



ANNIVERSARY

— 1849 - 2024 —

Business Review

(including Summary Financial Statement)

Year ended 31 March 2024



Key highlights of the 2023/24 financial year include:



NEW MORTGAGE LENDING

£1.1 billion

£1.1bn in new mortgage lending (2022/23: £0.7bn) including a record amount of home ownership lending. This included supporting 4,684 (2022/23: 3,413) first-time buyers, an increase of nearly 40% year on year.



£38.6m

Savers were rewarded with rates, on average over the year, more than one third higher than the market average¹, equivalent to a savings member mutual benefit of £38.6m (2022/23: £33.2m)



BORROWERS SAVED

£1,600

Our market-first approach to Differentiated Standard Variable Rate (DSVR) provides existing borrowers, with a greater proportion of equity in their homes, a reduced rate at the end of their mortgage deal. This means a DSVR borrower at the West Brom would save circa £1,600² a year for each £100,000 borrowed compared with an average market SVR³.



Common Equity Tier 1 (CET 1)

17.8%

Strong capital position maintained with a Common Equity Tier 1 ratio of 17.8% (2022/23: 18.7%) Leverage Ratio of 7.5% (2022/23: 7.9%).



PROFIT BEFORE TAX

£32.1m

The capital strength was supported by a statutory profit before tax of £32.1m (2022/23: £31.8m), driven by strong net interest income. Underlying profit, which excludes one off items, increased by over 40% to £37.2m (2022/23: £26.2m)



AWARD WINNING

Achieved national recognition, winning First Time Buyers' Choice and Best Customer Service at the Moneyfacts Consumer Awards. Awarded the 5 Star Service accolade at the Financial Adviser Service Awards for the 6th year in a row.



95%

customer satisfaction

Net Promoter Score® (NPS)⁴ increased to +75 (2023/24: +74) with customer satisfaction remaining at 95% (2023/24: 95%).



WEST BROMWICH BUILDING SOCIETY FOUNDATION

Established in November 2023 to support local people and community causes that are aligned to the Society's core purpose.



BEYOND LIVING WAGE AWARD

Achieved the 'Beyond Living Wage' award this year in recognition of the high standard of our employment practices, primarily our commitment to going above and beyond the Living Wage accreditation.

¹ Average market rates sourced from Bank of England Bankstats table A6.1 March 2024.

² Interest saving in first year by borrower with less than 75% Loan to Value.

³ Average market reversion rate of 8.18% sourced from Moneyfacts March 2024.

⁴ Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld.

Chief Executive Officer's Review

The strong performance of 2023/24 was delivered despite the economic challenges and geo-political uncertainty.

A combination of rising interest rates and high inflation has meant that cost of living pressures remain elevated, and the challenges facing prospective home buyers continue to be well-documented, although towards the end of the period interest rates edged above inflation, offering the chance to achieve returns for savers that increased the true value of their savings.

It is in this environment that our focus has been to balance the value we can deliver as a purpose-led customer owned building society to both sets of members; our savers and our borrowers. Of course, the most tangible form

of value we can provide is through the rates we offer, but in addition to this we're incredibly proud of the quality of service and support we have delivered for our members.



RESIDENTIAL MORTGAGE
LENDING EXCEEDS

£1 billion

This year has seen us hit a significant milestone, exceeding the £1 billion level for new residential mortgage lending across the financial year, an increase of 54% year on year compared with a market fall of circa 27% over the same period. This means that since April 2023 we've helped another 7,161 (2022/23: 4,901) customers with their home ownership ambition, a 46% increase from the previous financial year. For our savings customers, who provide the funding that enables us to help so many have the security of home ownership, we continue to provide value by delivering average interest rates that are 36% above the market average - a measurable member benefit of £38.6m.

It is during times of instability that the true value of a purpose-led organisation can shine through, and whilst we now embark on significant plans to develop the Society for the future, our Purpose upon which we were founded 175 years ago still, and always will, remains at our core.

“Our commitment to doing the right thing, not just the easy thing, has always been important to us.”

Jonathan Westhoff,
Chief Executive Officer

Our purpose-led activities

As our Society grows, so do the ways in which we support our members. We're proud to be leading the charge on a number of tangible benefits for our borrowers, including initiatives such as our market-first approach to Differentiated Standard Variable Rate (DSVR) and not charging arrears fees for anyone struggling to meet their monthly mortgage payments. In the true spirit of mutuality, where members become financially vulnerable, our focus is on providing support rather than burdening them with additional charges.

We were delighted to achieve our ambition of being a £1bn lender this year, but what makes this even more impactful is knowing that 4,684 (2022/23: 3,413) of purchase mortgages were for first-time buyers, with 38% (2022/23: 33%) of these first-time buyers using shared ownership, a vital route for those that cannot yet afford a traditional route out of rental and into ownership. These figures demonstrate our ongoing commitment to helping people own their own home and change the difficult landscape that so many people can face on their journey to home ownership.



THIS YEAR WE WELCOMED
NEW SAVERS WHO DEPOSITED

£570m

Enabling these members to become homeowners is a direct result of the savings deposited with us by our savers. This year we welcomed 10,250 new savers to the Society, attracting £570m in new savings, up 30% on last year, through a highly competitive range of notice products, with ISA options to help our customers maximise their tax-free savings.

Our commitment to doing the right thing, not just the easy thing, has always been important to us, but this year saw us achieve recognition for this on a national scale when we took home two accolades at the annual Moneyfacts Consumer Awards – First Time Mortgage Buyers' Choice and the prestigious Best Customer Service award. These awards mean a great deal to us as they are voted for by customers, reflecting their true experiences with household and personal finance providers, and it was fantastic for our colleagues to receive this level of recognition for the hard work they put in, day in day out.

This year also saw the introduction of the Consumer Duty regulation, as well as the launch of the Government's Mortgage Charter, of which we are a signatory. Whilst both raise the bar for governance across the industry, which we welcomed as a Society, we will always strive to go above and beyond standard practices to ensure our members receive the products and services they deserve.

The autumn of 2023 saw us embark on a major strategic review which will look to enhance and strengthen the Society for the future by intensifying our purpose-led approach in an increasingly digital world. We have already made investments across both our people and our technology as we begin to shape what the next era of the West Brom will look like, reaching customers who increasingly prefer digital channels, whilst continuing to be there for our members across our long-standing channels, in branch and by telephone.

Whilst this digital transformation will be a key development for us over the coming months and years, our branches remain at the heart of the Society. In 2023 we made a further investment into our branches through the installation of digital screens and signage, allowing us to not only showcase a wider variety of our products and services to customers, but also update crucial information, such as rate changes, far more quickly.

Building on our financial strength

Once again, the Society has demonstrated a strong financial performance, continuing to build its strength and resilience, underpinning our ability to pursue our commitment to support our current and future members.

A strong performance in the year saw statutory profit before tax increase marginally from the prior year, to £32.1m (2022/23: £31.8m). This strong performance afforded us the opportunity to buy back the majority of our Tier 2 debt, at a one-off cost of £5.1m, which is included in the statutory profit. Whilst this results in a charge this year, this will save £2.2m of interest cost per annum going forwards.

On an underlying basis, after excluding this one-off cost and, in the prior year the benefit of a one-off recovery of costs previously written off, profit increased by 42% to £37.2m (2022/23: £26.2m).

Our continued profitability and management of risk contributes to our overall financial resilience. Our Common Equity Tier 1 (CET 1) capital ratio, a key measure of capital, remained strong at 17.8% (2022/23: 18.7%). This capital position provides the capacity to support investment in future capabilities and help more people into home ownership.

Net interest income

The improved underlying profit has been driven by increased net interest income of £103.6m (2022/23: £83.2m), with a net interest margin of 1.77% (2022/23: 1.42%). As rates increased during the year interest income rose by almost two thirds to £287.0m (2022/23: £174.2m), but we saw a larger relative increase in the interest expense driven primarily by a more than doubling of the interest paid to savers to £142.5m (2022/23: £64.0m).

This meant that the average amount paid to our savings members, increased by 11% (0.88% above the market average, 31 March 2023: 0.79%) resulting in our savers receiving an additional £38.6m in mutual benefit (2022/23: £33.2m).

Management expenses

Management expenses have increased significantly from £45.7m to £59.5m in the current year. The prior year expense was suppressed by the recovery of £5.6m of previously written off costs. The remaining increase reflects the ongoing impact of high inflation and an increase in headcount (from 633 to 701) as we invest in capability to support higher volumes of new lending and to put the foundations in place for the next step of the Society's strategy.

Impairment on loans and advances

Residential impairment

The residential impairment charge for the year was just £0.5m (2022/23: £3.0m charge). Our opening provisions included an allowance for increased defaults from borrowers impacted by an affordability squeeze as interest rates and the cost of living increased. Whilst we have seen an increase in arrears, this has not been material in terms of our owner occupier lending. The primary driver of this increase has been the legacy buy to let book, which is almost entirely made up of loans that directly track Bank Base Rate and hence have perhaps experienced the most significant impact of interest rate increases. Whilst the economic outlook remains somewhat uncertain we continue to use a number of overlays to cover this affordability risk and the potential overstatement of house price inflation in recent years.

Commercial impairment

Commercial impairment charges decreased in the year to £14.2m from £21.1m in 2022/23. After adjusting for the offsetting movements in derivatives held to hedge the impact of changes in interest rates, the net charges were £16.6m and £18.0m for the current and prior year respectively.

The commercial property sector remains exposed to changes in the wider economic climate and we continue to make appropriate provisions against our exposures, resulting in commercial provision balances of £92.1m (2022/23: £79.2m), which represents 41.2% of the current loan book (2022/23: 33.8%).



The majority of the Group's commercial portfolio comprises loans to the retail sector. Provision coverage against loans to the retail sector has increased to circa 52.3% from circa 40.4% in the prior year.

All commercial lending was originated at least 15 years ago and we continue to manage the exit from this sector with a reduction in gross exposures of 4% in the year (2022/23: 33%).

Supporting our colleagues and communities

We're committed to providing our colleagues with a rewarding and enjoyable place to work, fostering a culture where every person can see and feel the difference they are making to the Society and to our members.

We know that the uncertainties faced by our members will also be a reality for some of our colleagues, which is why we have a number of support networks in place to help anyone who may be struggling, such as our Financial Hardship Fund and access to health and wellbeing advice through our Employee Assistance Programme.

We were thrilled to achieve the 'Beyond the Living Wage' award this year, in recognition of the high standard of our employment practices and our commitment to going above and beyond the Living Wage accreditation, and we will aim to continue to set an example for other businesses both in our sector and beyond.

Alongside supporting our colleagues with their financial wellbeing, we're also committed to ensuring that every colleague feels confident being their true self at work. Through our dedicated equity, diversity and inclusion (ED&I) network, Connect, we aim to recognise, celebrate and learn from colleagues of all backgrounds. This year we have focussed on ensuring we celebrate, acknowledge and raise awareness of multiple religions, cultures and special events. We've also established a number of focus groups/networks for colleagues to join including the LGBTQ+ and Black Colleagues networks. Both groups enable us to bring an independent listening ear and create a comfortable environment for our colleagues to speak freely and share vital information to help drive change and create better outcomes for our colleagues and members.



We continue to work closely with a number of charities and good causes, on both a national and local scale, and we are immensely proud to hit the milestone of raising over £1m for the Birmingham Children's Hospital through our dedicated Red Balloon Appeal Account, which has been open to members for the last 16 years.

£1 million
RAISED FOR BIRMINGHAM
CHILDREN'S HOSPITAL

We also continued to support our corporate charity partner, Barnardo's, turning all of our branches into donation points for pre-loved clothing for one week in November as part of the global Giving Tuesday campaign, as well as raising over £9,500 for the charity throughout the year through events and volunteering.

For the past decade we have provided financial education sessions for local children, and last year colleagues from across our branch network held workshops for over 1,800 children across 28 local schools. We believe that every child should have the same opportunity to learn about money and we have therefore introduced tailored sessions to support college students and children with special educational needs. The expansion of the programme now means that we have achieved our ambition of being able to offer financial education to any child within an education setting, and we look forward to growing the initiative even further over the next year.

The ongoing work that we do to support both colleagues and communities is something we have always been incredibly proud of at the West Brom. Therefore, to acknowledge this, last year we published our first Impact Report, 'Building a Fairer Future', which goes into further detail on the above examples, as well as the many other ways in which we have positively impacted our members, communities, colleagues and the environment.

Outlook

The last few years has seen us navigate a sea of change across the wider industry and indeed, the economy, and we know this is unlikely to change as we head into our next financial year. However, our strong capital position and financial resilience will continue to support us through any uncertainties and as always, we remain guided by our Purpose to help more people own their own home and save for the future.

We now have a particularly momentous year ahead of us, as we celebrate 175 years of the Society. It therefore feels fitting that, whilst we look back at our rich history, we also look ahead at how we can reshape our strategy

to meet the evolving needs of our members. Over the coming year, and beyond, we'll bring to life the next generation of the West Brom for both our colleagues and our members, enhancing the Society for the future whilst staying true to our Purpose which underpins all that we do.

In closing I add my thanks to our members for their loyalty and my colleagues for their dedication. The Society's significant progress is founded on that loyalty and dedication.

Jonathan Westhoff
Chief Executive Officer

30 May 2024



Summary Financial Statement

Year ended 31 March 2024

This Financial Statement is a summary of the information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to members and depositors free of charge on request at every office of West Bromwich Building Society.

Summary Directors' Report

The information contained in the Chief Executive Officer's Review on pages 3 to 8 of this document addresses the requirements of the Summary Directors' Report.

Summary Financial Statement	2024 £m	2023 £m
Group results for the year		
Net interest receivable	103.6	83.2
Other income and charges	5.7	5.8
Fair value (loss)/gain	(0.4)	6.6
Administrative expenses	(59.5)	(45.7)
Operating profit before revaluation gains, impairment, provisions and cost on debt buyback	49.4	49.9
Gains on investment properties	2.5	6.0
Impairment losses	(14.7)	(24.1)
Cost on debt buyback	(5.1)	-
Profit before tax	32.1	31.8
Taxation	(7.7)	(5.6)
Profit for the year	24.4	26.2

	2024 £m	2023 £m
Group financial position at end of year		
Assets		
Liquid assets	929.4	986.6
Mortgages	4,785.1	4,370.3
Derivative financial instruments	61.8	100.5
Fixed and other assets	213.4	231.9
Total assets	5989.7	5,689.3
Liabilities		
Shares	4,670.6	4,306.3
Borrowings	825.2	889.3
Derivative financial instruments	12.8	6.7
Other liabilities	34.3	33.6
Subordinated liabilities	2.1	22.9
Core capital deferred shares	127.0	127.0
Subscribed capital	7.8	7.8
Reserves	306.7	292.4
Revaluation reserve	3.2	3.3
Total liabilities	5,989.7	5,689.3

Summary of key financial ratios	2024 %	2023 %
Gross capital		
As a percentage of shares and borrowings	8.13	8.73
Liquid assets		
As a percentage of shares and borrowings	16.91	18.99
Profit for the year		
As a percentage of mean total assets	0.42	0.45
Management expenses		
As a percentage of mean total assets	1.02	0.78

'Gross capital' represents the aggregate of general reserves, revaluation reserve, fair value reserve, subscribed capital, subordinated liabilities and core capital deferred shares.

'Shares and borrowings' represent the total of shares and borrowings, in each case including accrued interest.

'Management expenses' represent administrative expenses.

This Summary Financial Statement was approved by the Board of Directors on 30 May 2024.

John Maltby
Chair

Jonathan Westhoff
Chief Executive Officer

Alex Pawley
Chief Financial Officer

Independent auditors' statement on the Summary Financial Statement to the members of West Bromwich Building Society

We have examined the Summary Financial Statement of West Bromwich Building Society (the 'Society') set out on pages 9 to 10, which comprises the Summary Directors' Report, Group results for the year, Group financial position at end of year and summary of key financial ratios.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Business Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Chief Executive Officer's Business Review and Directors' Remuneration Report.

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance with Section

76 of the Building Societies Act 1986 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 statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those Annual Report and Accounts, Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Report and Accounts, the Annual Business Statement and the Directors' Report of West Bromwich Building Society for the year ended 31 March 2024 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Birmingham
30 May 2024



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