offset against changes in the fair value of hedged assets or liabilities (hedged items) in the Income Statement. The hedging ratio is the ratio of the notional value of the derivatives to the principal of the assets or liabilities being hedged.

(ii) Hedge effectiveness

For a fair value hedge of interest rate risk, hedge effectiveness is determined by comparing changes in the fair value of the derivative with changes in the fair value of the hedged asset or liability attributable to changes in interest rates.

The primary sources of ineffectiveness for the Society's fair value hedge relationships are:

- Differences in the timing of cash flows between the interest rate swaps and the hedged mortgages or savings products.
- Differences between actual and expected prepayment profiles of the hedged items.
- Differences between the contractual start dates and maturity dates of the derivatives and the hedged items.

(iii) Portfolio hedges

The Society designates fair value hedge relationships in which derivative financial instruments hedge a portfolio of fixed rate mortgages or savings products, reducing the Income Statement volatility that would otherwise arise from the derivatives being measured at fair value through profit or loss and the related hedged items at amortised cost.

The Society's hedging approach is dynamic, as the mortgage portfolios are constantly changing due to new advances, contractual repayments and early redemptions. To manage the interest rate risk inherent within fixed rate mortgage lending, the Society frequently enters into and closes interest rate swap arrangements. It assesses hedging ratios and hedge effectiveness on a monthly basis.

(iv) Derivatives not in a designated hedge relationship

In cases where the Group holds derivatives for hedging purposes, but the prescriptive IAS 39 criteria for application of hedge accounting are not met, the derivatives are held at fair value through profit or loss. Changes in the fair value of these derivatives are included within 'Fair value gains/(losses) on financial instruments' on the Income Statement.

12. Derivative financial instruments and hedge accounting (continued)

The following tables analyse the notional value and average fixed rate of interest rate swaps in designated hedge relationships by contractual maturity date.

At 31 March 2025

Group	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years
Fair value hedge of fixed rate residential loans				
Interest rate swap notional (£m)	18.0	434.9	2,193.9	67.4
Average fixed rate	3.73%	2.62%	3.27%	2.62%
Fair value hedge of fixed rate commercial loans				
Interest rate swap notional (£m)	4.6	1.0	24.0	-
Average fixed rate	4.44%	4.44%	5.08%	-
Society				
Fair value hedge of fixed rate residential loans				
Interest rate swap notional (£m)	18.0	413.6	2,082.5	66.6
Average fixed rate	3.73%	2.60%	3.28%	2.62%
Fair value hedge of intercompany loans*				
Interest rate swap notional (£m)	4.6	22.3	135.4	0.8
Average fixed rate	4.44%	3.67%	4.12%	2.87%

At 31 March 2024

Group	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years
Fair value hedge of fixed rate residential loans				
Interest rate swap notional (£m)	60.6	79.1	1,974.1	89.6
Average fixed rate	2.84%	0.61%	2.83%	2.74%
Fair value hedge of fixed rate commercial loans				
Interest rate swap notional (£m)	-	-	34.4	-
Average fixed rate	-	-	4.91%	-
Society				
Fair value hedge of fixed rate residential loans				
Interest rate swap notional (£m)	56.7	76.0	1,824.7	87.6
Average fixed rate	2.91%	0.62%	2.83%	2.73%
Fair value hedge of intercompany loans*				
Interest rate swap notional (£m)	3.9	3.1	183.8	2.0
Average fixed rate	1.85%	0.60%	3.81%	3.09%

*The Society holds interest rate swaps to mitigate interest rate risk on commercial and residential mortgages originated by its subsidiaries West Bromwich Commercial Limited (WBCL) and West Bromwich Mortgage Company Limited (WBMC). At Group level the derivatives and mortgages are in designated IAS 39 hedge relationships. In the Society's individual financial statements, the interest rate swaps are held in a hedge relationship against intercompany loans with equivalent terms to the third party commercial and residential mortgages.

12. Derivative financial instruments and hedge accounting (continued)

The impact of hedge accounting on the Group and Society Income Statement and Statement of Financial Position (SOFP) is indicated in the tables which follow.

Hedging instruments at 31 March 2025

Interest rate swaps Group	Carrying value in the SOFP			SOFP line	Change in fair value used for recognising ineffectiveness £m	Ineffectiveness (credit)/ charge in the Income Statement £m	Income Statement line
	Notional amount £m	Assets £m	Liabilities £m				
Fair value hedge of fixed rate residential loans	2,714.2	33.6	(7.3)	Derivative financial instruments	(18.2)	(2.7)	Fair value gain/(loss) on financial instruments
Fair value hedge of fixed rate commercial loans	29.6	-	(0.5)	Derivative financial instruments	0.2	0.6	Fair value gain/(loss) on financial instruments
Society							
Fair value hedge of fixed rate residential loans	2,580.7	32.0	(7.0)	Derivative financial instruments	(15.9)	(2.7)	Fair value gain/(loss) on financial instruments
Fair value hedge of intercompany loans*	163.1	1.6	(0.8)	Derivative financial instruments	(2.1)	0.6	Fair value gain/(loss) on financial instruments

Hedging instruments at 31 March 2024

Interest rate swaps Group	Carrying value in the SOFP			SOFP line	Change in fair value used for recognising ineffectiveness £m	Ineffectiveness charge/ (credit) in the Income Statement £m	Income Statement line
	Notional amount £m	Assets £m	Liabilities £m				
Fair value hedge of fixed rate residential loans	2,203.4	58.0	(11.5)	Derivative financial instruments	(41.7)	3.5	Fair value gain/(loss) on financial instruments
Fair value hedge of fixed rate commercial loans	34.4	-	(0.8)	Derivative financial instruments	0.5	0.5	Fair value gain/(loss) on financial instruments
Society							
Fair value hedge of fixed rate residential loans	2,045.0	53.6	(10.8)	Derivative financial instruments	(36.4)	4.1	Fair value gain/(loss) on financial instruments
Fair value hedge of intercompany loans*	192.8	4.4	(1.5)	Derivative financial instruments	(4.8)	(0.1)	Fair value gain/(loss) on financial instruments

12. Derivative financial instruments and hedge accounting (continued)

Hedged items at 31 March 2025

Hedged assets and liabilities	Carrying value in the SOFP £m	Accumulated fair value adjustments £m	SOFP line	Change in fair value used for recognising ineffectiveness £m
Group				
Fixed rate residential loans	2,639.0	(22.4)	Loans and advances to customers	20.9
Fixed rate commercial loans	29.8	1.7	Loans and advances to customers	(0.8)
Society				
Fixed rate residential loans	2,508.0	(21.1)	Loans and advances to customers	18.6
Intercompany loans*	160.8	0.4	Loans and advances to customers	1.5

Hedged items at 31 March 2024

Hedged assets and liabilities	Carrying value in the SOFP £m	Accumulated fair value adjustments £m	SOFP line	Change in fair value used for recognising ineffectiveness £m
Group				
Fixed rate residential loans	2,036.2	(43.3)	Loans and advances to customers	38.2
Fixed rate commercial loans	35.6	2.4	Loans and advances to customers	(1.0)
Society				
Fixed rate residential loans	1,888.3	(39.7)	Loans and advances to customers	32.3
Intercompany loans*	183.5	(1.2)	Loans and advances to customers	4.9

*The Society holds interest rate swaps to mitigate interest rate risk on commercial and residential mortgages originated by its subsidiaries WBCL and WBMC. At Group level the derivatives and mortgages are in designated IAS 39 hedge relationships. In the Society's individual financial statements, the interest rate swaps are held in a hedge relationship against intercompany loans with equivalent terms to the third party commercial and residential mortgages.

13. Loans and advances to customers

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Amortised cost				
Loans fully secured on residential property	5,316.2	4,701.4	4,558.1	3,822.3
Loans fully secured on land	196.5	220.6	-	-
	5,512.7	4,922.0	4,558.1	3,822.3
At fair value through profit or loss				
Loans fully secured on residential property	5.6	7.0	5.6	7.0
	5,518.3	4,929.0	4,563.7	3,829.3
Fair value adjustment for hedged risk	(20.8)	(40.9)	(21.1)	(39.7)
Less: impairment provisions	(99.4)	(103.0)	(4.3)	(3.6)
	5,398.1	4,785.1	4,538.3	3,786.0

Included within loans and advances to customers are £198.8m (2023/24: £223.6m) of commercial lending balances of which £4.5m (2023/24: £5.0m) have been sold by the Group to bankruptcy remote structured entities. A balance of £464.5m (2023/24: £nil) of residential mortgage balances, included within loans and advances, have also been sold by the Group to structured entities. The structured entities have been funded by issuing mortgage backed securities (MBSs), a proportion of which are held by the Society, at a carrying value of £191.4m (2023/24: £0.5m). Note 15 includes a list of the structured entities that are consolidated into the results of the Group.

14. Allowance for losses on loans and advances

	Loans fully secured on residential property £m	Group Loans fully secured on land £m	Total £m	Society Loans fully secured on residential property £m
At 1 April 2024	10.9	92.1	103.0	3.6
Amounts written off	(0.2)	(10.0)	(10.2)	0.4
Charge for the year comprising:				
Provision for loan impairment	0.6	7.0	7.6	1.0
Provision for securitisation assets	-	0.3	0.3	-
Adjustments to provisions resulting from recoveries	(1.0)	-	(1.0)	(0.7)
(Credit)/Charge for the year	(0.4)	7.3	6.9	0.3
Deemed loans	-	(0.3)	(0.3)	-
At 31 March 2025	10.3	89.1	99.4	4.3

	Loans fully secured on residential property £m	Group Loans fully secured on land £m	Total £m	Society Loans fully secured on residential property £m
At 1 April 2023	10.2	79.1	89.3	2.3
Amounts written off	0.2	(0.7)	(0.5)	(0.1)
Charge for the year comprising:				
Provision for loan impairment	1.5	13.7	15.2	1.8
Provision for securitisation assets	-	0.5	0.5	-
Adjustments to provisions resulting from recoveries	(1.0)	-	(1.0)	(0.4)
Charge for the year	0.5	14.2	14.7	1.4
Deemed loans	-	(0.5)	(0.5)	-
At 31 March 2024	10.9	92.1	103.0	3.6

During the year there were impairment charges of £0.3m (2023/24: £0.5m) against the subordinated loan interest due from structured entity, Sandwell Commercial Finance No. 2 Plc. The carrying value of the deemed loan has been adjusted by an equivalent amount. Impairment provisions at the end of the year include £nil (2023/24: £nil) against mortgage loans in Sandwell Commercial Finance No. 2 Plc. Impairments against mortgage loans in Sandwell Commercial Finance No. 2 Plc are borne by the loan note holders. The loan notes issued by the securitised entities represent obligations solely of the issuer. Non-payment of these notes does not create any obligation for the Society or its affiliates.

15. Investments

Society	Shares in subsidiary undertakings		Loans to subsidiary undertakings		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Cost						
At beginning of year	0.6	0.6	1,297.1	1,109.6	1,297.7	1,110.2
(Decrease)/Increase for the year	-	-	(150.3)	187.5	(150.3)	187.5
At end of year	0.6	0.6	1,146.8	1,297.1	1,147.4	1,297.7
Provisions						
At beginning of year	0.5	0.5	226.9	213.4	227.4	213.9
Charge for the year	-	-	8.0	13.5	8.0	13.5
At end of year	0.5	0.5	234.9	226.9	235.4	227.4
Net book value at end of year	0.1	0.1	911.9	1,070.2	912.0	1,070.3

The Society's approach to the assessment of impairment against investments in subsidiary undertakings is discussed within accounting policies note 1 under ECL calculation – investments in subsidiary undertakings. The value of the Society's investment in West Bromwich Commercial Limited has been assessed by comparison of the amount owed to the Society against the net assets of the subsidiary. Following continued contraction of the commercial mortgage book and the additional losses recognised within West Bromwich Commercial Limited, it has been necessary to write down the value of the investment by £8.8m (2023/24: £14.3m). An assessment has also been performed in respect of the value of the Society's investment in West Bromwich Mortgage Company Limited for which a credit of £0.8m has been recognised against the investment (2023/24: £0.8m credit).

The Society holds directly (unless otherwise stated) the following interests in key subsidiary undertakings, all of which are registered in England:

Name	Major activities	Class of shares held	Interest of Society
West Bromwich Mortgage Company Limited	Residential mortgage lending	Ordinary £1 shares	100%
West Bromwich Commercial Limited	Commercial mortgage lending	Ordinary £1 shares	100%
West Bromwich Homes Limited	Investment in property for rental	Ordinary £1 shares	100%
Insignia Finance Limited	Holding company	Ordinary £500 shares	100%
White Label Lending Limited ⁽¹⁾	Second charge lending	Ordinary £1 shares	100%

⁽¹⁾The entire share capital of White Label Lending Limited is held by Insignia Finance Limited.

The registered office of the subsidiary undertakings listed above is the Group's registered office as detailed in note 36.

Securitisation entities

The results of the following securitisation entities are consolidated into the results of the Group under the rules and guidance of IFRS 10:

Name	Country of incorporation	Principal activity
Hawthorn Asset Co Limited ⁽¹⁾	United Kingdom	Securitisation entity - non trading
Kenrick No.4 Holdings Limited	United Kingdom	Holding company
Kenrick No.4 Plc	United Kingdom	Securitisation entity

⁽¹⁾The assets and liabilities held by Hawthorn Asset Co Limited were transferred into West Bromwich Mortgage Company Limited on 1 June 2023. The entity ceased its principal activity on that date and is in liquidation.

The registered office of Hawthorn Asset Co Limited is 7th Floor, 21 Lombard Street, London, EC3V 9AH.

The registered office of Kenrick 2018-1 Holdings Limited and Kenrick 2018-1 Plc, being dormant companies with no trading, is 280 Bishopsgate, London, United Kingdom, EC2M 4RB. Both entities changed their names, from Kenrick No.4 Holdings Ltd and Kenrick No.4 Plc respectively, on 21 May 2024 and were subsequently dissolved on 11 March 2025 and 10 December 2024 respectively.

Structured entities, Kenrick No.4 Holdings Limited and Kenrick No.4 Plc, were incorporated on 30 May 2024 and 5 June 2024 respectively. The registered office of both entities is 280 Bishopsgate, London, United Kingdom, EC2M 4RB.

The Society has no shareholdings in any of the companies listed above. Unless stated otherwise above, all are incorporated in the United Kingdom and operate in Great Britain.

16. Intangible assets

Group	Goodwill	Purchased software	Development costs	Total	Goodwill	Purchased software	Development costs	Total
	2025	2025	2025		2024	2024	2024	
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At beginning of year	0.5	19.5	35.8	55.8	0.5	19.3	28.6	48.4
Additions	-	0.6	11.2	11.8	-	0.2	7.4	7.6
Transfers	-	(1.9)	1.9	-	-	-	-	-
Disposals	-	(3.9)	(9.5)	(13.4)	-	-	-	-
Write off of previously capitalised costs	-	-	-	-	-	-	(0.2)	(0.2)
At end of year	0.5	14.3	39.4	54.2	0.5	19.5	35.8	55.8
Aggregate amortisation								
At beginning of year	0.5	16.4	25.0	41.9	0.5	16.0	22.0	38.5
Charge for the year	-	0.8	4.2	5.0	-	0.4	3.2	3.6
Disposals	-	(3.9)	(9.5)	(13.4)	-	-	(0.2)	(0.2)
At end of year	0.5	13.3	19.7	33.5	0.5	16.4	25.0	41.9
Net book value at end of year	-	1.0	19.7	20.7	-	3.1	10.8	13.9
Net book value at beginning of year	-	3.1	10.8	13.9	-	3.3	6.6	9.9

Society	Purchased software	Development costs	Total	Purchased software	Development costs	Total
	2025	2025		2024	2024	
	£m	£m	£m	£m	£m	£m
Cost						
At beginning of year	19.5	35.8	55.3	19.3	28.6	47.9
Additions	0.6	11.2	11.8	0.2	7.4	7.6
Transfers	(1.9)	1.9	-	-	-	-
Disposals	(3.9)	(9.5)	(13.4)	-	-	-
Write off of previously capitalised costs	-	-	-	-	(0.2)	(0.2)
At end of year	14.3	39.4	53.7	19.5	35.8	55.3
Aggregate amortisation						
At beginning of year	16.4	25.0	41.4	16.0	22.0	38.0
Charge for the year	0.8	4.2	5.0	0.4	3.2	3.6
Disposals	(3.9)	(9.5)	(13.4)	-	(0.2)	(0.2)
At end of year	13.3	19.7	33.0	16.4	25.0	41.4
Net book value at end of year	1.0	19.7	20.7	3.1	10.8	13.9
Net book value at beginning of year	3.1	10.8	13.9	3.3	6.6	9.9

17. Investment properties

	Group 2025 £m	Group 2024 £m
Valuation		
At beginning of year	148.7	152.7
Additions	0.7	1.0
Disposals	(8.6)	(7.5)
Revaluation gains	2.4	2.5
At end of year	143.2	148.7

The Group applies the fair value model to its investment property portfolio.

Management have engaged independent specialist valuers to undertake a valuation review of the residential investment properties held by West Bromwich Homes Limited. Management have made adjustments to this valuation which, whilst not material to the carrying value of the investment properties, are deemed appropriate to reflect their current condition.

This fair value measurement is categorised as a Level 3 fair value measurement, based on an assessment of the inputs to the valuation methodology, as described in Note 1f (2024: Level 3).

If the investment properties were carried at cost, the carrying amount would be £71.3m (2023/24: £76.7m).

The Group leases investment properties to non-commercial individuals for a contract period of up to 36 months. The future minimum lease receipts under non-cancellable operating leases that end within 12 months are £1.3m (2023/24: £1.8m), and an additional £0.3m up to 36 months (2023/24: £1.0m). The Group has not recognised any contingent rent in the period (2023/24: £nil).

18. Property, plant and equipment

Group	Land and buildings					Right-of-use assets £m	Total £m
	Freehold branches £m	Head Office £m	Leasehold improvements £m	Equipment, fixtures, fittings and vehicles £m			
Cost or valuation							
At 1 April 2024	5.0	21.2	0.6	22.0	3.1		51.9
Additions	-	-	-	0.7	-		0.7
Disposals	-	(1.2)	(0.1)	(11.5)	-		(12.8)
At 31 March 2025	5.0	20.0	0.5	11.2	3.1		39.8
Accumulated depreciation							
At 1 April 2024	0.1	7.4	0.4	20.4	1.8		30.1
Charge for the year	0.1	0.9	-	0.7	0.3		2.0
Disposals	-	(1.0)	(0.1)	(11.5)	-		(12.6)
At 31 March 2025	0.2	7.3	0.3	9.6	2.1		19.5
Net book value							
At 31 March 2025	4.8	12.7	0.2	1.6	1.0		20.3

Group	Land and buildings					Right-of-use assets £m	Total £m
	Freehold branches £m	Head Office £m	Leasehold improvements £m	Equipment, fixtures, fittings and vehicles £m			
Cost or valuation							
At 1 April 2023	5.0	21.2	0.6	20.9	3.2		50.9
Additions	-	-	-	1.1	-		1.1
Lease modifications and remeasurements	-	-	-	-	(0.1)		(0.1)
At 31 March 2024	5.0	21.2	0.6	22.0	3.1		51.9
Accumulated depreciation							
At 1 April 2023	-	6.5	0.4	19.8	1.5		28.2
Charge for the year	0.1	0.9	-	0.6	0.3		1.9
At 31 March 2024	0.1	7.4	0.4	20.4	1.8		30.1
Net book value							
At 31 March 2024	4.9	13.8	0.2	1.6	1.3		21.8

18. Property, plant and equipment (continued)

Society	Land and buildings					Right-of-use assets	Total
	Freehold branches	Head Office	Leasehold improvements	Equipment, fixtures, fittings and vehicles			
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2024	5.0	21.2	0.6	21.7	3.1		51.6
Additions	-	-	-	0.7	-		0.7
Disposals	-	(1.2)	(0.1)	(11.5)	-		(12.8)
At 31 March 2025	5.0	20.0	0.5	10.9	3.1		39.5
Accumulated depreciation							
At 1 April 2024	0.1	7.4	0.4	20.1	1.8		29.8
Charge for the year	0.1	0.9	-	0.7	0.3		2.0
Disposals	-	(1.0)	(0.1)	(11.5)	-		(12.6)
At 31 March 2025	0.2	7.3	0.3	9.3	2.1		19.2
Net book value							
At 31 March 2025	4.8	12.7	0.2	1.6	1.0		20.3

Society	Land and buildings					Right-of-use assets	Total
	Freehold branches	Head Office	Leasehold improvements	Equipment, fixtures, fittings and vehicles			
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2023	5.0	21.2	0.6	20.6	3.2		50.6
Additions	-	-	-	1.1	-		1.1
Lease modifications and remeasurements	-	-	-	-	(0.1)		(0.1)
At 31 March 2024	5.0	21.2	0.6	21.7	3.1		51.6
Accumulated depreciation							
At 1 April 2023	-	6.5	0.4	19.5	1.5		27.9
Charge for the year	0.1	0.9	-	0.6	0.3		1.9
At 31 March 2024	0.1	7.4	0.4	20.1	1.8		29.8
Net book value							
At 31 March 2024	4.9	13.8	0.2	1.6	1.3		21.8

The average remaining term of right-of-use assets at 31 March 2025 was 3.2 years (2023/24: 4.0 years).

The net book value of land and buildings occupied for the Society's own activities at 31 March is £17.6m (2023/24: £18.8m).

The Group's freehold branches were last revalued at 31 March 2023 by Colliers International, a firm of independent chartered surveyors. The valuations were undertaken in accordance with the Valuation Standards issued by the Royal Institution of Chartered Surveyors in the United Kingdom. These valuations were incorporated into the financial statements and the resulting revaluation adjustments taken to the revaluation reserve. This fair value measurement is categorised as a Level 3 fair value measurement in the current year as described in Note 1f (2024: Level 3).

If land and buildings were carried at historical cost less depreciation, the carrying amount would be £13.5m (2023/24: £14.7m).

As part of the ongoing funding agreement for the West Bromwich Building Society Staff Retirement Scheme (the SRS), the Trustees of the SRS have been granted a charge over the Society's Head Office. The charge may be exercised only in the event of the Society defaulting on its pension obligations and in such circumstances assigns the rights of ownership of the building to the SRS.

19. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using an effective tax rate of 25% (2023/24: 25%). The movement on the deferred tax account is as follows:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
At beginning of year	4.8	9.6	8.9	12.4
Current year Income Statement charge	(5.3)	(5.3)	(4.7)	(4.7)
Amount recognised directly in other comprehensive income	1.2	0.7	1.2	0.7
Adjustments in respect of prior years	(0.7)	(0.2)	(0.6)	0.5
At end of year	-	4.8	4.8	8.9

Deferred tax assets and liabilities are attributable to the following items:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Deferred tax assets				
Accelerated tax depreciation	1.1	5.8	1.1	5.7
Carried forward tax losses	8.8	9.1	5.2	6.1
Other temporary differences	3.0	4.1	0.6	0.8
	12.9	19.0	6.9	12.6
Deferred tax liabilities				
Property valuations	(11.8)	(11.6)	(1.0)	(1.1)
Other temporary differences	(0.7)	(1.0)	(0.7)	(1.0)
Pensions and other post retirement benefits	(0.4)	(1.6)	(0.4)	(1.6)
	(12.9)	(14.2)	(2.1)	(3.7)

The deferred tax charge in the Income Statement comprises the following temporary differences:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Accelerated tax depreciation	(4.7)	(2.4)	(4.5)	(2.3)
Other provisions	(0.9)	(0.8)	-	-
Carried forward tax losses	(0.2)	(2.6)	(0.8)	(1.9)
Property valuations	(0.2)	0.2	-	-
	(6.0)	(5.6)	(5.3)	(4.2)

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit against future taxable profits is probable over the foreseeable future. The deferred tax asset balances attributable to carried forward losses are expected to be substantially recovered against future taxable profits (as projected in the latest Medium Term Plan) within five years. The assumptions surrounding future expected credit losses and changes in the Bank Rate of interest represent the most subjective areas of judgement in management's projections of future taxable profits. The deferred tax assets have not been discounted. Unused tax losses, which have not been recognised within deferred tax assets at 31 March 2025, amounted to Group: £19.0m (2023/24: £23.0m) and Society: £nil (2023/24: £nil). These losses, which are trading losses, will be available to offset against future taxable profits, subject to certain loss restriction rules set by HMRC.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to do so.

20. Trade and other receivables

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Prepayments and accrued income	4.3	3.8	4.1	3.8
Other	-	0.1	-	-
	4.3	3.9	4.1	3.8

21. Amounts due to other customers

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Deemed loans	4.8	5.2	450.2	-
Other customers	24.3	31.8	24.2	31.7
	29.1	37.0	474.4	31.7

22. Debt securities in issue

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Non-recourse finance on securitised advances	289.8	-	-	-
	289.8	-	-	-

The non-recourse finance comprises mortgage backed floating rate notes (the Notes) secured over portfolios of mortgage loans secured by first charges over residential properties in the United Kingdom (see note 13).

For the purposes of the Statements of Cash Flows, debt securities in issue are classified as liabilities arising from financing activities. The following table analyses movements in debt securities in issue.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
At beginning of year	-	-	-	-
Financing cash flows				
Proceeds from issue of debt securities	300.0	-	-	-
Costs on issue of debt securities	(1.0)	-	-	-
Repayments of debt securities in issue	(12.1)	-	-	-
Non-cash flows:				
Accrued interest	2.8	-	-	-
Amortisation	0.1	-	-	-
At end of year	289.8	-	-	-

During the year debt securities were issued relating to the Kenrick 4 securitisation. See note 15 for details of the Group's securitisation entities.

23. Trade and other payables

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Accruals	12.5	11.0	11.9	10.6
Lease liabilities	1.1	1.5	1.1	1.5
Other creditors	5.2	5.1	4.9	4.8
	18.8	17.6	17.9	16.9

The maturity analysis of lease liabilities is included in note 35.

The movement in lease liabilities in the year is analysed in the table below:

Group and Society	2025 £m	2024 £m
At beginning of year	1.5	1.9
Modifications/remeasurements of existing lease liabilities	-	(0.1)
Interest charged	0.1	0.1
Lease payments	(0.5)	(0.4)
At end of year	1.1	1.5

24. Provisions for liabilities

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
At beginning of year	0.5	0.5	0.4	0.4
(Release) for the year	(0.1)	-	(0.1)	-
At end of year	0.4	0.5	0.3	0.4

Provisions for liabilities

Provisions for liabilities represent the Group's best estimate regarding various provisions, of which none are individually significant. The calculation is based on a series of assumptions, including the number of affected accounts, appropriate level of remediation and resulting administrative costs.

25. Subscribed capital

Group and Society	Number of shares		Carrying value	
	2025	2024	2025 £m	2024 £m
Permanent interest bearing shares				
At beginning of year	7,847	7,847	7.8	7.8
Purchase and cancellation of PIBS	(3,909)	-	(3.9)	-
At end of year	3,938	7,847	3.9	7.8

The Society's permanent interest bearing shares (PIBS) comprise 3,938 PIBS of £1,000 each issued at a price of 99.828% of their principal amount, with the issue premium amortised. In August 2024 the Society purchased and cancelled 3,909 of its remaining PIBS.

The PIBS became repayable at the option of the Society on the 5 April 2021 or at any scheduled interest payment date thereafter, subject to PRA approval.

In a winding up or dissolution of the Society the claims of the holders of PIBS would rank behind all other creditors of the Society, with the exception of the claims of holders of core capital deferred shares (CCDS). The holders of PIBS are not entitled to any share in any final surplus upon winding up or dissolution of the Society.

Whilst noting that any interest payments on the PIBS are at the sole discretion of the Society, the Society announced during its capital restructuring in 2018 that any future payments on PIBS will be made only if and to the extent that they would have been permitted had the Liability Management Exercise (LME) not taken place, and in the context of determining the equivalent annual yield that would have been paid to holders of the Society's Profit Participating Deferred Shares (PPDS) had they remained in issue on their original terms. Under the terms and conditions of the PPDS, the Society's ability to pay PPDS distributions was constrained by reference to a percentage of profits generated in the relevant financial year, and to the extent of any positive balance on a special PPDS reserve account (to which a percentage of profits or losses of the Society was allocated each year).

Interest payments on the PIBS will therefore be limited to the lower of (i) the equivalent annual yield that would have been paid to holders of PPDS (had they remained in issue on their original terms); and (ii) the annual rate set out in the Special Conditions of Issue of the PIBS (the "Specified Rate"), being 6.15% prior to 5 April 2021 and thereafter, a rate of interest reset periodically and equal to the applicable 5-year gilt rate plus a margin of 2.8% (currently 3.0827%).

For the year ended 31 March 2025, the Group generated a reported profit after tax of £29.6m including the impact of £0.2m Tier 2 interest payable. The net profit, disregarding the Tier 2 interest payable (after tax), would have been £29.9m, meaning £7.5m at 31 March 2025 that could have been distributed to PPDS holders. The equivalent annual yield that would have been paid to PPDS holders would therefore have been 4.09%, with PIBS interest payments therefore limited by the Specified Rate above.

26. Core capital deferred shares

Group and Society	Number of shares	CCDS nominal amount £m	Share premium £m	Total £m
At 31 March 2024	1,288,813	1.3	125.7	127.0
At 31 March 2025	1,288,813	1.3	125.7	127.0

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

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

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

The CCDS holders are entitled to receive a distribution at the discretion of the Society. The total distribution paid on each CCDS in respect of any given financial year of the Society is subject to a cap provided for in the Rules of the Society and adjusted annually for inflation. The Directors declared an interim distribution of £2.25 per CCDS in respect of the period to 30 September 2024 which was paid in February 2025. This distribution has been recognised in the Statement of Changes in Members' Interests and Equity. In May 2025 the Directors declared a final distribution for the period to 31 March 2025 of £2.25 per CCDS, in line with current distribution policy published on 24 November 2021. The final distribution is not reflected in these financial statements as distributions to the CCDS holders are recognised with reference to the date they are declared.

In the event of a winding up or dissolution of the Society, the share of surplus assets (if any) a CCDS holder would be eligible to receive is determined by the calculation of a core capital contribution proportion, limited to a maximum of the average principal amount, currently £100 per CCDS.

27. Subordinated liabilities

Group and Society	2025 £m	2024 £m
Subordinated notes due 2038 – 11.0%	2.1	2.1

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

In the prior year the Society repurchased £20.4m of the 11% Subordinated Tier 2 Notes; £17.3m in June 2023 (at 122.5p) and £3.1m in July 2023 (at 118.5p). A cost of £5.1m has been recorded for the buyback, being the premium paid of £4.5m and write-off of unamortised fees of £0.6m. The repurchased notes were subsequently cancelled leaving £2.1m aggregate notional outstanding and £0.1m of unamortised fees on balance sheet at 31 March 2024.

For the purposes of the Statements of Cash Flows, subordinated liabilities are classified as liabilities arising from financing activities. The following table analyses movements in subordinated liabilities.

Group and Society	2025 £m	2024 £m
At beginning of year	2.1	22.9
Financing cash flows		
Interest paid on subordinated liabilities	(0.2)	(1.8)
Repurchase of subordinated liabilities	-	(20.4)
Non-cash flows:		
Accrued interest (settled during the year)	0.1	0.7
Accrued interest (carried forward)	0.1	0.1
Movement in unamortised issue costs	-	0.6
At end of year	2.1	2.1

28. Financial assets and liabilities at fair value through profit or loss (FVTPL)

Financial assets mandatorily measured at FVTPL

The Society's closed portfolio of equity release mortgages is held at FVTPL under IFRS 9. The movements on the portfolio during the year are analysed in the table below.

Group and Society	2025 £m	2024 £m
At beginning of year	7.0	8.6
Interest added	0.8	0.9
Redemptions	(2.1)	(2.7)
Changes in fair value	(0.1)	0.2
At end of year	5.6	7.0

Fair value of equity release mortgages

Under IFRS 9, the mature and closed book of equity release mortgages is held at FVTPL with fair values determined using a discounted cash flow model which incorporates a number of judgemental assumptions to determine the amount and timing of future cash flows arising on mortgage redemption. Certain model inputs, such as redemption rates, are informed by historic experience, with observed closure curves extrapolated to give an expected maturity profile for the remaining book. Other model assumptions, such as house price indices, are based on the Group's view of future economic conditions. The discount factor used to calculate the present value of the future cash flows has been determined with due regard to credit, market and liquidity risk.

29. Tax effects relating to each component of other comprehensive income

Group and Society	Before tax amount 2025 £m	Taxation 2025 £m	Net of tax amount 2025 £m
Fair value through other comprehensive income investments	(0.6)	0.2	(0.4)
Retirement benefit obligations	(4.5)	1.1	(3.4)
Other comprehensive income	(5.1)	1.3	(3.8)

Group and Society	Before tax amount 2024 £m	Taxation 2024 £m	Net of tax amount 2024 £m
Fair value through other comprehensive income investments	1.3	(0.3)	1.0
Retirement benefit obligations	(7.2)	1.7	(5.5)
Other comprehensive income	(5.9)	1.4	(4.5)

30. Retirement benefit asset

Group and Society	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Net defined benefit pension scheme asset	(1.2)	(6.1)	(10.9)	(14.9)	(1.1)

Defined benefit plans

The Society operates the West Bromwich Building Society Staff Retirement Scheme (SRS), a funded pension scheme providing benefits for some of its employees based on final pensionable emoluments. The assets of the Scheme are held in a separate Trustee administered fund. In addition, the Society has an unregistered arrangement in place in respect of one former Director. The financial effect of this arrangement is included in this note.

The Society closed the SRS to the future accrual of benefits with effect from 1 August 2009, at which date all previously active members became entitled to deferred pensions in the SRS. The SRS is subject to the funding legislation outlined in the Pensions Act 2004 and the Pensions Act 2021, which received royal assent in February 2021. This, together with associated regulations and documents issued by the Pensions Regulator, sets out the framework for funding defined benefit occupational pension schemes in the UK.

The results of a formal actuarial valuation at 31 March 2022 carried out by the appointed actuary to the Scheme have been rolled forward to the accounting date by an independent qualified actuary and updated in accordance with IAS 19, 'Employee Benefits'. The 31 March 2022 valuation was formally agreed in June 2023. No contributions were paid into the SRS during 2024/25 (2023/24: £2.3m).

In June 2024, the Trustee of the SRS changed the SRS's investment strategy and invested in a buy-in insurance policy. This insurance policy, together with a previous policy purchased in 2013, pays an income to the SRS which matches the pensions to be paid to members.

Now that there are insurance policies covering almost all benefits under the plan, most of the usual risks applying to pension liabilities, including investment risks and longevity risks, no longer apply. The Society remains legally responsible for supporting the SRS and the Trustee continues to operate the SRS – some legal and operational risks therefore still exist.

As at 31 March 2024, an additional liability of £3.8m was recorded to cover the potential cost of payments to early retirees (under certain conditions) owing to potential discrepancies in Trust documentation – it was noted that all or part of this liability may be recovered through an ongoing resolution exercise. Following a court hearing in July 2024, the Court agreed that historical administrative practice should not be amended in respect of most of these potential additional liabilities. As a result, this reserve has been reduced to £0.2m as at 31 March 2025 – with the remaining reserve reflecting small additional benefits due to members due to a discrepancy in Trust documentation. The gain has been treated as a gain in other comprehensive income, reversing a loss previously recognised. We are pursuing the advisers at the time for the costs associated with obtaining this agreement.

In a case involving Virgin Media in 2023, the High Court restated the understood position that an actuarial confirmation is a necessary condition when changes are made to a pension scheme affecting certain pension rights accrued between 1996 and 2016. In July 2024 the Court of Appeal dismissed an appeal against the ruling. The Court confirmed that if there were no actuarial confirmation of a relevant amendment, the amendment was void, leading to additional liabilities beyond those promised under the rules as previously understood. This highlights the risk that past amendments could be challenged.

The Trustee, their advisors and the Society are considering if the judgment has a potential impact on the SRS. In the meantime the figures presented here assume no changes to the benefits as currently administered.

IAS 19 allows an employer to recognise a surplus as an asset to the extent that it is able to recover a surplus either through reduced contributions in the future or through refunds from the Scheme, even if the refunds may only be available at some distant time in the future, such as after the last benefit has been paid. The Society believes that under the Scheme Rules a surplus would be recoverable on the basis that once members' benefits have been secured and any wind-up expenses have been paid, any balance of the fund then remaining shall be paid to the participating employers in such proportions as the Trustee shall determine.

As part of the ongoing funding agreement for the SRS, the Trustee of the SRS has been granted a charge over the Society's Head Office, which may be exercised only in the event of the Society defaulting on its pension obligations and in such circumstances assigns the rights of ownership of the building to the SRS.

The weighted average duration of the expected benefit payments from the Scheme is around 12 years.

30. Retirement benefit asset (continued)

The key assumptions used by the actuary in the updated calculation were:

Group and Society	2025	2024	2023	2022	2021
Pension increases in payment (RPI capped at 5%)	3.0%	3.1%	3.1%	3.4%	3.1%
Pension increases in payment (CPI capped at 2.5%)	1.8%	1.8%	1.9%	2.1%	1.9%
Discount rate	5.8%	4.8%	4.8%	2.8%	2.1%
Life expectancy of male aged 65 at year end date	21.3	21.2	21.5	21.6	21.8
Life expectancy of female aged 65 at year end date	23.6	23.5	23.7	23.8	23.9
Life expectancy of male aged 65 at year end date plus 20 years	22.6	22.5	22.8	22.9	23.1
Life expectancy of female aged 65 at year end date plus 20 years	25.0	24.9	25.2	25.2	25.3

The sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions is shown in the table below. These are on a gross basis; benefits are now almost all insured, the changes in the obligations are now matched by changes in the assets:

Group and Society	2025 (Decrease)/Increase £m	2024 (Decrease)/Increase £m
Discount rate		
Effect on defined benefit obligation of a 1% increase	(7.5)	(9.6)
Inflation		
Effect on defined benefit obligation of a 1% increase	5.4	7.1
Life expectancy		
Effect on defined benefit obligation of a 1 year increase	2.4	3.2

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

Group and Society	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Present value of funded obligations	69.6	82.3	83.9	109.7	119.9
Present value of unfunded obligations	0.5	0.5	0.5	0.7	0.8
	70.1	82.8	84.4	110.4	120.7
Fair value of scheme assets	(71.3)	(88.9)	(95.3)	(125.3)	(121.8)
Net asset in the Statement of Financial Position	(1.2)	(6.1)	(10.9)	(14.9)	(1.1)

The amounts recognised in the Income Statement are as follows:

Group and Society	2025 £m	2024 £m	2023 £m
Interest cost	3.9	3.9	3.0
Interest receivable on plan assets	(4.2)	(4.5)	(3.5)
Running costs	0.7	0.5	0.5
Total pension fund cost	0.4	(0.1)	-

Running costs, other than those associated with management of scheme assets, are shown in administrative expenses whilst interest cost and interest receivable on plan assets are disclosed as other operating income.

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

Group and Society	2025 £m	2024 £m
Actuarial (gains)/losses arising from:		
Financial assumptions	(8.8)	(1.2)
Demographic assumptions	(0.2)	(0.7)
Experience adjustments	(3.5)	0.4
Loss on plan assets (excluding interest)	17.0	8.7
Total amount recognised in Other Comprehensive Income	4.5	7.2

30. Retirement benefit asset (continued)

Change in benefit obligations

Group and Society	2025 £m	2024 £m	2023 £m
Benefit obligations at beginning of year	82.8	84.4	110.4
Interest cost	3.9	3.9	3.0
Actuarial gains	(12.5)	(1.5)	(25.2)
Benefits paid	(4.1)	(4.0)	(3.8)
Benefit obligations at end of year	70.1	82.8	84.4

Change in scheme assets

Group and Society	2025 £m	2024 £m	2023 £m
Fair value of scheme assets at beginning of year	88.9	95.3	125.3
Interest receivable on plan assets	4.2	4.5	3.5
Actuarial losses	(17.0)	(8.7)	(36.0)
Contribution by employer	-	2.3	6.8
Running costs	(0.7)	(0.5)	(0.5)
Benefits paid	(4.1)	(4.0)	(3.8)
Fair value of scheme assets at end of year	71.3	88.9	95.3

The amount recognised outside profit and loss in the Statement of Comprehensive Income for 2024/25 is an actuarial loss of £4.5m (2023/24: loss of £7.2m). The cumulative amount recognised outside profit and loss at 31 March 2025 is an actuarial loss of £71.6m.

History of experience gains and losses

Group and Society	2025	2024	2023	2022	2021
Experience (losses)/gains on scheme assets:					
Amount (£m)	(17.0)	(8.7)	(36.0)	0.7	13.2
Percentage of scheme assets	(19%)	9%	29%	1%	12%
Experience (gains)/losses on scheme liabilities:					
Amount (£m)	(12.5)	(1.5)	7.6	2.0	(0.6)
Percentage of scheme liabilities	(15%)	(2%)	7%	2%	(1%)

Scheme assets

The value of the invested assets at 31 March 2025 was £71.3m, analysed as follows:

Group and Society	2025 £m	2024 £m	2023 £m
Diversified growth fund (Quoted)	-	-	1.8
Corporate bonds (Quoted)	-	11.8	14.2
Fixed interest government bonds (Quoted)	-	7.6	-
Index-linked government bonds (Quoted)	-	21.1	-
Liability driven investment (Quoted)	-	12.6	25.0
Short duration credit (Quoted)	-	2.5	14.4
Insurance asset (Unquoted)	69.1	12.4	12.9
Cash and other assets (Quoted)	2.2	20.9	27.0
	71.3	88.9	95.3

Stakeholder scheme

The total cost for the year of the stakeholder plan to the Group and Society was £1.7m (2023/24: £1.5m).

For the period through to July 2009, staff could contribute between 2% and 9% with the Society contributing on a sliding scale between 2% and 7%. From August 2009 to March 2018, staff were able to contribute between 2% and 10% with the Society providing matched funding. From April 2018 to March 2019, staff within the stakeholder scheme were required to contribute between 3% and 10%, with the Society providing matched funding plus 0.6%. From April 2019 to February 2025, staff within the stakeholder scheme were required to contribute between 4% and 10%, with the Society providing matched funding plus 0.6%. From March 2025, the Society adopted the Living Pension standard introduced by the Living Wage Foundation, hence the 'staff - Society' contribution rates of the scheme were updated as '4%-4.6%', '5%-7%', '7%-7.6%', '8%-8.6%', '9-9.6%' and '10% or more-10.6%'.

31. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

The Group is a retailer of financial instruments, mainly in the form of mortgages and savings. The Group uses wholesale financial instruments to invest liquid asset balances and raise wholesale funding, and to manage the risks arising from its operations. As a result of these activities, the Group is exposed to a variety of risks, the most significant of which are credit risk, liquidity risk and market risk (principally interest rate risk). These risks are described in notes 32 to 34.

The use of derivative financial instruments for risk management purposes is described in note 12.

31. Financial instruments (continued)

Classification of financial assets and financial liabilities

The following tables show the classification of the Group's and Society's financial assets and liabilities:

At 31 March 2025

Group	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Assets				
Cash and balances with the Bank of England	159.8	-	-	159.8
Loans and advances to credit institutions	88.8	-	-	88.8
Investment securities	-	467.3	0.3	467.6
Derivative financial instruments	-	-	44.9	44.9
Loans and advances to customers	5,392.5	-	5.6	5,398.1
Total financial assets	5,641.1	467.3	50.8	6,159.2
Non-financial assets				202.6
Total assets				6,361.8
Group	Amortised cost £m	Fair value through profit or loss £m	Total £m	
Liabilities				
Shares		5,071.6	-	5,071.6
Amounts due to credit institutions		459.1	-	459.1
Amounts due to other customers		29.1	-	29.1
Derivative financial instruments		-	16.8	16.8
Debt securities in issue		289.8	-	289.8
Subordinated liabilities		2.1	-	2.1
Total financial liabilities		5,851.7	16.8	5,868.5
Non-financial liabilities				32.1
Total liabilities				5,900.6

At 31 March 2024

Group	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Assets				
Cash and balances with the Bank of England	491.6	-	-	491.6
Loans and advances to credit institutions	46.3	-	-	46.3
Investment securities	-	391.1	0.4	391.5
Derivative financial instruments	-	-	61.8	61.8
Loans and advances to customers	4,778.1	-	7.0	4,785.1
Total financial assets	5,316.0	391.1	69.2	5,776.3
Non-financial assets				213.4
Total assets				5,989.7
Group	Amortised cost £m	Fair value through profit or loss £m	Total £m	
Liabilities				
Shares		4,670.6	-	4,670.6
Amounts due to credit institutions		788.2	-	788.2
Amounts due to other customers		37.0	-	37.0
Derivative financial instruments		-	12.8	12.8
Subordinated liabilities		2.1	-	2.1
Total financial liabilities		5,497.9	12.8	5,510.7
Non-financial liabilities				34.3
Total liabilities				5,545.0

31. Financial instruments (continued)

At 31 March 2025

Society	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Assets				
Cash and balances with the Bank of England	159.8	-	-	159.8
Loans and advances to credit institutions	58.4	-	-	58.4
Investment securities	191.0	467.3	0.3	658.6
Derivative financial instruments	-	-	36.2	36.2
Loans and advances to customers	4,532.7	-	5.6	4,538.3
Investments	912.0	-	-	912.0
Total financial assets	5,853.9	467.3	42.1	6,363.3
Non-financial assets				53.2
Total assets				6,416.5
Society	Amortised cost £m	Fair value through profit or loss £m	Total £m	
Liabilities				
Shares	5,071.6	-	5,071.6	
Amounts due to credit institutions	460.2	-	460.2	
Amounts due to other customers	474.4	-	474.4	
Derivative financial instruments	-	16.8	16.8	
Subordinated liabilities	2.1	-	2.1	
Total financial liabilities	6,008.3	16.8	6,025.1	
Non-financial liabilities			20.3	
Total liabilities			6,045.4	

At 31 March 2024

Society	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
Assets				
Cash and balances with the Bank of England	491.6	-	-	491.6
Loans and advances to credit institutions	44.7	-	-	44.7
Investment securities	-	391.1	0.4	391.5
Derivative financial instruments	-	-	61.7	61.7
Loans and advances to customers	3,779.0	-	7.0	3,786.0
Investments	1,070.3	-	-	1,070.3
Total financial assets	5,385.6	391.1	69.1	5,845.8
Non-financial assets				58.2
Total assets				5,904.0
Society	Amortised cost £m	Fair value through profit or loss £m	Total £m	
Liabilities				
Shares	4,670.6	-	4,670.6	
Amounts due to credit institutions	788.2	-	788.2	
Amounts due to other customers	31.7	-	31.7	
Derivative financial instruments	-	12.8	12.8	
Subordinated liabilities	2.1	-	2.1	
Total financial liabilities	5,492.6	12.8	5,505.4	
Non-financial liabilities			23.0	
Total liabilities			5,528.4	

31. Financial instruments (continued)

Fair values of financial assets and financial liabilities

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

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

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

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

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

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

Financial assets and financial liabilities held at amortised cost

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

At 31 March 2025

Group	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Cash and balances with the Bank of England	159.8	159.8	-	-	159.8
Loans and advances to credit institutions	88.8	-	88.8	-	88.8
Loans and advances to customers	5,392.5	-	-	5,503.1	5,503.1
	5,641.1	159.8	88.8	5,503.1	5,751.7
Financial liabilities					
Shares	5,071.6	-	-	5,052.4	5,052.4
Amounts due to credit institutions	459.1	-	459.1	-	459.1
Amounts due to other customers	29.1	-	24.3	4.7	29.0
Debt securities in issue	289.8	290.2	-	-	290.2
Subordinated liabilities	2.1	-	2.1	-	2.1
	5,851.7	290.2	485.5	5,057.1	5,832.8

At 31 March 2024

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

31. Financial instruments (continued)

At 31 March 2025

Society	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Cash and balances with the Bank of England	159.8	159.8	-	-	159.8
Loans and advances to credit institutions	58.4	-	58.4	-	58.4
Investment securities	191.0	-	191.4	-	191.4
Loans and advances to customers	4,532.7	-	-	4,977.1	4,977.1
Investments	912.0	-	-	912.0	912.0
	5,853.9	159.8	249.8	5,889.1	6,298.7
Financial liabilities					
Shares	5,071.6	-	-	5,052.4	5,052.4
Amounts due to credit institutions	460.2	-	460.2	-	460.2
Amounts due to other customers	474.4	-	24.2	465.7	489.9
Subordinated liabilities	2.1	-	2.1	-	2.1
	6,008.3	-	486.5	5,518.1	6,004.6

At 31 March 2024

Society	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
Financial assets					
Loans and advances to credit institutions	44.7	-	44.7	-	44.7
Loans and advances to customers	3,779.0	-	-	3,966.2	3,966.2
Investments	1,070.3	-	-	1,070.3	1,070.3
	4,894.0	-	44.7	5,036.5	5,081.2
Financial liabilities					
Shares	4,670.6	-	-	4,650.6	4,650.6
Amounts due to credit institutions	788.2	-	788.2	-	788.2
Amounts due to other customers	31.7	-	31.7	-	31.7
Subordinated liabilities	2.1	-	2.1	-	2.1
	5,492.6	-	822.0	4,650.6	5,472.6

31. Financial instruments (continued)

a) Loans and advances to customers

The fair value of loans and advances to customers has been determined taking into account factors such as impairment and interest rates. The fair values have been calculated on a product basis and as such do not necessarily represent the value that could have been obtained for a portfolio if it were sold at 31 March 2025.

b) Shares and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new deposits with similar remaining maturity. The fair values have been calculated on a product basis and as such do not necessarily represent the value that could have been obtained for a portfolio if it were sold at 31 March 2025.

c) Debt securities in issue

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

Financial assets and financial liabilities held at fair value

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

Group	Level 1 2025 £m	Level 2 2025 £m	Level 3 2025 £m	Total 2025 £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	467.3	-	-	467.3
At fair value through profit or loss	0.3	-	-	0.3
Derivative financial instruments	-	44.9	-	44.9
Loans and advances to customers	-	-	5.6	5.6
	467.6	44.9	5.6	518.1
Financial liabilities				
Derivative financial instruments				
	-	16.8	-	16.8
	-	16.8	-	16.8

Group	Level 1 2024 £m	Level 2 2024 £m	Level 3 2024 £m	Total 2024 £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	391.1	-	-	391.1
At fair value through profit or loss	0.4	-	-	0.4
Derivative financial instruments	-	61.8	-	61.8
Loans and advances to customers	-	-	7.0	7.0
	391.5	61.8	7.0	460.3
Financial liabilities				
Derivative financial instruments				
	-	12.8	-	12.8
	-	12.8	-	12.8

31. Financial instruments (continued)

Society	Level 1 2025 £m	Level 2 2025 £m	Level 3 2025 £m	Total 2025 £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	467.3	-	-	467.3
At fair value through profit or loss	0.3	-	-	0.3
Derivative financial instruments	-	36.2	-	36.2
Loans and advances to customers	-	-	5.6	5.6
	467.6	36.2	5.6	509.4
Financial liabilities				
Derivative financial instruments				
	-	16.8	-	16.8
	-	16.8	-	16.8

Society	Level 1 2024 £m	Level 2 2024 £m	Level 3 2024 £m	Total 2024 £m
Financial assets				
Investment securities				
At fair value through other comprehensive income	391.1	-	-	391.1
At fair value through profit or loss	0.4	-	-	0.4
Derivative financial instruments	-	61.7	-	61.7
Loans and advances to customers	-	-	7.0	7.0
	391.5	61.7	7.0	460.2
Financial liabilities				
Derivative financial instruments				
	-	12.8	-	12.8
	-	12.8	-	12.8

The Society's equity release mortgage portfolio is measured at fair value using a discounted cash flow model for which key inputs are not based on observable market data. The calculation therefore meets the definition of a level 3 valuation technique. Details of the key model assumptions and the fair value impact of changes in those assumptions are given in the accounting policies.

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

Group and Society	2025 £m	2024 £m
Equity release portfolio		
At beginning of year	7.0	8.6
Items recognised in the Income Statement		
Interest receivable and similar income	0.8	0.9
Fair value (losses)/gains on financial instruments	(0.1)	0.2
Redemptions	(2.1)	(2.7)
At end of year	5.6	7.0

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

32. Credit risk

(a) Credit risk definition and management

Credit risk can be described as the risk of customers or counterparties being unable to meet their financial obligations to the Group as they become due.

The Group is exposed to this risk through its lending to:

- individuals (consumers - residential mortgages, including buy to let);
- businesses (non-consumers - previous commercial lending and elements of buy to let exposure); and
- wholesale counterparties (including other financial institutions). Specifically within the treasury portfolio, where credit risk arises from the investments held by the Group in order to meet liquidity requirements and for general business purposes.

Changes in the credit quality and the recoverability of loans and amounts due from counterparties influence the Group's exposure to credit risk. Adverse changes in the credit quality of counterparties, collateral values or deterioration in the wider economy, including rising unemployment, worsening household finances and tightening in the UK property market, resulting in declining property values, could affect the recoverability and value of the Group's assets and influence its financial performance. An economic downturn and future falls in property values (either residential or commercial) could affect the level of impairment losses recognised.

The controlled management of credit risk is critical to the Group's overall strategy. The Group has therefore embedded a comprehensive and robust credit risk management framework with clear lines of accountability and oversight as part of its overall governance framework. The Group has effective policies and procedures to identify, measure, monitor, manage and report credit risk within the Group's risk appetite.

The Risk Committee is responsible for the oversight of credit risk appetite that has been established by the Board and for approving lending policy and setting limits on credit exposures, which are monitored and reviewed on a monthly basis. The minutes of this committee are presented to the Board. This committee is supported by five Executive sub-committees/Groups: the Executive Risk Committee, the Residential Credit Group, the Commercial Loans Risk Group, the Assets and Liabilities Committee and the Model Risk Group. The role of each within the credit risk framework is outlined below:

- The Executive Risk Committee (ERC) is responsible for providing the Risk Committee with an enterprise wide view of the risk profile of the Society including current and potential risks. The ERC is also accountable for driving the detailed implementation of the Society's Risk Management Framework. In the context of credit risk, the ERC proposes to Risk Committee any recommendations for Board approval regarding the Residential Lending Statement and Credit Risk Appetite Statement. The ERC approves material changes to the Lending and Security Policies, and reviews these policies annually. A summary of the minutes of this committee is presented to the Risk Committee.
- The Residential Credit Group is responsible for the monitoring of the Group's residential credit exposures and approving changes to the credit scoring systems that are utilised. In addition, the Group reviews the type and quality of approved residential mortgage business and appraises actual arrears and repossession levels against trends and industry averages. A summary of the minutes of this committee is presented to the ERC.
- The Commercial Loans Risk Group reviews individual commercial loans at levels mandated by the Board. This may involve reviewing individual cases on a quarterly, half yearly or annual basis.

- The Assets and Liabilities Committee (ALCo) is responsible for oversight of assets and liabilities risk including the assessment of exposure to Treasury counterparty credit risk.
- The Model Risk Group supports the Society's development and maintenance of models, including those related to the management of credit risk. The Group oversees the initiation, development, approval, implementation, performance, monitoring and validation of the Society's models in the context of compliance with both Regulation and the Society's own governance requirements. A summary of the minutes of this group is presented to the ERC.

The Group adopts a responsible approach to lending ensuring that loans are, and are expected to remain, affordable and the Responsible Lending Policy is approved annually by the Board.

The maximum credit risk exposure is the carrying value as shown in the tables on pages 133 to 136.

The Group's most significant exposures to credit risk are loans secured on UK residential properties and loans secured on UK land.

(b) Residential assets held at amortised cost

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Concentration by loan type				
Prime owner occupied	4,433.8	3,676.0	4,383.3	3,615.9
Buy to let	855.8	995.2	174.4	206.0
Other	26.0	29.9	0.4	0.4
Gross balances	5,315.6	4,701.1	4,558.1	3,822.3
Expected credit loss provisions	(10.3)	(10.9)	(4.3)	(3.6)
Fair value hedge adjustments	(22.4)	(43.3)	(21.1)	(39.7)
	5,282.9	4,646.9	4,532.7	3,779.0

(i) Credit quality

The Group assesses credit risk on owner occupied and buy to let residential mortgages using behavioural scorecard and other analysis to determine probabilities of default. The IFRS 9 impairment models make use of this data, incorporating forecasts of future economic conditions and account-specific factors to produce forward-looking probabilities of default by account and allocating loans to one of three stages (as explained in note 1).

32. Credit risk (continued)

The table below analyses gross exposures to residential assets by 12-month probability of default and IFRS 9 stage at the reporting date, with the exception of the closed second charge lending portfolio for which probability of possession is used as a credit risk measure, rather than probability of default. The probability of default analysis at 31 March 2025 reflects significant enhancements to the expected credit loss modelling which has enabled several residential Post Model Adjustments (PMAs) applied in previous years to be retired.

At 31 March 2025

Probability of default range (%)	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
0.00 to < 0.25	1,466.2	79.5	-	1,545.7	1,205.8	51.1	-	1,256.9
0.25 to < 0.50	2,377.4	223.6	-	2,601.0	2,314.1	208.3	-	2,522.4
0.50 to < 0.75	272.6	133.4	-	406.0	241.4	123.1	-	364.5
0.75 to < 1.00	47.2	89.0	-	136.2	23.9	79.2	-	103.1
1.00 to < 5.00	181.2	190.4	-	371.6	3.8	172.4	-	176.2
5.00 to < 10.00	24.9	57.0	-	81.9	4.4	32.9	-	37.3
10.00 to < 100.00	25.8	54.3	-	80.1	13.4	40.5	-	53.9
100.00 (default)	-	-	88.9	88.9	-	-	43.7	43.7
Second charge	-	3.1	1.1	4.2	-	0.1	-	0.1
	4,395.3	830.3	90.0	5,315.6	3,806.8	707.6	43.7	4,558.1

At 31 March 2024

Probability of default range (%)	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
0.00 to < 0.25	3,099.4	164.7	70.1	3,334.2	2,792.4	148.7	30.0	2,971.1
0.25 to < 0.50	208.4	34.4	-	242.8	92.2	18.7	-	110.9
0.50 to < 0.75	329.4	32.9	-	362.3	327.0	32.0	-	359.0
0.75 to < 1.00	42.3	25.5	-	67.8	10.1	13.2	-	23.3
1.00 to < 5.00	309.9	314.1	-	624.0	61.7	258.6	-	320.3
5.00 to < 10.00	6.3	2.3	-	8.6	3.9	1.9	-	5.8
10.00 to < 100.00	10.1	32.4	(0.1)	42.4	4.8	22.4	-	27.2
100.00 (default)	-	-	14.0	14.0	-	-	4.6	4.6
Second charge	2.9	1.3	0.8	5.0	-	0.1	-	0.1
	4,008.7	607.6	84.8	4,701.1	3,292.1	495.6	34.6	3,822.3

The table below provides further information on the Group's residential loans and advances to customers by payment due status at 31 March.

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Not past due	5,236.9	4,630.8	4,515.3	3,788.7
Past due 1 to 3 months	25.5	26.0	16.4	14.6
Past due 3 to 6 months	18.6	15.8	11.2	7.1
Past due 6 to 12 months	14.0	17.5	7.9	7.0
Past due over 12 months	14.0	7.8	5.6	4.1
Possessions	6.6	3.2	1.7	0.8
	5,315.6	4,701.1	4,558.1	3,822.3

32. Credit risk (continued)

(ii) Expected credit losses

The table below illustrates the IFRS 9 staging distribution of residential loans and advances to customers held at amortised cost, loan commitments and related expected credit loss provisions at the year end. Stage 2 loans have been further analysed to show those which are more than 30 days past due, the IFRS 9 backstop for identifying a significant increase in credit risk (SICR), and those which meet other SICR criteria as detailed in note 1 to the accounts.

At 31 March 2025

	Gross exposure £m	Group Expected credit loss provision £m	Provision coverage %	Gross exposure £m	Society Expected credit loss provision £m	Provision coverage %
Residential loans at amortised cost						
Stage 1	4,395.3	1.4	0.03%	3,806.8	0.9	0.02%
Stage 2						
> 30 days past due	16.9	0.2	1.18%	11.8	0.2	1.69%
Other SICR indicators	813.4	3.5	0.43%	695.8	2.2	0.32%
Provision overlays	-	1.8	-	-	0.1	-
Stage 3	90.0	3.4	3.78%	43.7	0.9	2.06%
	5,315.6	10.3	0.19%	4,558.1	4.3	0.09%

Loan commitments						
Stage 1	250.2	-	0.0%	250.0	-	0.0%

At 31 March 2024

	Gross exposure £m	Group Expected credit loss provision £m	Provision coverage %	Gross exposure £m	Society Expected credit loss provision £m	Provision coverage %
Residential loans at amortised cost						
Stage 1	4,008.7	1.1	0.03%	3,292.0	0.4	0.01%
Stage 2						
> 30 days past due	16.7	0.2	1.20%	9.8	0.2	2.04%
Other SICR indicators	590.9	2.0	0.34%	485.8	1.0	0.21%
Provision overlays	-	3.9	-	-	1.0	-
Stage 3	84.8	3.7	4.36%	34.7	1.0	2.88%
	4,701.1	10.9	0.23%	3,822.3	3.6	0.09%

Loan commitments						
Stage 1	347.0	-	0.0%	346.5	-	0.0%

32. Credit risk (continued)

The tables below analyse the movement in gross residential exposures and the related expected credit loss allowances for the years ended 31 March 2025 and 31 March 2024:

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure								
At 1 April 2024	4,008.7	607.6	84.8	4,701.1	3,292.1	495.6	34.6	3,822.3
Transfers due to increased credit risk:								
From stage 1 to stage 2	(451.0)	450.9	-	(0.1)	(398.8)	398.8	-	-
From stage 1 to stage 3	(12.6)	-	12.6	-	(7.5)	-	7.5	-
From stage 2 to stage 3	-	(18.0)	17.9	(0.1)	-	(11.6)	11.6	-
Transfers due to decreased credit risk:								
From stage 2 to stage 1	143.6	(143.6)	-	-	119.1	(119.1)	-	-
From stage 3 to stage 1	1.1	-	(1.1)	-	0.5	-	(0.5)	-
From stage 3 to stage 2	-	5.6	(5.6)	-	-	2.8	(2.8)	-
Mortgage advances	1,258.5	-	-	1,258.5	1,258.5	-	-	1,258.5
Net redemptions and repayments	(551.5)	(72.2)	(17.3)	(641.0)	(456.9)	(58.9)	(6.5)	(522.3)
Amounts written off	-	-	(1.2)	(1.2)	-	-	(0.2)	(0.2)
Other movements	(1.5)	-	(0.1)	(1.6)	(0.2)	-	-	(0.2)
At 31 March 2025	4,395.3	830.3	90.0	5,315.6	3,806.8	707.6	43.7	4,558.1

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross exposure								
At 1 April 2023	3,870.8	362.9	64.8	4,298.5	2,990.4	273.7	25.9	3,290.0
Transfers due to increased credit risk:								
From stage 1 to stage 2	(376.7)	376.7	-	-	(317.6)	317.6	-	-
From stage 1 to stage 3	(16.9)	-	16.9	-	(5.9)	-	5.9	-
From stage 2 to stage 3	-	(25.2)	25.2	-	-	(11.1)	11.1	-
Transfers due to decreased credit risk:								
From stage 2 to stage 1	67.4	(67.4)	-	-	53.6	(53.6)	-	-
From stage 3 to stage 1	0.9	-	(0.9)	-	0.3	-	(0.3)	-
From stage 3 to stage 2	-	4.1	(4.1)	-	-	2.4	(2.4)	-
Mortgage advances	1,064.1	-	-	1,064.1	1,057.6	-	-	1,057.6
Net redemptions and repayments	(602.8)	(43.5)	(16.7)	(663.0)	(488.3)	(33.4)	(5.6)	(527.3)
Amounts written off	-	-	(0.3)	(0.3)	-	-	-	-
Other movements	1.9	-	(0.1)	1.8	2.0	-	-	2.0
At 31 March 2024	4,008.7	607.6	84.8	4,701.1	3,292.1	495.6	34.6	3,822.3

32. Credit risk (continued)

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Expected credit loss provision								
At 1 April 2024	1.1	6.1	3.7	10.9	0.4	2.2	1.0	3.6
Transfers due to increased credit risk:								
From stage 1 to stage 2	(0.1)	2.3	-	2.2	-	1.5	-	1.5
From stage 1 to stage 3	(0.1)	-	0.3	0.2	-	-	0.1	0.1
From stage 2 to stage 3	-	(0.2)	0.4	0.2	-	(0.1)	0.2	0.1
Transfers due to decreased credit risk:								
From stage 2 to stage 1	0.1	(0.3)	-	(0.2)	0.1	(0.1)	-	-
From stage 3 to stage 1	-	-	-	-	-	(0.1)	-	(0.1)
From stage 3 to stage 2	-	-	(0.1)	(0.1)	-	-	-	-
Remeasurement of expected credit losses with no stage transfer	0.7	-	1.0	1.7	0.5	0.1	0.1	0.7
Redemptions	(0.2)	(0.1)	-	(0.3)	(0.1)	(0.1)	(0.2)	(0.4)
Amounts written off	-	-	(1.2)	(1.2)	-	-	(0.2)	(0.2)
Movement in provision overlays	-	(2.0)	-	(2.0)	-	(0.8)	-	(0.8)
Other movements	(0.1)	(0.3)	(0.7)	(1.1)	-	(0.1)	(0.1)	(0.2)
At 31 March 2025	1.4	5.5	3.4	10.3	0.9	2.5	0.9	4.3

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Expected credit loss provision								
At 1 April 2023	1.1	6.7	2.4	10.2	0.2	1.6	0.5	2.3
Transfers due to increased credit risk:								
From stage 1 to stage 2	(0.1)	1.6	-	1.5	-	0.9	-	0.9
From stage 1 to stage 3	(0.1)	-	0.6	0.5	-	-	0.2	0.2
From stage 2 to stage 3	-	(0.2)	0.7	0.5	-	(0.1)	0.2	0.1
Transfers due to decreased credit risk:								
From stage 2 to stage 1	-	(0.2)	-	(0.2)	-	(0.1)	-	(0.1)
From stage 3 to stage 2	-	0.1	(0.1)	-	-	-	-	-
Remeasurement of expected credit losses with no stage transfer	0.4	(0.2)	1.0	1.2	0.2	(0.1)	0.3	0.4
Redemptions	(0.2)	(0.1)	(0.5)	(0.8)	-	-	(0.1)	(0.1)
Amounts written off	-	-	(0.3)	(0.3)	-	-	-	-
Other movements	0.2	(0.1)	(0.1)	-	-	-	(0.1)	(0.1)
Movement in provision overlays	(0.2)	(1.5)	-	(1.7)	-	-	-	-
At 31 March 2024	1.1	6.1	3.7	10.9	0.4	2.2	1.0	3.6

32. Credit risk (continued)

(iii) Geographical analysis

The table below shows the geographic spread of the residential loan portfolio at the year end date:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
East Anglia	150.2	121.0	132.3	98.7
East Midlands	586.5	491.0	522.3	414.8
Greater London	465.1	461.9	295.8	272.7
Northern Ireland	1.9	2.4	-	-
North	257.9	225.6	229.7	192.9
North West	779.1	678.4	687.6	573.5
Scotland	38.4	46.6	8.9	11.3
South East	1,008.7	874.1	858.1	700.9
South West	424.6	362.7	378.1	306.8
Wales	247.1	227.6	214.2	189.8
West Midlands	739.0	675.1	672.2	594.4
Yorkshire	617.1	534.7	558.9	466.5
	5,315.6	4,701.1	4,558.1	3,822.3

(iv) Collateral

The table below shows analysis of the indexed loan to value distribution of the residential loan portfolio at the year end date:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
>95%	15.5	135.2	15.8	135.0
91% - 95%	327.1	323.1	326.9	322.9
86% - 90%	618.5	286.8	618.3	286.6
76% - 85%	885.7	502.0	807.9	413.7
51% - 75%	1,959.9	1,993.7	1,635.4	1,581.6
<51%	1,508.9	1,460.3	1,153.8	1,082.5
	5,315.6	4,701.1	4,558.1	3,822.3

The Group's average indexed loan to value at the year end date is 56.3% (2023/24: 54.0%), calculated as a simple average across all residential loans.

The following table indicates collateral held against residential loans and advances to customers by IFRS 9 stage:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Fair value of collateral held				
Stage 1	9,368.6	8,656.8	7,998.9	7,034.1
Stage 2	1,562.0	1,222.4	1,254.0	956.4
Stage 3	216.0	207.6	103.2	86.9
	11,146.6	10,086.8	9,356.1	8,077.4

The collateral held consists of properties included within the above categories. The use of such collateral is in line with terms that are usual and customary to standard lending activities.

(v) Forbearance

A range of forbearance strategies is employed in order to work with borrowers to control arrears and, wherever possible, avoid repossession. These are set out in the relevant Group policies. The agreed strategy will reflect the customer's individual circumstances, appropriately taking any vulnerabilities into consideration, and will be used in line with industry guidance. Forbearance arrangements include extended payment terms, a reduction in interest or principal repayments, and approved external debt management plans.

The table below analyses residential mortgage balances with renegotiated terms at the year end date:

	Arrangements 2025 £m	Concessions 2025 £m	Capitalisation 2025 £m	Term extensions 2025 £m	Total 2025 £m
Group					
Not past due	4.2	-	1.5	0.1	5.8
Past due 1 to 3 months	1.5	-	-	-	1.5
Past due 3 to 6 months	0.9	0.4	-	-	1.3
Past due 6 to 12 months	1.0	-	0.1	-	1.1
Past due over 12 months	2.6	-	-	-	2.6
	10.2	0.4	1.6	0.1	12.3

32. Credit risk (continued)

Group	Arrangements 2024 £m	Concessions 2024 £m	Capitalisation 2024 £m	Term extensions 2024 £m	Total 2024 £m
Not past due	7.9	-	1.0	0.5	9.4
Past due 1 to 3 months	1.5	-	0.3	-	1.8
Past due 3 to 6 months	0.7	-	0.1	-	0.8
Past due 6 to 12 months	1.3	-	-	-	1.3
Past due over 12 months	2.3	-	-	-	2.3
	13.7	-	1.4	0.5	15.6

(c) Commercial assets

Commercial assets comprise a closed portfolio of non-core commercial loans which is analysed in the table below.

	Group 2025 £m	Group 2024 £m
Concentration by loan type		
Loans secured on commercial property	196.5	220.5
Loans secured on residential property	0.6	0.7
Gross balances	197.1	221.2
Fair value adjustments	1.7	2.4
Gross exposures	198.8	223.6
Impairment provisions	(89.1)	(92.1)
	109.7	131.5

Of the Group fair value adjustments, £1.7m (2023/24: £2.4m) relate to loans secured on commercial property and £nil (2023/24: £nil) relate to loans secured on residential property. The Society has no exposure to commercial loans.

(i) Credit quality

The internal credit risk grading approach for the closed commercial loan book does not use scorecards or probability of default calculations. Instead loans are individually assessed against a series of prescriptive and judgmental criteria, by subject matter experts following a clearly defined methodology, to arrive at a risk grade. The distribution of the portfolio by grade and IFRS 9 stage at 31 March is set out in the table below.

At 31 March 2025

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
Performing	27.7	-	-	27.7
Default:				
In Law of Property Act Receivership	-	-	170.3	170.3
Other default	-	-	0.8	0.8
	27.7	-	171.1	198.8

At 31 March 2024

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
Performing	29.6	-	-	29.6
Watchlist	-	7.2	-	7.2
Default:				
In Law of Property Act Receivership	-	-	184.9	184.9
Other default	-	-	1.9	1.9
	29.6	7.2	186.8	223.6

The table below provides further information on the Group's commercial assets by payment due status at 31 March:

	Group 2025 £m	Group 2024 £m
Not past due	66.7	110.9
Past due up to 3 months	12.4	1.3
Past due 3 to 6 months	-	11.8
Past due 6 to 12 months	28.5	32.8
Past due over 12 months	91.2	66.8
	198.8	223.6

32. Credit risk (continued)

(ii) Expected credit losses

The table below illustrates the IFRS 9 staging distribution of commercial loans and advances to customers and related expected credit loss provisions at the year end. Where applicable, stage 2 loans have been further analysed to show those which are more than 30 days past due, the IFRS 9 backstop for identifying a significant increase in credit risk (SICR), and those which meet other SICR criteria as detailed in note 1 to the accounts.

At 31 March 2025

	Gross exposure £m	Group Expected credit loss provision £m	Provision coverage %
Commercial loans			
Stage 1	27.7	0.4	1.44%
Stage 3			
Provision overlays	-	1.5	-
Other defaults	171.1	87.2	50.99%
	198.8	89.1	44.84%

At 31 March 2024

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

The tables below analyse the movement in gross commercial exposures and the related expected credit loss allowances at 31 March:

Gross exposure	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
At 1 April 2024	29.6	7.2	186.8	223.6
Transfers due to decreased credit risk:				
From stage 2 to stage 1	4.1	(4.1)	-	-
Net redemptions, repayments and fair value adjustments for hedged risk	(6.0)	(2.6)	(6.3)	(14.9)
Amounts written off	-	(0.5)	(9.5)	(10.0)
At 31 March 2025	27.7	-	171.1	198.8

Gross exposure	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
At 1 April 2023	18.1	12.8	203.1	234.0
Transfers due to increased credit risk:				
From stage 1 to stage 2	(0.2)	0.2	-	-
Transfers due to decreased credit risk:				
From stage 2 to stage 1	11.5	(11.5)	-	-
From stage 3 to stage 1	2.1	-	(2.1)	-
From stage 3 to stage 2	-	7.0	(7.0)	-
Net redemptions, repayments and fair value adjustments for hedged risk	(1.9)	(1.3)	(6.4)	(9.6)
Amounts written off	-	-	(0.8)	(0.8)
At 31 March 2024	29.6	7.2	186.8	223.6

32. Credit risk (continued)

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
Expected credit loss allowance				
At 1 April 2024	0.1	1.1	90.9	92.1
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.4	(0.4)	-	-
Remeasurement of expected credit losses with no stage transfer	(0.1)	-	5.9	5.8
Redemptions	-	(0.2)	(0.1)	(0.3)
Amounts written off	-	(0.5)	(9.5)	(10.0)
Movement in provision overlays	-	-	1.5	1.5
At 31 March 2025	0.4	-	88.7	89.1

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
Expected credit loss allowance				
At 1 April 2023	-	0.2	79.0	79.2
Transfers due to decreased credit risk:				
From stage 2 to stage 1	0.1	(0.2)	-	(0.1)
From stage 3 to stage 2	-	1.1	(0.6)	0.5
Remeasurement of expected credit losses with no stage transfer	-	-	14.9	14.9
Amounts written off	-	-	(0.8)	(0.8)
Movement in provision overlays	-	-	(1.6)	(1.6)
At 31 March 2024	0.1	1.1	90.9	92.1

(iii) Industry analysis of commercial loans

The analysis of commercial loans by industry type is as follows:

	Group 2025 £m	Group 2024 £m
Healthcare	41.2	43.8
Leisure	18.5	38.1
Industrial and warehouse	3.3	3.8
Retail	135.2	136.2
Residential	0.6	0.7
Other	-	1.0
	198.8	223.6

(iv) Geographical analysis

The table below shows the geographic spread of the commercial loan portfolio at the year end date:

	Group 2025 £m	Group 2024 £m
East Anglia	8.5	11.5
East Midlands	18.4	19.9
Greater London	8.5	12.8
North	18.4	19.7
North West	102.1	102.4
Scotland	-	0.3
South East	24.2	25.2
South West	5.8	6.2
West Midlands	2.4	6.4
Yorkshire	10.5	19.2
	198.8	223.6

32. Credit risk (continued)

(v) Collateral

The Group's average unindexed loan to value at the year end date is 126.3% (2023/24: 101.5%), calculated as a simple average across all commercial loans.

The following table indicates collateral held against commercial loans and advances to customers by IFRS 9 stage at 31 March:

Group	Unindexed 2025 £m	Unindexed 2024 £m
Value of collateral held		
Stage 1	52.4	54.6
Stage 2	0.7	9.0
Stage 3	110.4	120.9
	163.5	184.5

The collateral held consists of properties, land or other guarantees or cash included within the above categories. The use of such collateral is in line with terms that are usual and customary to standard lending activities.

(vi) Forbearance

Certain forbearance activities are applied on a small number of commercial mortgages. Loans that have been restructured (generally via a term extension) and would otherwise have been past due are classified as renegotiated. The carrying amount of loans that have been classified as renegotiated retain this classification until maturity or derecognition. Interest is recorded on renegotiated loans on the basis of new contractual terms following renegotiation.

The analysis below sets out the commercial mortgage gross exposures with evidence of forbearance and renegotiated terms at the year end date.

Group	Arrangements 2025 £m	Capitalisation 2025 £m	Term extensions 2025 £m	Total 2025 £m
Not past due	9.8	-	2.2	12.0
Past due up to 3 months	-	10.1	-	10.1
Past due over 12 months	7.0	-	-	7.0
	16.8	10.1	2.2	29.1

Group	Arrangements 2024 £m	Capitalisation 2024 £m	Term extensions 2024 £m	Total 2024 £m
Not past due	10.5	10.1	2.7	23.3
Past due over 12 months	7.3	-	-	7.3
	17.8	10.1	2.7	30.6

(d) Loans and advances to credit institutions and investment securities

The Group holds treasury investments in order to meet liquidity requirements and for general business purposes. The credit risk arising from these investments is monitored, managed and controlled closely by the Group.

At 31 March 2025, the Group and Society's loans and advances to credit institutions and investment securities held at amortised cost or FVOCI were all categorised as stage 1 and the associated ECLs were negligible. At the reporting date, 100% (2023/24: 100%) of these treasury assets were invested in or deposited with counterparties rated single A or better or classified as a Global Systemically Important Counterparty (GSIC).

The tables below show the relative concentrations of the Group's treasury investment portfolio, all of which are denominated in sterling:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
Concentration by credit grading				
AAA	373.2	296.3	564.3	296.3
AA+ to AA-	253.9	565.7	253.9	565.7
A+ to A-	88.8	67.0	58.3	65.4
Other	0.3	0.5	0.3	0.5
	716.2	929.5	876.8	927.9
Concentration by sector				
Financial institutions	88.8	92.6	58.3	91.0
Asset backed securities	266.3	252.1	457.4	252.1
Supranational institutions	107.3	44.8	107.3	44.8
Sovereign	253.8	540.0	253.8	540.0
	716.2	929.5	876.8	927.9
Concentration by region				
UK	580.7	838.4	769.5	836.8
Europe (excluding UK)	-	20.7	-	20.7
North America	28.2	-	-	-
Australasia	-	25.6	-	25.6
Supranational	107.3	44.8	107.3	44.8
	716.2	929.5	876.8	927.9

(e) Intercompany loans

An ECL provision of £234.9m (2023/24: £226.9m) is held against intercompany loans of £1,048.5m (2023/24: £1,188.7m) to West Bromwich Commercial Limited and West Bromwich Mortgage Company where there is currently a shortfall in net assets; these loans are classified as Stage 3. The balance of £98.3m (2023/24: £108.4m) of intercompany investments and loans is classified as stage 1 with no provision against it (2023/24: £nil).

33. Market risk

Market risk is the potential adverse change in Group income, or the Group economic value, arising from movements in interest rates, exchange rates, equity prices or other market prices. The Board recognises that the effective management of market risk is essential to the maintenance of stable earnings and the preservation of member value.

The Group's exposure to market risk is governed by the Board approved Treasury and Financial Risk Management Policy, which sets out the nature of risks that may be taken and defines aggregate risk limits. Within this Policy, the Board has delegated responsibility for the management and control of market risk to the Assets & Liabilities Committee (ALCo). At each meeting, ALCo reviews reports which show the Group's current and forecast exposure to market risks together with the results of extensive stress testing.

The Society's Assets and Liabilities Management function is responsible for operational management of the Group's exposure to market risk. It achieves this by taking advantage of natural hedges arising within the Group's businesses and, for the purpose of reducing risk, transacting appropriate hedging instruments where no natural hedges exist.

The Group's use of derivative financial instruments to manage interest rate risk is explained in note 12 to the accounts.

Interest rate risk

The Group's exposure to interest rate risk is reported against target operating ranges set by ALCo, which themselves fall within Board Policy limits. The effect upon the Group's current and forecast net market value of assets and liabilities is determined for parallel yield curve shifts in the range +2.5% to -2.5%, and for a variety of stressed non-parallel yield curve shifts. The impact upon net interest income is also assessed for rate movements using parallel shifts in the range +2.5% to -2.5%.

Analysis is also presented to show the mismatches between assets and liabilities whose rates move in line with different variable rate benchmarks such as Bank Rate, SONIA and rates administered by the Group. Such mismatches generate additional interest rate risks (basis risk) to those assessed by parallel shift analysis. The Board has a defined risk appetite for basis mismatch.

To ensure that the overall reported interest rate risk position does not mask excessive offsetting concentrations in different periods, repricing gap concentration limits are in place to limit the maximum mismatch between assets and liabilities repricing in future time periods. In conducting this analysis, general reserves, CCDS and PIBS are allocated over a range of time buckets against treasury and other assets in accordance with targets set by ALCo. The resulting 'reverse cumulative gap report' allows the income and market value sensitivity of a one basis point movement in interest rates upon the whole balance sheet to be calculated.

The levels of Group pre-tax interest rate risk exposures to applicable parallel shifts through the reporting period were as follows:

	At 31 March 2025 £m	Average 2025 £m	High 2025 £m	Low 2025 £m
Market value	(2.4)	(2.8)	(4.4)	(1.7)
Net interest income	(3.8)	(4.1)	(5.0)	(2.6)

	At 31 March 2024 £m	Average 2024 £m	High 2024 £m	Low 2024 £m
Market value	(3.6)	(4.6)	(8.2)	(1.8)
Net interest income	(4.8)	(3.8)	(5.6)	(1.6)

The Group's gap and basis mismatch positions are reported quarterly to the Prudential Regulation Authority (PRA). The Society also employs Economic Value of Equity measures in line with PRA requirements. The Society's internal limits framework ensures that Interest Rate Risk in the Banking Book is controlled at much lower exposures than would trigger a notification to the PRA under the established reporting triggers.

Further detail on the Society's management of interest rate risk is provided in the risk management report on pages 31 to 40.

34. Liquidity risk

The Society's principal purpose is to make loans secured by way of mortgage on residential property funded substantially by short-term savings from its members.

The contractual maturity of the mortgages is typically up to 30 years although loans are often repaid early due to borrowers moving house or remortgaging. In contrast, the majority of members' savings are available on demand or at short notice. It is this inherent mismatch between the maturity profile of mortgage lending and the easy accessibility of savings that creates liquidity risk.

The Group's exposure to liquidity risk is governed by the Liquidity and Funding Policy sections of the Board approved Treasury and Financial Risk Management Policy, taken together with its Internal Liquidity Adequacy Assessment Process (ILAAP).

The Liquidity and Funding limits are designed to ensure that adequate liquid assets are held to cover statutory, regulatory and operational cash requirements in both business-as-usual and stressed environments.

The Group's liquidity risk is managed as follows:

- The Board has delegated authority for the management of liquidity risk to the Assets & Liabilities Committee (ALCo) within risk tolerances set out in the Treasury and Financial Risk Management Policy. ALCo meets monthly;
- Operational management of liquidity risk is further delegated to the Liquidity Management Group (LMG). LMG meets regularly (typically 2-3 times monthly) to agree, based upon detailed customer behavioural analysis, the amount of funding required to maintain the adequacy of Group liquidity over horizons of up to three months. LMG plans cash requirements at a higher level over an extended rolling 12 month plan period;
- LMG also considers a series of daily, weekly and monthly stress tests which are designed to ensure that the Group maintains sufficient liquidity to meet its cash flow needs under a number of adverse scenarios. These scenarios simulate both Group specific, general market and combined events including severe savings outflows and the unavailability of wholesale funding; and
- Under the Prudential Regulation Authority's liquidity regime, the Group holds sufficient high quality liquid assets, such as government securities, supranational bonds, covered bonds and cash deposited with the Bank of England, to ensure that it can meet its liabilities over a 30 day period under stressed conditions. This is known as its Liquidity Coverage Ratio (LCR). The Group holds high quality liquidity above that required by the LCR in accordance with its own day-to-day assessment of liquidity adequacy. This includes stress testing over a number of horizons, including survival days' assessment out to 90 days.

The Overall Liquidity Adequacy Rule (OLAR) states that a regulated firm must at all times maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. There are three measures that the Group considers key to meeting the OLAR:

- Liquidity ratios - the amount of liquidity necessary to meet its LCR and to maintain overall liquidity adequacy as determined by the Society's ILAAP is assessed daily;
- Liquidity stress tests - adequacy of Group liquidity under a number of different stress scenarios is modelled and maintained within the Board's liquidity risk tolerance; and
- Refinancing gaps - the level of wholesale and combined retail/wholesale funding permitted to mature over given time periods is subject to Board approved limits.

Further details of liquidity management are contained within the risk management report on pages 31 to 40.

The table below analyses the Group's assets and liabilities across maturity periods that reflect the residual maturity from the year end date to the contractual maturity date, this being the first call option date for residential mortgage backed securities held within investment securities and for debt securities in issue. The Group's liquidity management processes consider the expected repayment profiles of financial assets and liabilities which can be significantly different to those shown in the analysis.

At 31 March 2025

Group	Repayable on demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specific maturity £m	Total £m
Financial assets							
Cash and balances with the Bank of England	159.8	-	-	-	-	-	159.8
Loans and advances to credit institutions	37.2	51.6	-	-	-	-	88.8
Investment securities	-	54.1	97.6	186.6	129.3	-	467.6
Derivative financial instruments	-	-	3.0	38.7	3.2	-	44.9
Loans and advances to customers	-	164.4	35.4	359.1	4,959.4	(120.2)	5,398.1
Total financial assets	197.0	270.1	136.0	584.4	5,091.9	(120.2)	6,159.2
Financial liabilities							
Shares	2,798.6	702.8	747.0	822.6	0.6	-	5,071.6
Amounts due to credit institutions	-	84.4	374.7	-	-	-	459.1
Amounts due to other customers	4.6	18.2	5.0	1.3	-	-	29.1
Derivative financial instruments	-	-	1.4	15.4	-	-	16.8
Debt securities in issue	-	-	-	289.8	-	-	289.8
Subordinated liabilities	-	-	-	-	2.1	-	2.1
Total financial liabilities	2,803.2	805.4	1,128.1	1,129.1	2.7	-	5,868.5

34. Liquidity risk (continued)

At 31 March 2024

Group	Repayable on demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specific maturity £m	Total £m
Financial assets							
Cash and balances with the Bank of England	491.6	-	-	-	-	-	491.6
Loans and advances to credit institutions	7.5	38.8	-	-	-	-	46.3
Investment securities	-	102.5	76.0	121.3	91.7	-	391.5
Derivative financial instruments	-	0.8	2.0	55.4	3.6	-	61.8
Loans and advances to customers	-	170.4	22.1	426.3	4,309.8	(143.5)	4,785.1
Total financial assets	499.1	312.5	100.1	603.0	4,405.1	(143.5)	5,776.3
Financial liabilities							
Shares	2,709.1	465.8	762.1	733.6	-	-	4,670.6
Amounts due to credit institutions	-	125.1	247.7	415.4	-	-	788.2
Amounts due to other customers	5.2	26.8	3.6	1.4	-	-	37.0
Derivative financial instruments	-	-	-	12.6	0.2	-	12.8
Subordinated liabilities	-	-	-	-	2.1	-	2.1
Total financial liabilities	2,714.3	617.7	1,013.4	1,163.0	2.3	-	5,510.7

At 31 March 2025

Society	Repayable on demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specific maturity £m	Total £m
Financial assets							
Cash and balances with the Bank of England	159.8	-	-	-	-	-	159.8
Loans and advances to credit institutions	7.1	51.3	-	-	-	-	58.4
Investment securities	-	54.1	97.6	186.7	320.2	-	658.6
Derivative financial instruments	-	-	3.0	30.0	3.2	-	36.2
Loans and advances to customers	-	7.3	13.7	104.9	4,434.5	(22.1)	4,538.3
Investments: loans to subsidiary undertakings	-	-	-	-	-	912.0	912.0
Total financial assets	166.9	112.7	114.3	321.6	4,757.9	889.9	6,363.3
Financial liabilities							
Shares	2,798.6	702.8	747.0	822.6	0.6	-	5,071.6
Amounts due to credit institutions	-	85.6	374.6	-	-	-	460.2
Amounts due to other customers	4.6	18.3	1.5	1.0	449.0	-	474.4
Derivative financial instruments	-	-	1.4	15.4	-	-	16.8
Subordinated liabilities	-	-	-	-	2.1	-	2.1
Total financial liabilities	2,803.2	806.7	1,124.5	839.0	451.7	-	6,025.1

34. Liquidity risk (continued)

At 31 March 2024

Society	Repayable on demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	No specific maturity £m	Total £m
Financial assets							
Cash and balances with the Bank of England	491.6	-	-	-	-	-	491.6
Loans and advances to credit institutions	5.9	38.8	-	-	-	-	44.7
Investment securities	-	102.5	76.0	121.3	91.7	-	391.5
Derivative financial instruments	-	0.8	2.0	55.3	3.6	-	61.7
Loans and advances to customers	-	7.7	8.3	112.9	3,697.2	(40.1)	3,786.0
Investments: loans to subsidiary undertakings	-	-	-	-	-	1,070.3	1,070.3
Total financial assets	497.5	149.8	86.3	289.5	3,792.5	1,030.2	5,845.8
Financial liabilities							
Shares	2,709.1	465.8	762.1	733.6	-	-	4,670.6
Amounts due to credit institutions	-	125.1	247.7	415.4	-	-	788.2
Amounts due to other customers	5.2	26.6	-	(0.1)	-	-	31.7
Derivative financial instruments	-	-	-	12.6	0.2	-	12.8
Subordinated liabilities	-	-	-	-	2.1	-	2.1
Total financial liabilities	2,714.3	617.5	1,009.8	1,161.5	2.3	-	5,505.4

As part of liquidity stress testing and forecasting, a wide range of scenarios is considered including mild and severe stresses, credit downgrades and a total closure of the wholesale market. An analysis of the liquidity portfolio is set out in the table below:

Group	2025 £m	2025 %	2024 £m	2024 %
Cash in hand and balances with the Bank of England	159.8	22.3	491.6	52.9
Cash with banks and building societies	88.8	12.4	46.3	5.0
Gilts	37.9	5.3	4.8	0.5
Treasury bills	56.2	7.8	43.7	4.7
Certificates of deposit	-	-	46.3	5.0
Fixed rate bonds	61.6	8.6	14.9	1.6
Floating rate notes	45.7	6.4	29.9	3.2
Covered bonds	154.5	21.6	165.0	17.8
Residential mortgage backed securities	111.7	15.6	86.9	9.3
Total	716.2	100.0	929.4	100.0

The prior year table has been restated to include Gilts of £4.8m. This has been done to provide more detailed analysis. The following table is an analysis of the gross contractual cash flows payable/(receivable) under financial liabilities:

At 31 March 2025

Group	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Liabilities					
Shares	3,505.8	873.6	778.6	0.6	5,158.6
Amounts due to credit institutions and other customers	111.8	379.2	-	-	491.0
Derivative financial instruments	0.4	4.2	12.6	0.1	17.3
Debt securities in issue	3.8	9.6	326.1	-	339.5
Subordinated liabilities	0.1	0.1	0.9	3.9	5.0
	3,621.9	1,266.7	1,118.2	4.6	6,011.4
Loan commitments	250.2	-	-	-	250.2

34. Liquidity risk (continued)

At 31 March 2024

Group	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Liabilities					
Shares	3,152.3	839.3	766.4	0.3	4,758.3
Amounts due to credit institutions and other customers	165.3	269.9	424.0	-	859.2
Derivative financial instruments	(0.2)	0.5	13.8	0.5	14.6
Subordinated liabilities	0.1	0.1	0.9	4.2	5.3
	3,317.5	1,109.8	1,205.1	5.0	5,637.4

Loan commitments	347.0	-	-	-	347.0
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At 31 March 2025

Society	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Liabilities					
Shares	3,505.8	873.6	778.6	0.6	5,158.6
Amounts due to credit institutions and other customers	111.8	379.2	-	-	491.0
Derivative financial instruments	0.4	4.2	12.6	0.1	17.3
Subordinated liabilities	0.1	0.1	0.9	3.9	5.0
	3,618.1	1,257.1	792.1	4.6	5,671.9

Loan commitments	250.0	-	-	-	250.0
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At 31 March 2024

Society	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Liabilities					
Shares	3,152.3	839.3	766.4	0.3	4,758.3
Amounts due to credit institutions and other customers	165.3	269.9	424.0	-	859.2
Derivative financial instruments	(0.2)	0.5	13.8	0.5	14.6
Subordinated liabilities	0.1	0.1	0.9	4.2	5.3
	3,317.5	1,109.8	1,205.1	5.0	5,637.4

Loan commitments	346.5	-	-	-	346.5
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For each material class of financial liability a maturity analysis is provided on pages 148 to 150.

35. Financial commitments

The maturity analysis of lease liabilities is analysed in the table shown below:

	Group 2025 £m	Group 2024 £m	Society 2025 £m	Society 2024 £m
a) Leasing commitments				
Less than three months	0.1	0.1	0.1	0.1
Greater than three months and less than one year	0.3	0.3	0.3	0.3
Between one and five years	0.6	1.2	0.6	1.2
After five years	0.1	0.2	0.1	0.2
	1.1	1.8	1.1	1.8

The Society earns rental income on subletting parts of three (2023/24: three) of its freehold branches to residential and commercial tenants. The income received from this is negligible and is regarded as rental income.

b) Loan commitments				
Undrawn loan facilities	250.2	347.0	250.0	346.5
c) Capital commitments				
Capital expenditure contracted but not yet provided for in the accounts	1.5	-	1.5	-

36. Related party transactions

i) Subsidiary, parent and ultimate controlling party

The Group is controlled by West Bromwich Building Society which is considered to be the ultimate parent undertaking. The subsidiaries of the Society are detailed in note 15. The Group's registered office and principal place of business is 2 Providence Place, West Bromwich, B70 8AF.

ii) Key management personnel

The Board considers key management personnel to comprise Executive and Non-Executive Directors. Details of Directors' emoluments are disclosed in note 8 and the Remuneration Committee report on pages 68 to 76.

iii) Transactions with key management personnel and their close family members

The table below shows outstanding balances and transactions with key management personnel, which comprises Group Directors as at 31 March, and their close family members:

	No. of key management personnel 2025	Amount in respect of key management personnel and their close family members 2025 £000	No. of key management personnel 2024	Amount in respect of key management personnel and their close family members 2024 £000
Group and Society				
Savings balances at 31 March	13	162	12	149
Interest payable on savings balances	13	5	12	4

Mortgage loans and savings are available to key management personnel and members of their close family at normal commercial terms. At 31 March 2025, there were mortgage loans outstanding to Directors and their connected persons of £0.2m (31 March 2024: £0.2m).

A register is maintained by the Society containing details of loans, transactions and arrangements made between the Society or its subsidiary undertakings and Directors of the Society or persons connected with Directors of the Society. The register will be available for inspection by members at the Annual General Meeting and during normal office hours at the Society's Principal Office (2 Providence Place, West Bromwich) during the period 15 days prior to the meeting.

iv) Contributions to pension schemes

During the year the Group paid contributions of £nil (2023/24: £2.3m) to defined benefit pension schemes, which are classified as related parties.

As part of the ongoing funding agreement for the West Bromwich Building Society Staff Retirement Scheme (the SRS), the Trustees of the SRS have been granted a charge over the Society's Head Office, which may be exercised only in the event of the Society defaulting on its pension obligations and in such circumstances assigns the rights of ownership of the building to the SRS.

36. Related party transactions (continued)

v) Transactions with subsidiary companies

	Interest paid to Society 2025 £m	Interest paid to Society 2024 £m
Insignia Finance Limited	0.1	0.1
West Bromwich Commercial Limited	15.0	13.3
West Bromwich Homes Limited	2.4	2.7
West Bromwich Mortgage Company Limited	27.2	28.0
	44.7	44.1

At the year end the following balances were outstanding with subsidiary companies:

	Loans owed (to)/ by subsidiaries 2025 £m	Loans owed by subsidiaries 2024 £m
Insignia Finance Limited	(0.1)	0.8
West Bromwich Commercial Limited	292.9	325.0
West Bromwich Homes Limited	98.4	107.6
West Bromwich Mortgage Company Limited	520.7	636.8
	911.9	1,070.2

Transactions and balances between Group companies are on normal commercial terms and conditions.

The loans owed by West Bromwich Commercial Limited are net of impairment provisions of £222.7m (2023/24: £213.9m) and the loans owed by West Bromwich Mortgage Company Limited are net of impairment provisions of £12.2m (2023/24: £13.0m).

37. Business segments

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

The Group has three main business segments:

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

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

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

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

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

37. Business segments (continued)

Income Statements for the year ended 31 March 2025

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Interest receivable and similar income					
Calculated using the effective interest method	290.2	8.0	-	(18.3)	279.9
On instruments measured at fair value through profit or loss	36.5	-	-	-	36.5
Total interest receivable and similar income	326.7	8.0	-	(18.3)	316.4
Interest expense and similar charges	(228.0)	(8.1)	(2.4)	18.3	(220.2)
Net interest receivable/(expense)	98.7	(0.1)	(2.4)	-	96.2
Fees and commissions receivable	0.7	-	-	-	0.7
Other operating income	0.3	-	3.9	-	4.2
Fair value gain/(loss) on financial instruments	5.9	(1.5)	-	-	4.4
Total income	105.6	(1.6)	1.5	-	105.5
Administrative expenses	(56.4)	(0.7)	(0.5)	-	(57.6)
Depreciation and amortisation	(7.0)	-	-	-	(7.0)
Operating profit/(loss) before revaluation gains, impairment and provisions	42.2	(2.3)	1.0	-	40.9
Gains on investment properties	-	-	2.4	-	2.4
Impairment on loans and advances	0.5	(7.4)	-	-	(6.9)
Provisions for liabilities	0.1	-	-	-	0.1
Profit/(Loss) before tax	42.8	(9.7)	3.4	-	36.5

Statements of Financial Position at 31 March 2025

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Total assets	6,456.9	132.5	146.8	(374.4)	6,361.8
Total liabilities	6,043.5	357.7	109.6	(610.2)	5,900.6
Capital expenditure	12.5	-	-	-	12.5

Income Statements for the year ended 31 March 2024

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

Statements of Financial Position at 31 March 2024

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
Total assets	6,100.3	148.9	152.1	(411.6)	5,989.7
Total liabilities	5,694.6	370.7	118.4	(638.7)	5,545.0
Capital expenditure	8.7	-	-	-	8.7

38. Asset encumbrance

Certain financial assets have been utilised as collateral to support the wholesale funding initiatives of the Group. As the Group has retained substantially all of the risks and rewards of ownership, the assets remain on the Statement of Financial Position but are encumbered and cannot be utilised for other purposes.

As described in note 13, the Group has established securitisation structures funded by the issue of mortgage backed securities (MBSs). Retained MBSs and designated mortgage loan pools may be pledged as collateral for participation in Bank of England funding schemes.

For liquidity management purposes, the Society also enters into sale and repurchase agreements whereby it sells investment securities to third parties with a commitment to repurchase them at a future date. The proceeds of the sale and repurchase agreements are included within amounts due to credit institutions.

An analysis of Group assets pledged at 31 March is set out below.

	Encumbered 2025 £m	Unencumbered 2025 £m	Encumbered 2024 £m	Unencumbered 2024 £m
Cash and balances at the Bank of England	-	159.8	-	491.6
Loans and advances to credit institutions	70.2	18.6	38.8	7.5
Investment securities	-	467.6	104.7	286.8
Derivative financial instruments	-	44.9	-	61.8
Loans and advances to customers	866.2	4,531.9	823.5	3,961.6
Other assets	-	202.6	-	213.4
	936.4	5,425.4	967.0	5,022.7

Included in the above, at 31 March 2025, Group loans and advances to credit institutions included £51.4m (2023/24: £38.9m) of collateral pledged against derivative financial instruments.

Country-by-Country Reporting for the year ended 31 March 2025

Capital Requirements (Country-by-Country) reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 aim to give increased transparency regarding the activities of institutions.

West Bromwich Building Society (the Society) is the 8th largest building society in the United Kingdom (UK). As a mutual organisation, the Society is owned and run for the benefit of its members with the safety of members' funds being paramount. In providing a safe haven for members' funds, the Society can fulfil its primary purpose of enabling home ownership through the provision of mortgages.

These consolidated financial statements of the West Bromwich Building Society Group (the Group) include the audited results of the Society, its subsidiary undertakings and a number of securitisation entities. The consolidated entities, their principal activities and countries of incorporation are detailed in note 15. All of the consolidated entities are incorporated in the UK.

Basis of preparation

- The number of employees has been calculated as the average number of full and part-time employees, on a monthly basis, as disclosed in note 7.
- Turnover represents Group total income as disclosed in the Group Income Statement. Total income comprises net interest, fees and commissions receivable and other operating income, together with fair value gain/(loss) on financial instruments.
- Pre-tax profit or loss represents the Group profit or loss before tax, as reported in the Group Income Statement.
- Corporation tax receipts/payments represent the amount of tax received/paid during the year, as disclosed in the Group Cash Flow Statement.
- Public subsidies received represent direct support by the government and exclude any central bank operations that are designed for financial stability purposes or operations that aim to facilitate the functioning of the monetary policy transmission mechanism.

	2025	2024
Average number of Group employees, all of which employed in the UK	739	701
Arising in the UK:	£m	£m
Group total income	105.5	108.9
Group profit before tax	36.5	32.1
Group corporation tax payments	2.9	-

Independent auditors' report to the directors of West Bromwich Building Society

Report on the audit of the country-by-country information

Opinion

In our opinion, West Bromwich Building Society's country-by-country information for the year ended 31 March 2025 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 March 2025 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the basis of preparation note of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Understanding and evaluating the Group and Society's financial forecasts;
- Evaluation and challenge of key assumptions used by the directors in their determination of the going concern of the Group and Society;
- Review of key regulatory returns in relation to liquidity and capital and consideration of the stress testing performed;
- Consideration as to whether our audit work had identified events or conditions which may give rise to uncertainty as to the Group's future ability to trade;
- Review of legal and regulatory correspondence to ensure that any compliance issues which may impact the going concern of the Group is identified; and
- Evaluating the adequacy and appropriateness of the going concern disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation statement to the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations including, but not limited to, the Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce expenditure and increase income and inappropriate management bias in accounting estimates.

Audit procedures performed included:

- Review of the financial statement disclosures to underlying supporting documentation;
- Review of correspondence with and reports to the regulators;
- Testing significant accounting estimates;
- Testing of journal entries which contained unusual account combinations back to corroborating evidence;
- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud; and
- Specific audit procedures over non-interest revenue streams significant to the Group accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Daniel Brydon.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Birmingham
28 May 2025



Annual Business Statement for the year ended 31 March 2025

1. Statutory percentages

	2025 %	Statutory limit %
Proportion of business assets not in the form of loans secured on residential property	5.0	25.0
Proportion of shares and borrowings not in the form of shares held by individuals	8.8	50.0

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

Business assets are the total assets of the Group plus allowance for losses on loans and advances less liquid assets, investment properties, intangible assets and property, plant and equipment as shown in the Group Statement of Financial Position.

Securitised assets and related liabilities are excluded from the lending limit and funding limit calculations in line with the Building Societies Act 1986 (Modification of the Lending Limit and Funding Limit Calculations) Order 2004.

The statutory limits are as laid down under the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

2. Other percentages

	2025 %	2024 %
As a percentage of shares and borrowings:		
Gross capital	7.92	8.13
Free capital	4.77	4.77
Liquid assets	12.24	16.91
As a percentage of mean total assets:		
Profit for the financial year	0.48	0.42
Management expenses	1.05	1.02

The above percentages have been prepared from the Group's accounts and in particular:

- 'Shares and borrowings' represent the total of shares, amounts due to credit institutions, amounts due to other customers and debt securities in issue, in each case including accrued interest.
- 'Gross capital' represents the aggregate of general reserves, revaluation reserve, fair value reserve, core capital deferred shares, subscribed capital and subordinated liabilities.
- 'Free capital' represents gross capital less intangible assets, investment properties and property, plant and equipment.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Liquid assets' represent the total of cash and balances with the Bank of England, loans and advances to credit institutions and investment securities.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

Information relating to Directors' and Officers' other directorships and interests at 31 March 2025

Name, qualification and age	Role	Date of appointment	Other directorships and interests	
Sara Bennison MA (Oxon) Age 57	Non-Executive Director	1 August 2023	Dual Corporate Risks Ltd Lawn Tennis Association Openwork Holdings Ltd Openwork Ltd Sara Bennison Ltd	Northbailey Ltd Brandface Ltd Equifax Ltd TDX Group Ltd
Martin Boyle BSc, M.Phil (Cantab.) Age 54	Chief Operating Officer	3 April 2023	Insignia Finance Ltd West Bromwich Mortgage Company Ltd White Label Lending Ltd	
Russell Galley Age 62	Non-Executive Director	1 May 2024	Yorkshire Housing Ltd	
Manjit Hayre Age 57	Chief Risk Officer	1 September 2021		
Julie Hopes MBA, ACIB Age 57	Deputy Chair	1 April 2016	SAGA Services Ltd SAGA Plc Kingston Gorse Estate (Sussex) Ltd Secure Trust Bank Plc	
John Maltby MBE Age 63	Chair	1 January 2021	Allica Bank Ltd Max Nicholas Renewables Ltd Nordea Bank ABP (FC035482)	
Nimisha Patel BSc Age 46	Non-Executive Director	1 June 2024		
Alex Pawley BSc, FCA Age 42	Chief Financial Officer	1 January 2023	Insignia Finance Ltd White Label Lending Ltd West Bromwich Mortgage Company Ltd	West Bromwich Homes Ltd
Lynne Shamwana BA, FCA Age 62	Non-Executive Director	1 February 2019	Southbank Centre Enterprises Ltd Southbank Centre Ltd 61 Queens Gardens (Freehold) Ltd	Overs Farm Residents Company Ltd Antin Infrastructure Partners AS
David Thomas MSc, ACIB, FIB (Ireland) Age 63	Non-Executive Director	1 August 2020	Harrogate Homeless Project Ltd TD Bank Europe Ltd	
Jonathan Westhoff BA (Hons) Financial Services, FCMA, CGMA, ACIB Age 60	Chief Executive	5 May 2009	West Bromwich Commercial Ltd West Bromwich Homes Ltd West Bromwich Mortgage Company Ltd Insignia Finance Ltd White Label Lending Ltd	West Bromwich Building Society Foundation Livv Maintenance Ltd Livv Homes Ltd



All Directors are members of the Society. None of the Directors have at any time in the year, or at the year end, any beneficial interest in shares or debentures of any associated body of the Society.

Service contracts

Our policy in relation to the duration of contracts for the Executive Directors is that their contract would normally continue until termination by either party, subject to the required notice or until retirement. The service contract is terminable with 12 months' notice if given by us or six months' notice if given by the Director. Jonathan Westhoff entered into his contract as Chief Executive on 25 May 2011, Alex Pawley entered into his service contract as Chief Financial Officer on 1 January 2023, Manjit Hayre entered into his service contract as Chief Risk Officer on 1 September 2021 and Martin Boyle entered into his service contract as Chief Operating Officer on 3 April 2023, on this basis. For further details of the Executive Directors' service contracts, see the Remuneration Committee report on pages 68 to 76. Documents may be served on any of the above-named Directors at the following address: Addleshaw Goddard, 3 Sovereign Square, Sovereign Street, Leeds, LS1 4ER.

Senior management	Role	Group directorships
Alex Windle BA (Oxon), MSt. (Oxon)	Chief Customer Officer	
John McErlean MIIA, FIIA	Chief Internal Auditor	
Sophie Pazzaglia BSc (Hons), FCCA, ACG	Chief People Officer and Group Secretary	West Bromwich Building Society Foundation Secretary White Label Lending Ltd

Glossary



Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears

Money due from a customer that has fallen behind, or not met, their mortgage payments.

Asset backed securities (ABS)

Debt securities made by pooling assets such as mortgages or loans and turning them into financial instruments where investors receive payments from the money generated by these assets.

Basel III

An international framework for capital and liquidity adequacy, designed to strengthen the global financial system.

Capital

Capital, most of which comes from profits we have made in the past, provides a safety net to absorb losses that the Society could make in the future, as well as allowing us to grow and invest in the Society for the benefit of our customers.

Capital ratios

A capital ratio is a measure of financial strength that compares capital to risk-weighted assets or, in the case of the leverage ratio, to the leverage ratio exposure.

Capital Requirements Regulation (CRR)

Rules, setting out capital and liquidity requirements, which regulators use to supervise us.

Closed commercial loan book

Up to 2008 we provided mortgages on commercial properties. Our 'closed commercial loan book' is made up of the mortgages that are still open today.

Commercial lending

Mortgages extended to businesses to purchase commercial properties.

Common Equity Tier 1 (CET 1) capital

Common Equity Tier 1 (CET 1) capital is the highest quality regulatory capital as it will fully absorb losses. Most of our CET 1 comes from retained profits the Society has made in the past.

Common Equity Tier 1 ratio

Common Equity Tier 1 (CET 1) ratio is the CET 1 capital shown as a percentage of risk-weighted assets, showing the financial strength of the Society.

Contractual maturity

The date when a loan, bond, mortgage or financial agreement must be fully paid off.

Core Capital Deferred Shares (CCDS)

A form of Common Equity Tier 1 (CET 1) capital issued by building societies.

Debt securities in issue

Debt securities in issue are certificates/notes representing loans from external investors to the Society.

Deferred tax assets

Deferred tax assets can be used to reduce our tax charges in future years. They come from timing differences between accounting and tax rules. Certain deferred tax assets do not count towards regulatory capital so must be subtracted when calculating regulatory capital resources.

Derivative financial instruments

A derivative financial instrument is a contract whose value depends on an underlying asset or index. Interest rate swaps are a type of derivative financial instrument used by the Society to manage market risk. They involve the swapping of one stream of future interest payments for another.

Effective interest method

The method used to measure the carrying value of a financial asset or a liability and to allocate the respective interest income or expense. The calculation includes all amounts paid or received that are integral to the contract.

Encumbered assets

Assets held on the Statement of Financial Position which have been used as security for funding or otherwise pledged.

Environmental, Social and Governance (ESG)

Standards that measure a company's impact on the world. Environmental looks at sustainability, Social focuses on people and communities, and Governance checks how a company is run. It's about doing good while doing business.

Equity, Inclusion, Diversity (E,I,D)

A framework which ensures fair treatment and opportunity for all. It aims to eradicate prejudice and discrimination on the basis of an individual's or group of individuals' protected characteristics.

Expected credit loss (ECL)

The amount of money a lender can expect to lose if a borrower defaults on a loan. The calculation accounts for potential future losses under different scenarios.

Exposure at default (EAD)

An estimate of the outstanding balance on a financial asset at the time of default.

Fair value

The value an asset or liability could be bought or sold for in current market conditions, where the buyer and seller freely agree on the price.

Fair value through profit or loss (FVTPL) assets

Financial assets held at fair value in the financial statements, any profit or loss arising from the change in fair value is recognised in the Income Statement.

Fair value through other comprehensive income (FVOCI) assets

Financial assets held at fair value in the financial statements, any profit or loss arising from the change in fair value is recognised through other comprehensive income.

Financial Conduct Authority (FCA)

The conduct regulator for financial services firms in the UK, with objectives to protect consumers and financial markets and to promote competition.

Forbearance

This is where the Society agrees temporary measures to support a mortgage customer because they are experiencing financial difficulty. This can take several forms such as temporarily reducing mortgage payments.

Funding limit

At least 50% of a building society's funding must come from member savings. This means no more than 50% can come from other sources, known as the "funding limit".

General Data Protection Regulation (GDPR)

A legal framework providing guidelines for the collection and processing of personally identifiable data within the UK and EU. This ensures organisations processing personal data do so in a transparent and responsible manner.

House Price Index (HPI)

The measure of the change in house price, in percentage terms, from a specific start date.

IFRS 9 transitional arrangements

IFRS 9 was a new set of accounting rules first implemented in 2018. Transitional arrangements allow for the impact of these rules on our capital to be spread over a number of years, ending this financial year.

Impaired loans

Impaired loans are those which meet the Society's default criteria and have been allocated to Stage 3 under IFRS 9 rules.

Impairment provisions

Where we believe we may not receive the full amount due on a mortgage back from the borrower, an impairment provision is created for the expected shortfall. The creation, or increase, in our impairment provision is an impairment cost to the Society.

Intangible assets

Intangible assets have value but no physical substance. For the Society, intangible assets are either purchased or internally developed software. They do not count towards regulatory capital so must be subtracted when calculating regulatory capital resources.

Internal Capital Adequacy Assessment Process (ICAAP)

Our internal assessment of the capital we need in relation to current and future risks, including capital to withstand a severe but plausible stress scenario. The PRA uses our ICAAP to set our regulatory capital requirements.

Internal Liquidity Adequacy Assessment Process (ILAAP)

Our internal assessment of the liquidity we need to meet our cash flow needs under a range of stressed conditions. The PRA uses our ILAAP to inform our regulatory liquidity requirements.

Investment securities

Tradeable assets, where the holder is due to receive a payment from a bank, public body or other institution.

Law of Property Act (LPA) Receiver

A receiver appointed to manage a property, held as security for a mortgage, where the contractual terms of the mortgage have not been met.

Lending limit

At least 75% of a building society's business assets must be residential mortgages. This means no more than 25% of business assets can be in other forms, known as the "lending limit".

Leverage ratio

Tier 1 capital shown as a percentage of the leverage ratio exposure, showing the financial strength of the Society without measuring risk.

Leverage ratio exposure

The value of our assets, including off-balance sheet items (like mortgage offers) and regulatory adjustments but without any adjustment for risk.

Liquid assets

Assets that are cash or easily converted to cash. For the Society, liquid assets include cash in hand and balances with the Bank of England, loans and advances to credit institutions and investment securities.

Liquidity coverage ratio (LCR)

A regulatory measure which requires banks and building societies to hold enough liquidity to meet their needs for a 30 day period under severe stress conditions.

Loan to Value (LTV)

A ratio which expresses the balance of a mortgage as a percentage of the value of the property on which it is secured. The Group calculates residential mortgage LTV on an indexed basis. The value of the property is updated on a quarterly basis to reflect changes in the House Price Index (HPI).

Loans past due / past due loans

Loans on which payments are overdue including those on which partial payments are being made.

Loss given default (LGD)

The difference between exposure at default (EAD) and the net amount expected to be recovered on a defaulted loan, expressed as a percentage of EAD.

Management expense ratio

This is the cost of running the Society (our administrative expenses) compared to our assets.

Management expenses

Management expenses represent administrative expenses plus depreciation and amortisation. The management expenses ratio is calculated as management expenses expressed as a percentage of mean total assets.

Mean total assets

Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Member

A person who has a share investment or a mortgage loan with the Society.

Mortgage backed securities (MBS)

Debt securities that are made up of a group of mortgage loans. Investors in these securities receive payments from the money generated by the mortgages.

Net interest income/Net interest receivable

This is the difference between the interest earned by the Society (mainly the interest we receive on mortgage lending) less the interest paid on our funding (mainly the interest paid to savers).

Net interest margin

Net interest income as a percentage of mean total assets.

Net Promotor Score (NPS)

A measure of how likely a customer is to recommend our products and services. The NPS ranges between -100 and +100.

Non-recourse finance

Funding secured by collateral (such as an underlying pool of mortgages) where, if the borrower defaults, the lender's recovery is limited to the collateral alone.

Operational resilience

This is the Society's ability to continue operating smoothly during disruptions or unexpected challenges.

Other income

The income received from selling non-mortgage and savings products (e.g. home and contents insurance, investment products, other insurances. It also includes rental income from investment property).

Permanent interest bearing shares (PIBS)

PIBS are a type of share issued by building societies. Our PIBS do not count towards our regulatory capital so we exclude these when calculating our regulatory capital resources.

Prime

Prime mortgages are those granted to the most creditworthy category of borrower.

Principal risks

Principal risks are the categories of risk that have the potential to have the greatest impact on the Society.

Probability of default (PD)

The estimated likelihood, typically expressed as a percentage, that a borrower will fail to meet their debt obligations within a fixed time period.

Probability of possession

If a borrower defaults on a loan, this is the estimated likelihood, typically expressed as a percentage, that a lender will take control of the underlying collateral (such as a mortgaged property)

Profit participating deferred shares (PPDS)

A form of unsecured Common Equity Tier 1 capital, fully cancelled following the Liability Management Exercise completed in April 2018.

Provision coverage

Provision coverage is the impairment provision expressed as a percentage of the asset's carrying value before provisions are applied.

Prudential Regulation Authority (PRA)

The prudential regulator for UK banks, building societies and insurers, with a general objective to promote the safety and soundness of the firms it regulates.

Regulatory capital resources

The total value of Tier 1 and Tier 2 capital.

Renegotiated loans

Loans are classed as renegotiated with the customer's consent, when their terms have changed during the year. Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower.

Residential loans

Mortgage lending secured against residential property

Residential mortgage-backed securities (RMBS)

A type of debt security backed by a pool of residential mortgages. Holders of the RMBS receive payments made from the receipts from mortgage holders.

Retirement benefit asset

The assets of the Society's defined benefit pension scheme are higher than its liabilities. The difference is shown as a retirement benefit asset on the balance sheet but does not count towards regulatory capital so must be subtracted when calculating regulatory capital resources.

Revaluation gain

The increase in the market value of our investment properties during the financial period.

Risk appetite

The articulation of the level of risk that the Society is willing to accept (or not accept) in order to safeguard the interests of its members whilst achieving business objectives.

Risk weighted assets

Risk-weighted assets are the value of our assets (mainly mortgages) adjusted for risk using percentages set by the Prudential Regulation Authority for each asset type. The higher the risk of loss, the higher the percentage.

Royal Institution of Chartered Surveyors (RICS)

A professional body promoting and enforcing international standards in the valuation, management and development of land, real estate, construction and infrastructure.

Securitisation

A process by which a group of assets, usually loans, are grouped together into a pool which is used to back the issuance of new securities. An entity transfers these assets to a structured entity which then issues securities backed by the assets. The Group has established securitisation structures as part of its funding activities.

Shares

Money deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.

Shares and borrowings

The total of shares, amounts due to credit institutions, amounts due to other customers and debt securities in issue, including accrued interest and fair value adjustments for hedged risk.

Significant increase of credit risk (SICR)

A term used in IFRS 9 where quantitative and/or qualitative factors indicate that the credit risk associated with a non-defaulted loan has increased significantly since it was initially recognised in the Statement of Financial Position. Where a SICR has occurred, the loan is categorised as stage 2 requiring the recognition of lifetime expected credit losses.

Solely payments of principal and interest (SPPI) test

An assessment of whether the contractual terms of a financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding. It is used to determine the appropriate measurement basis for the financial asset under IFRS 9.

Stage 1

Financial assets which are not credit impaired and have not experienced a significant increase in credit risk since initial recognition are categorised as stage 1. A provision is made for 12 month ECLs, this is the losses from default events expected to occur within the next 12 months. Assets remain in stage 1 until such time as they meet the criteria for another stage or are derecognised.

Stage 2

Financial assets which are not in default, but have experienced a significant increase in credit risk since initial recognition, are categorised as stage 2. The loss allowance recognised is equivalent to lifetime ECL, being the loss arising from default events expected to occur over the lifetime of the financial asset.

Stage 3

Defaulted or credit-impaired financial assets are categorised as stage 3, requiring recognition of lifetime ECLs.

Sterling Overnight Index Average (SONIA)

A benchmark interest rate that reflects the cost of borrowing in the overnight unsecured sterling money market. It's based on actual transactions and is used as a reference for financial products like loans, mortgages, and derivatives in the UK.

Streamlined Energy & Carbon Reporting (SECR)

A UK government initiative that requires large companies to report their energy use and carbon emissions. It's aimed at improving transparency and encouraging businesses to reduce their environmental impact. SECR is part of the UK's broader efforts to meet climate goals and promote sustainability.

Subordinated liabilities

For the Society, subordinated liabilities are unsecured notes that pay a fixed rate of interest until 2038. They count as Tier 2 capital.

Taskforce on Climate-Related Financial Disclosures (TCFD)

A global framework for companies to disclose climate-related financial risks and opportunities. The TCFD helps businesses report how climate change could affect their operations, helping investors make more informed decisions based on sustainability factors.

Term Funding Scheme with additional incentives for SMEs (TFSME)

A monetary policy tool used by the Bank of England, providing term funding to banks and building societies with the aim of promoting UK lending growth.

Tier 1 capital

Tier 1 capital is the total of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital. As we currently have no AT 1 capital, our Tier 1 capital is the same as our CET 1 capital.

Tier 1 ratio

Tier 1 capital shown as a percentage of risk-weighted assets, showing the financial strength of the Society.

Tier 2 capital

This is a type of debt that, in certain circumstances is available to absorb losses, therefore protecting savers of the Society. This is part of the Society's regulatory capital.

Tier 2 subordinated debt

This is a form of Tier 2 capital. For the Society, Tier 2 subordinated debt comprises unsecured notes that pay a fixed rate of interest until 2038. During the year ended 31 March 2024, the Society bought back the majority of its Tier 2 notes, incurring a one-off cost but reducing ongoing interest costs.

Total Capital Requirement (TCR)

The minimum amount of capital the Society is required to hold, set by the PRA and informed by the ICAAP.

Wholesale funding

Funding raised by financial institutions by borrowing from other banks or investors, rather than from individual customers.

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

Head Office: 2 Providence Place, West Bromwich B70 8AF
www.westbrom.co.uk

Registered Number: 651B

Calls and electronic communications may be monitored and/or recorded for your security and may be used for training purposes. Your confidentiality will be maintained.

West Bromwich Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Register No: 104877. 'the West Brom' and 'West Brom Building Society' are trading names of West Bromwich Building Society.