



**West Brom**  
Building Society

# For life in the making

West Brom Building Society  
Annual Report and Accounts

For the year ended 31 March 2026

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# Our highlights

of the 2025/26 financial year include:

## 54% increase in new savers

We welcomed 21,119 new savers (2024/25: 13,706), an increase of 54%. Our competitive savings rates meant our savers' money worked harder, averaging 28% (2024/25: 30%) above the market<sup>2</sup>. In real terms, that added up to £37.4m (2024/25: £41.8m) more in savers' pockets than if they'd been on average market rates.



Certified  
  
Corporation

### B Corp certified

We've achieved B Corp™ certification, an independent recognition of being a purpose-driven business, that reflects our high standards in social and environmental responsibility, transparency and accountability.



## Award winning

We were recognised for giving outstanding support to first-time buyers with the First-Time Mortgage Buyers' Choice award. We were also named Best Variable Rate Cash ISA provider at the Moneyfacts Awards, highlighting our dedication to help savers make the most of their tax-free allowance.



## 72%

### of all new homebuyer mortgages went to first-time buyers

This year, 85% (2024/25: 84%) of new mortgages were for homebuyers, of which 72% (2024/25: 66%) went to first-time buyers. This helped 5,509 (2024/25: 6,267) customers into their first home.



## New mortgage lending

We've maintained new lending for homeownership at over £1bn (2024/25: £1.3bn) as we continue to help people with a range of mortgage solutions to buy their home.



## £1.1 bn

# Supporting our community

Together our customers, colleagues and Society have contributed £49,795 (2024/25: £49,266) to support local charities and community causes, with 1,891 hours (2024/25: 1,894 hours) volunteered on community projects.



# Outstanding customer experiences

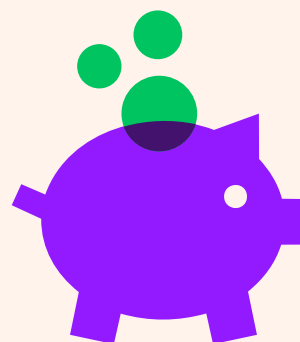
We're committed to delivering exceptional customer experiences and have retained our Feefo Gold Trusted Service Award 2025 for another year.



# £5.6 billion

## in savings balances

Our savers' balances grew to £5.6bn (2024/25: £5.1 bn), a 10% uplift on last year.

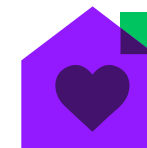


## Borrowers saved around

# £1,200 a year

Our market-first approach to Standard Variable Rate (SVR) means existing customers who have a higher amount of equity in their homes benefit from a reduced rate at the end of their mortgage deal. On average, an SVR mortgage customer at the West Brom would save around £1,200 (2024/25: £1,300) a year compared with the average market SVR<sup>1</sup>.

# West Bromwich Building Society Foundation



Our independent charitable foundation has supported a range of initiatives including donating £450,000 to its partnership with Barnardo's to create five Gap Homes for vulnerable young people and £15,000 to support the YMCA Safe Space Youth Café.

# CET 1 ratio of 17.2%

Profit before tax of £33.6m (2024/25: £36.5m), supported our financial resilience with a Common Equity Tier 1 (CET 1) capital ratio of 17.2% (2024/25: 17.1%). This capital strength is important because it lets us support more people to buy their own homes and means we can continue to invest in modernising our digital and technology estate.



# T

## Best Places to Work

### The Sunday Times Best Places to Work 2026

Named in the Sunday Times Best Places to Work in 2026, an achievement that reinforces our commitment to creating a positive, supportive, and rewarding culture for our colleagues.



<sup>1</sup> Based on the average loan balance for a Society SVR borrower at 31 March 2026. Average market reversion rate of 7.13% sourced from Moneyfacts March 2026. Average Society rate based on SVR borrowers as at 31 March 2026.  
<sup>2</sup> Average market rates sourced from Bank of England Bankstats table A6.1 March 2026.



# Strategic report

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



# Chair's welcome



Fellow members, I am pleased to report that our Society continues to perform well despite another challenging year in the UK and across the world.

There were some signs of gradual improvement for the UK economy, marked by easing inflation and improved affordability in homeownership, however, the conflict in the Middle East has once again demonstrated that no major economy is immune from global events. As a result the cost of borrowing increased sharply as the markets anticipated rising inflation and interest rates, a complete change from the previous expectation of reductions throughout the second half of 2026. At the time of writing, we are yet to see whether market fears have turned to reality, which simply means we remain in a period of uncertainty.

Despite the evolving external market, our Society is well placed to continue to support members, both current and future, given our financial and operational strength. This has been built and maintained over many years, enabling us to continue delivering stability during periods of change. Critically, that strength also allows us to continue our ambitious investment in a digital technology platform that will keep us relevant for future generations.

Above all else, the one constant that remains is our Purpose to support the financial wellbeing of our members. By providing a safe and good return on the savings they entrust with us, and by promoting homeownership, our Purpose has never felt more relevant. I am proud that our Society has continued to deliver, with a particular focus on helping first-time buyers and those who need the most support. It is a strong reminder of the important role mutual organisations play in today's housing market.

During the year, we saw several changes to our Board. Julie Hopes and Lynne Shamwana stepped down from their roles, and I would like to thank each of them for their service and contribution to the Society. We were also pleased to welcome new Board members, Lynne Atkin, as Chair of the Remuneration and People Committee, and Phillip McLelland, as Chair of the Audit Committee. Lynne brings extensive senior leadership experience from across the financial services sector, including her time as HR Director at Barclays Bank UK. Phillip brings a breadth of finance expertise, and non-executive experience within the building society sector. We also welcome Russell Galley back to the Board, bringing with him a wealth of knowledge and expertise from across the banking sector, including with Lloyds Banking Group.

As ever, I want to express my appreciation and thanks to those who have stepped down for the expertise, insight and commitment they brought to their roles, and to welcome those who have joined us. The strength and balance of our Board remain central to ensuring the Society continues to operate with strong governance, effective oversight and clear strategic direction.

As we enter the new financial year from a position of significant strength, we are well placed to build on the positive momentum of recent years. While the mortgage and savings markets will remain highly competitive, we are confident in our ability to grow sustainably, continuing to deliver value and high-quality service to members.

Our strategy reflects this confidence. We continue to invest in our people, processes and technology to ensure our Society remains modern, resilient and equipped to meet evolving member needs. As our digital transformation progresses, our focus remains on ensuring that the decisions we make today secure our long-term success and support future generations of members.

Regardless of the external environment, we know exactly where we need to focus our efforts. We will continue to put customers at the heart of what we do, providing straightforward, good-value products and helping to make homeownership more achievable.

On behalf of the Board, I would like to thank our members for their continued trust, and our colleagues for the dedication, care and professionalism they bring to their work every day.

**John Maltby**  
Chair  
28 May 2026



# CEO's review



## Delivering our Purpose with focus and resilience

As outlined in the Chair's welcome, our Society once again performed strongly, delivering a sustainable, member-owned business model while remaining steadfast in our commitment to our Purpose. We are proud to have helped thousands move into homeownership, while delivering meaningful value to the savers who continue to place their trust in us.

We helped 5,509 (2024/25: 6,267) first-time buyers purchase their own homes, with 1,407 (2024/25: 2,075) choosing shared ownership, a flexible and increasingly important route for those building equity at their own pace. We also continued offering our low deposit mortgage for new build homes, providing another way for first-time buyers to access the housing market with a smaller upfront deposit.

For savers, we continued to deliver excellent value. With our average savings rates sitting above those of the wider market, our savers earned a total of £37.4m (2024/25: £41.8m) more interest than if they'd received the market average<sup>2</sup> savings rate. 21,119 (2024/25: 13,706) new savers joined us this year, a clear demonstration of trust in both our products and our approach.

We welcome the launch of the Government's new Social and Affordable Homes Programme (SAHP), designed to increase the supply of social and affordable homes over the coming decade. Its long-term structure provides welcome clarity for housing providers, and we look forward to seeing how it develops in practice. Yet affordability remains a significant hurdle for many aspiring homeowners, and it is here that our Purpose has the greatest impact, helping people overcome these barriers and take their first steps into a home of their own.

## Delivering sustainable financial strength

Despite external pressures in the market, we delivered a strong financial performance. Homeownership lending of £1.1bn (2024/25: £1.3bn) was supported by a 10% increase in savings balances from £5.1bn to £5.6bn. Profit before tax of £33.6m (2024/25: £36.5m) has helped maintain our capital strength and enables us to continue to help more people own their own home.

## Putting customers first

Our continued focus on supporting aspiring homeowners and delivering excellent service has been recognised once again. We received the First Time Mortgage Buyers' Choice award for the third year running and were highly commended as ISA Provider of the Year at the Moneyfactscompare.co.uk Awards 2026. We were also named Best Variable Rate Cash ISA Provider at the Moneyfacts Awards, reinforcing our commitment to helping savers make the most of their tax-free allowance.

Customer experience remains central to our approach. Our combination of competitive products, strong service and our mutual ethos continues to resonate with both members and brokers, which is demonstrated by our retention of the Feefo Gold Trusted Service Award for a second consecutive year.

## Strengthening communities

With strong local roots, we remain committed to supporting the communities across our heartlands. This year we strengthened our local presence by opening five branch spaces to groups, enabling events such as financial education sessions, wellbeing support and activities including weekly

meet ups hosted by Talkin' Tables, a discussion group aimed at reducing loneliness and building social connection.

We also used our branch network to deliver fraud and scam awareness sessions, helping us connect more effectively with the diverse communities we serve.

Our longstanding partnership with Jericho Foundation, a charity that supports those facing extreme barriers to employment, continues to make a meaningful difference. Through the generosity of colleagues and customers, we raised over £12,600 to support employment programmes that help those facing these barriers to build a more secure future. This was part of over £30,300 donated to charities, community groups and local causes by our Society, colleagues and customers. Additionally, through the Mercian Community Trust grant scheme, we awarded over £19,400 to more than 50 organisations, supported by our Community Account holders.

We were also named in the Sunday Times Best Places to Work 2026, recognition that reflects our commitment to creating a positive, supportive and rewarding culture for our colleagues.

## Recognised for being a 'better business' – becoming a B Corp™

This year we achieved B Corp certification, an independent recognition of being a purpose-driven business, reflecting our high standards in social and environmental responsibility, transparency and accountability. Becoming a B Corp reflects who we are as a mutual: an organisation focused on long-term value for members, colleagues and communities, not shareholders. It marks an important milestone for our Society and strengthens the principles that guide how we operate and the impact we aim to have.

## Driving our technology transformation

We have made significant progress with our technology transformation programme over the past 12 months. Working with Deloitte and 10x, we moved from planning into delivery. Our priority is the launch of a new 'digital app' for savings later this year, enabling customers to manage their savings more easily and giving us a flexible foundation for introducing new products in the future.

This marks an important step in our investment programme to modernise our technology and build a capability that will support better service, greater choice and stronger operational resilience in the years ahead.

## Moving forward

Looking ahead, competitive and economic pressures are likely to continue, including cost pressures that are largely outside our direct control, at a time when we are investing heavily in a more sustainable future.

However, as a mutual organisation, not driven by short-term returns for shareholders, we do not need to scale back investment or constrain our growth. Doing so might deliver a short-term gain, but at a long-term cost. While this approach may reduce the capital generated through profit in the near term, our financial strength, rooted in mutuality, gives us the confidence to make decisions for the long term, focused on the years ahead, not just the next 12 months.

Our strategy remains consistent, to support the financial wellbeing of our customers by offering security and a competitive return on the savings they entrust to us, and by promoting homeownership in all its forms.

I would like to thank all our colleagues across the Society, and our Member and Employee Councils, for their continued dedication and hard work. Above all, I would like to thank our members for their ongoing trust and support.

### Jonathan Westhoff

Chief Executive Officer  
28 May 2026

<sup>2</sup> Average market rates sourced from Bank of England Bankstats table A6.1 March 2026



# Who we are, our vision and values

**We know that solid futures aren't built overnight. They grow through steady steps, good decisions and the right support along the way. We help our customers build the life they want – bit by bit.**

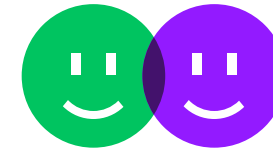
Whether it's owning a home or having savings they can rely on, we've been helping people make it happen for 177 years. We've navigated our fair share of rainy days, and we refuse to let setbacks hold us back. We don't use a one-size-fits all approach. Instead, we dig deeper so that we understand what our customers need from us.

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

Our 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.

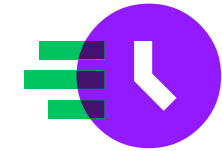
**What we value**

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.



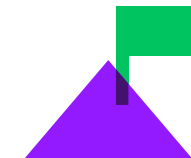
## Do it today

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

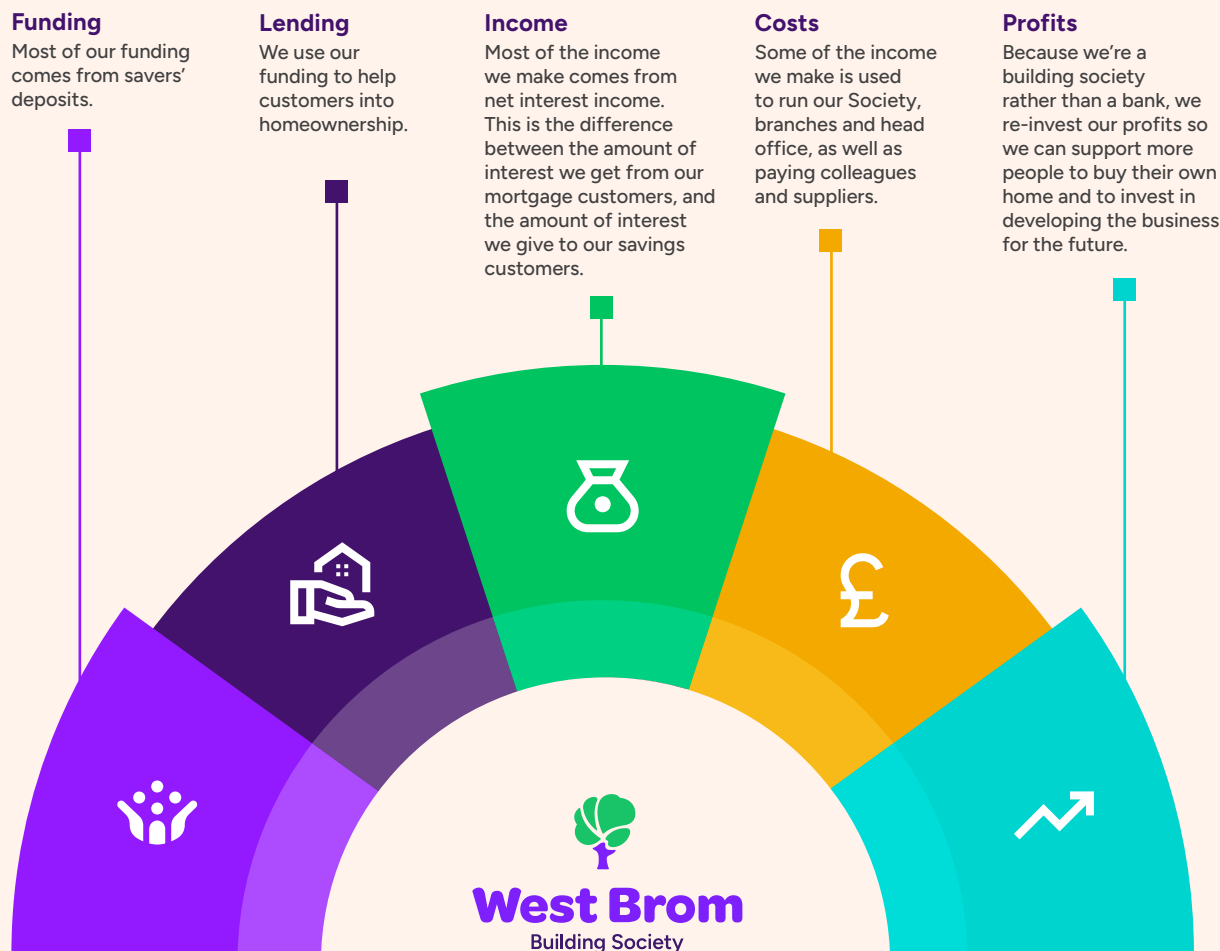
**As a mutual we're owned by our members, who are our customers, not shareholders.**

This means that we focus on doing what's best for customers in the long term, rather than on short-term profits for shareholders. 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 177 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 688 homes. We strive to operate this business to the highest standards as a landlord and support our tenants into owning their homes. These properties contribute to the Society's profit 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've completed the first year of delivering our refreshed strategy, called 'Making Tomorrow'. We'll continue to develop and refine it so we can keep meeting our customers' expectations and reach even more people, especially across our heartlands.

The Making Tomorrow strategy is built on our strengths and is supported by five strategic pillars that guide everything we do.

## The five pillars are:

1

### 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

### Strengthening our communities

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

3

### Our people are customer centric, and purpose driven

Our culture supports our people to be their best and do the right thing for our customers.

4

### 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

### 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 during 2025/26

1

### Help our customers achieve a more secure future

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

#### Building secure futures

This year we've welcomed 21,119 new savers – a 54% increase on last year (2024/25: 13,706). That's more people choosing to put their trust in us to help them build their future. Our competitive savings rates

meant their money worked harder too, averaging 28% (2024/25: 30%) above the market<sup>2</sup>. In real terms, that meant £37.4m (2024/25: £41.8m) more in savers' pockets than if they'd been on typical market rates<sup>2</sup>.

Many of the customers who joined us did so because we offered choice – flexible accounts, strong rates, and products that fit real lives. Helping people feel more secure, more in control, and more hopeful about tomorrow is what drives us, and it's at the heart of everything we do.

Our dedication to helping savers make the most of their tax-free allowance resulted in us being recognised as Best Variable Rate Cash ISA provider at the Moneyfacts Awards.

<sup>2</sup> Average market rates sourced from Bank of England Bankstats table A6.1 March 2026

### Opening the door for first time buyers

Buying your first home is a milestone you never forget, and we're proud to have helped 5,509 (2024/25: 6,267) customers take that step this year. Almost three quarters of all new homebuyer mortgages went to first-time buyers.

We were honoured to be recognised for giving outstanding support to first-time buyers with the First-Time Mortgage Buyers' Choice award for the third year in a row at the Moneyfactscompare.co.uk awards 2026.

### Goodbye rent - Evie and Myles' story

Evie and Myles had previously had some missed payments on their credit card, but that didn't stop them getting a mortgage with us.

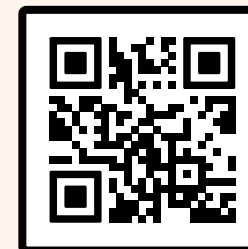
For a long time, life felt like two steps forward and one step back for Evie and Myles. Money was tight, and whatever they managed to save always seemed to disappear again. They'd put a little aside for a deposit, but with old, missed payments and credit histories that weren't perfect, they didn't think buying a home was something they'd ever do.

After a mortgage rejection and an offer in principle from a lender known for bad credit and high rates, things weren't looking great.

They eventually found an adviser who looked at their situation. They didn't fit the "bad credit" box at all, and their adviser suggested trying for a mortgage with the West Brom Building Society.

Evie commented; 'It's good to know that there are lenders out there who are more understanding of people's situations. We were relieved to be able to find someone that offered a good interest rate.'

We were able to give the right support and guidance and offer Evie and Myles a mortgage, and they are now happily settled in their first home together.



Scan here to find out more about Evie and Myles' story



## Shared ownership

For many, shared ownership provided a more affordable route. The Society has championed this form of lending for a number of years and during the year we saw new lenders enter this market, following in our footsteps and broadening the choices available to customers. We're proud of our role in expanding the choices available to customers, but this did mean that we saw our proportion of shared ownership mortgages reduce slightly with 26% of first-time buyers choosing this path versus 33% in 2024/25.

## Our customer first approach

Our market first approach to Standard Variable Rate (SVR) continued to make a real difference. By offering lower rates to customers with more equity in their homes, we apply the same fairness to customers at the end of their mortgage term that we do for new borrowers – saving the average customer around £1,200 (2024/25: £1,300)

a year compared with the average market SVR<sup>1</sup>. It's a simple idea, but one that puts fairness first and sets the West Brom apart from all other lenders.

We were named Best Variable Rate Cash ISA provider at the Moneyfacts Awards, highlighting our dedication to help savers make the most of their tax-free allowance.

Every customer is different, and so is the way they want to be served. That's why we continue to offer choice – online, over the phone, and in our 34 branches, which remain a vital part of how we support our communities.

We measure how likely our customers are to recommend us by using a Net Promoter Score (NPS), which is used across many industries all over the

<sup>1</sup> Based on the average loan balance for a Society SVR borrower at 31 March 2026. Average market reversion rate of 7.13% sourced from Moneyfacts March 2026. Average Society rate based on SVR borrowers as at 31 March 2026.

world. This year our NPS reduced to +54 (2024/25: +76) due to an increase in the number of customers using our current online channels. Customers using these channels expect their experiences to be instant and meaningful and that's why we're investing in our technology to transform digital experiences for our members. Although the score reduced, a score over 50 is still considered good.

## We're listening

Numbers only tell part of the story, the real insight comes from over 1,700 members on our customer panel who share honest feedback that helps us improve. Our customers can also share their experience with us using Feefo, an independent

## Lifetime renter – Julie's story

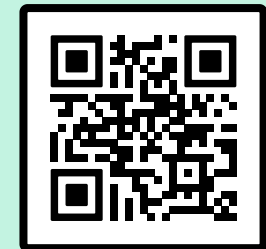
Julie didn't think she'd ever be able to buy her own home until she started researching shared ownership. For most of her life Julie rented her house. She worked three jobs and still couldn't save enough. Every month felt like survival mode, and the fear of not knowing whether she'd have somewhere to live long term weighed heavily - not just for her, but for her daughter too.

Julie commented 'Historically I had a history of bad credit and because of that I thought I was

never going to be able to get a mortgage'. After researching the Shared Ownership website, sifting through mixed opinions, she eventually thought it could be right for her.

Her broker was a lifeline, guiding her through the process and came back with a mortgage option with the West Brom Building Society.

The moment she got the keys, everything changed. For the first time, she felt safe. This wasn't just a place to live. It was *her* home. A fresh start - complete with the joy of choosing her own carpets and even installing her first cat flap!



Scan here to find out more about Julie's story

online review platform. Their feedback earned us the Feefo Gold Trusted Service Award for the second year running and a 4.7 out of 5 star rating – recognition we’re incredibly proud of because it comes directly from the people we serve. Their voices have shaped clearer communications, simpler products and better support for people who find financial information challenging.

## Key performance indicators

We monitor performance and goals using key performance indicators (KPIs). These help us to keep on track with our strategic ambitions. This year we’ve taken a fresh look at our KPIs to make sure they measure what really counts and support the goals behind our strategic pillars.



## Net lending for homeownership

### Measure

Gross residential homeowner lending less repayments of principal and redemptions.

### Performance

2026	£379m
2025	£757m
2024	£549m
2023	-£117m
2022	£116m

Residential homeowner lending grew by £379m despite increasing mortgage market competition and challenging economic conditions. The reduction in growth from prior year was as a result of lower gross residential lending and lower levels of retention of our mortgage book as the accounts came to the end of their incentive periods.



## 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

2026	+54
2025	+76
2024	+75
2023	+74
2022	+81

This year our NPS fell to +54 (2024/25: +76) due to an increase in the number of customers using our online channels where customers expect their experience to be instant and meaningful. A score over 50 is still considered good and we continue to invest in modernising our digital and technology estate.





## Percentage of purpose-led lending

### Measure

Purpose-led lending measures how we are delivering our homeownership purpose. This represents all new lending to first-time buyers and home movers, and remortgages more than 80% loan to value as a percentage of our total new lending.

### Performance



At 89%, the majority of our lending has supported customers with needs aligned to our homeownership purpose. Throughout the year we have continued to support customers with a range of competitive products with specific support for customers looking to own with a smaller deposit through shared ownership or own a brand new home.

We achieved the **Feefo Gold Trusted Service Award**



**Best Variable Rate Cash ISA provider**



at the Moneyfacts Awards 2025.

We achieved a 4.7 out of 5-star rating on

**Feefo** ★★★★★

**72%**



of all new homebuyer mortgages went to first-time buyers.



We ran financial education sessions for over

**2,100**

children and young adults.



We've given

**1,891**

volunteering hours.



## Strengthen our communities

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

With our strong local roots, we're passionate about giving back to the people who live and work in our heartlands, which is why strengthening our communities is a priority.

We've been able to open our doors for local groups to our community rooms in our branches. Vital events such as financial education sessions are making a real difference. We've partnered with local community organisations to deliver practical fraud, scam and awareness sessions in Punjabi and Urdu, helping us connect more meaningfully with the diverse needs of the communities we serve.

We awarded over

**£19,400**

in local grants to over 50 different charities and community groups.

## Driving community impact

Finding a job is often a key milestone in the journey towards a secure future, which is why we've partnered with Jericho for another year. Jericho is an amazing local charity based in Birmingham that provides work opportunities for people facing challenges in our heartlands.

Through the support and generosity of our colleagues, we've raised over £12,600 for Jericho to support their incredible employment programmes. Together, we're helping individuals own a more secure future. This was part of over £30,300 donated to charities, community groups and local causes by our Society, colleagues and customers.

We've also continued supporting local charities and community groups through the Mercian Community Trust grant scheme. Thanks to the generosity of Community Account holders, we've awarded over £19,400 to over 50 different charities and community groups in our local communities.

## The West Bromwich Building Society Foundation

The West Bromwich Building Society Foundation, an independent charity, was launched to make a difference to our local communities. Over the last year the Foundation has built momentum, donating £450,000 to its partnership with Barnardo's, to create five Gap Homes for vulnerable young people leaving the care system in the Black Country. The initiative sees the development of energy-efficient, low-maintenance homes that provide a crucial stepping-stone for care leavers, supported day-to-day by Barnardo's employees. The Society will also offer wider support such as financial education, internships and work placements for the young people who'll eventually move into the new homes.



With a £15,000 grant funding from the Foundation, the Safe Space Youth Café was launched in June in partnership with the YMCA Black Country. The Café is a welcoming safe space for young people to socialise, develop new skills and access the support of a dedicated youth social worker. Through this incredible partnership, we've seen over 1,200 young people visit the café since it opened.

In September, the Foundation reached a significant milestone by being accredited as a Living Wage Funder by the Living Wage Foundation. This means that we encourage any paid positions supported through the Foundation's grants to be paid at least at the real Living Wage rate.

This latest achievement builds upon the Society's previous accreditations, which include the Living Wage, Living Hours, and Living Pension. As a result, we've become one of the very few businesses in the UK to achieve all four accreditations from the Living Wage Foundation, underscoring our commitment to fair pay and good working conditions.

## Giving time

Each year, we encourage our colleagues to spend up to two days volunteering in our local communities. In the past 12 months, we've given 1,891 hours to local charities and causes including Compton Care Hospice, Black Country Women's Aid, Sandwell Valley Gardens and Birmingham Children's Hospital.

We're helping children and young adults to feel more confident about managing their money, so they can own a more secure future. Over the past year, we've delivered financial education workshops to over 2,100 local students across primary schools, secondary schools and colleges. These sessions include:

- 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 know the importance of financial education to make sure our customers are confident to make money decisions and build a more secure future. That's why our branch colleagues have 'popped-up' at over 90 events across our heartlands. These events include mortgages and saving events, fraud and scam presentations, and mortgage clinics.

## 3 Our people are customer centric, and purpose driven

Our culture supports our people to be their best and do the right thing for our customers.

### Shaping the best place to work

We've been supporting our colleagues as they navigate the changes brought by our strategy. Alongside regular meetings and colleague communications, we've focused on our colleague's wellbeing and made sure that leaders have the right skills they need to support their teams.

A huge achievement for us this year was to be recognised as a Sunday Times Best Place to Work. This prestigious award only granted to a handful of employers that truly go above and beyond for their employees.

This year saw the launch of our new employee recognition scheme, giving everyone access to extra benefits and perks. The feedback from colleagues has been great, and it's helping people feel recognised in ways that matters to them.

## Bringing every voice to the table

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

Connect has several dedicated working groups including our Pride Inclusive Network, Black Colleague Network, Accessibility In Mind Network and Women's Inclusive Network. Each of these groups leads and supports activities throughout the year to help make our workplace truly inclusive – from celebrating Disability History Month to raising awareness about the menopause.



## 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.



Officially one of

# The Sunday Times Best Places to Work 2026

– and proud of it.



## 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 continue to exceed our initial targets of 30% and are tracking progress towards our stretch targets of 40% female representation at both Board and Senior Leadership levels.

■ Senior Leadership  
■ Board

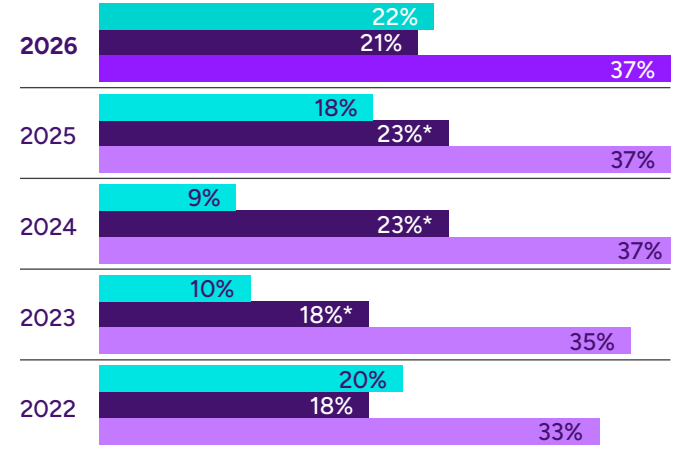


## Ethnic representation

### Measure

We're a signatory of the Race at Work Charter, to achieve better transparency and drive the diversity agenda.

### Performance



We continue to benefit from a diverse workforce, with 37% of colleagues from ethnic minority backgrounds, helping us to reflect the richly diverse communities we serve in our heartland. Board level representation has increased, and whilst a relatively small cohort, this remains an area of ongoing focus.

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

\* Restated to reflect retrospective updates to job bands, which changed the composition of this Senior Leadership group.



4

## 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.

We've made good progress with our transformation programme over the last 12 months. Working together with Deloitte and 10x, we're moving from planning to action. Right now, we're focused on introducing a new digital app for our savings products. This means our customers will be able to manage their savings in the way that suits them best.

We're launching the new app later this year and this will provide customers more choice and control when interacting with our products and services.

### Strengthening security and reliability

To keep our customers' accounts and data safe, we continue to invest in our cyber security to protect our customers' information, day and night.

We're committed to providing an uninterrupted, consistent service for our customers and colleagues. Operational resilience is key for us, and we're committed to building a secure, dependable organisation for the long term.

5

## Keep our business secure and sustainable for the future

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

### We're B Corp™ certified

This year, we achieved B Corp™ certification – independent proof that we meet some of the highest standards of social and environmental responsibility, transparency and accountability. Put simply, it shows we're serious about doing good for people and the planet.

To become certified, we went through a detailed assessment across five key areas: governance, workers, community, environment and customers. Each area looks at how we operate and the positive impact we create.

B Corp certification is a commitment to continuous improvement. It's about making sure the impact we have on people and the planet is measured, meaningful and transparent. It isn't a one-off achievement. We'll keep strengthening our impact, building on the work already underway, and living our commitments in the way we support members, colleagues, and communities every day.

### Our carbon footprint

We're committed to playing our part and supporting our customers to adapt to increasing climate-related pressures. We've continued to strengthen how we identify, assess, and respond to climate-related risks

ensuring our risk management process is resilient and focussed on providing support to our customers.

In previous years we've reported our direct operational emissions, these are the emissions from the day-to-day running of our offices and branches, this year we've captured our full carbon footprint for the first time. This means we now understand the emissions from wider activities such as the homes we lend against, and the impact of our supply chain. Having this full picture means we can take smarter, targeted action to cut emissions and improve our environmental impact.

### Financially resilient

To enable the Society to continue to serve current and future generations of customers we must remain financially strong and sustainable. We're pleased to report a strong profit before tax of £33.6m (2024/25: £36.5m) which supports our strong capital position, with a CET1 ratio of 17.2% (2024/25: 17.1%). This financial strength allows us to invest in our digital transformation, continue to grow, and offer existing and future customers products and services. More details on the Society's financial performance are included in our financial review of the year section on pages 24 to 28.

Certified



Corporation

**We're serious about doing business the right way - fairly, responsibly and sustainably.**

# 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.

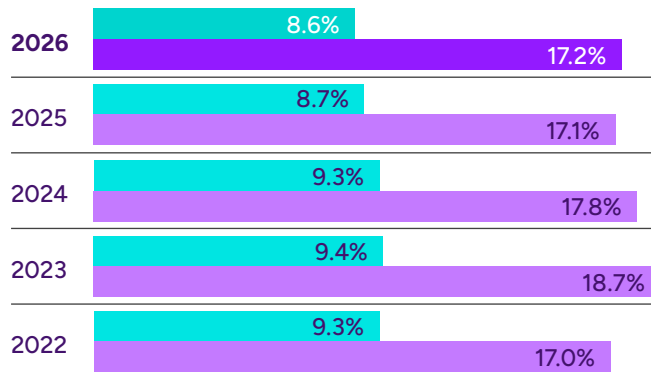


## Common Equity Tier 1 (CET 1) ratio

### 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 17.2% remains comfortably above our regulatory Total Capital Requirement and has done so throughout the year. Our strong capital position means we can continue to grow and invest in our digital transformation for the benefit of members.

■ 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 decreased during the year, as we continued to invest in strategic transformation, but remains at levels which support financial resilience and sustainable growth.



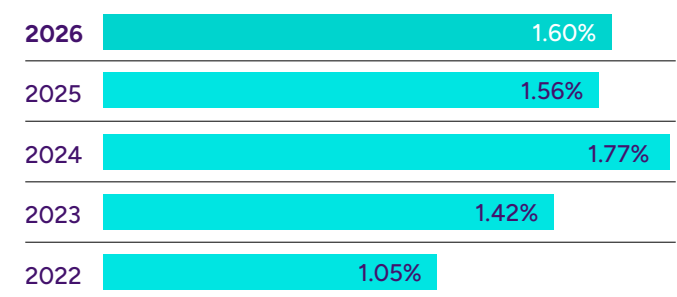
## Net interest margin

### 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



Net interest margin has remained broadly consistent year on year, as we continued to balance the needs of borrowers and savers.

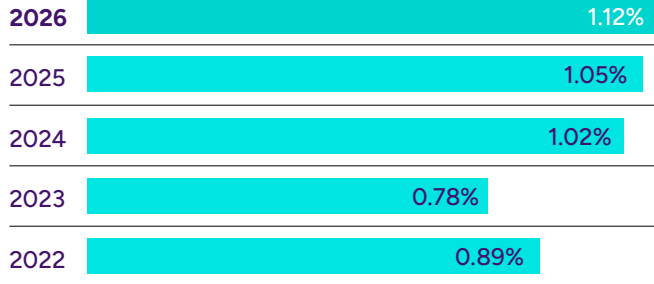


## Cost efficiency

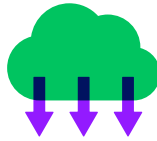
### Measure

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

### Performance



The management expense ratio increased to 1.12%, reflecting our ongoing strategic transformation investment and inflationary pressures.



## Total Scope 1 & 2 emissions

### Measure

To understand our environmental impact, we're measuring our full carbon footprint. As part of this we track our operational Scope 1 and 2 carbon emissions, measured as tonnes of tCO<sub>2</sub>e.

Due to an enhancement in the reporting of Scope 2 emissions from 2024, this measure only looks at operational gas and electricity usage to enable an accurate year-on-year comparison.

### Performance



Our operational carbon emissions have reduced year-on-year.



# Looking ahead

The world and wider economic environment remain uncertain, impacting our customers and their financial wellbeing. Throughout our 177-year history, we have successfully navigated similar challenges. Our commitment remains to manage the business responsibly so we can continue to serve customers well and remain sustainable, which sits at the heart of the Making Tomorrow strategy.

Alongside this uncertainty, we're seeing noticeable shifts in how customers interact with us. There is a growing trend towards value-consciousness, increased use of digital channels, and demand for clearer, tailored, and more convenient experiences. These shifts are influencing customer engagement preferences and underscore the importance of staying customer-centric, adaptable, and focused on providing services that address both current and future needs.

As we move into the next year of delivering our strategy, we'll continue to develop new products and enhance our services to help more customers into homeownership and strengthen their financial resilience. A particular focus will be on helping those who find it challenging to save for a deposit, reinforcing our ongoing commitment to new build properties, shared ownership, and other pathways into homeownership. We're also sharpening our focus on product accessibility and embracing innovation in product design, making sure they meet the evolving needs of customers both regionally and nationally.

Next year, we're preparing to launch our new digital savings app, marking a step change in our digital capability to deliver the level of service our

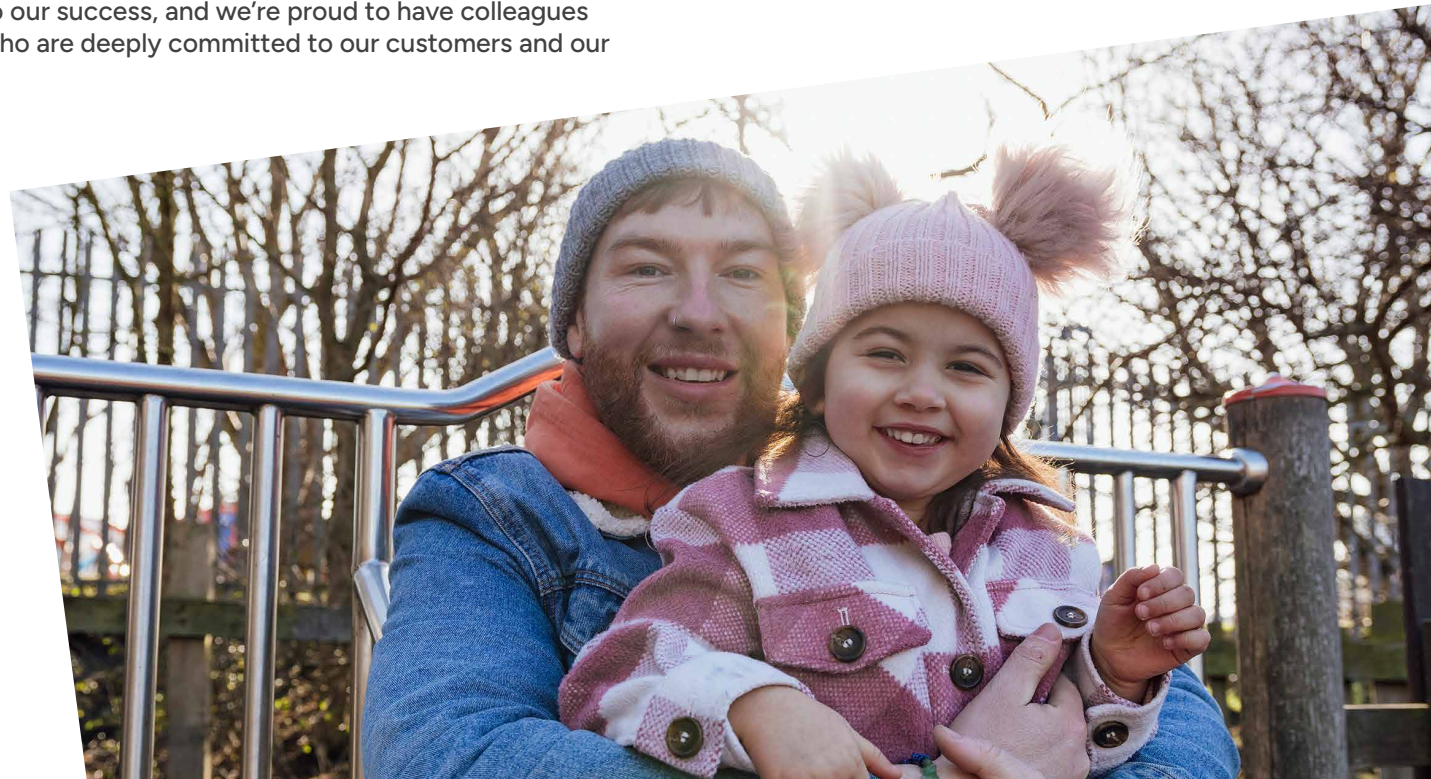
customers expect. At the same time, we recognise that our branches and contact centre remain essential for many customers and we'll continue to develop these existing channels, giving every customer genuine choice in how they engage with us.

We want to make a bigger impact within our communities and support young people in building solid and secure futures. We hope to deliver more impactful change through the West Bromwich Building Society Foundation, including the exciting development of our Barnardo's Gap Homes, which are expected to be built over the course of the year ahead.

The people who work at the West Brom are central to our success, and we're proud to have colleagues who are deeply committed to our customers and our

vision. As we look ahead, we'll continue to strengthen our approach to equity, inclusion and diversity, building on the work of our colleague-led Connect group a to create a more inclusive and representative organisation.

As we look ahead, we'll remain closely attuned to the emerging trends shaping our industry, ensuring we anticipate shifts rather than react to them. By maintaining this forward-leaning perspective, we'll continue to identify, assess, and proactively manage the risks and opportunities that could influence our long-term performance.



# Financial review of the year

## Summary income statement

We delivered a profit before tax of £33.6m (2024/25: £36.5m) strengthening our financial resilience and capacity for growth. The reduction in profitability was driven by higher management expenses and lower fair value gains, which more than offset the higher net interest income, earned on a larger balance sheet. The increase in costs reflects our continued investment in digital transformation.

Income statement overview	Group 2026 £m	Group 2025 £m
Net interest income	104.1	96.2
Fees, commissions and other income	5.6	4.9
Fair value gain on financial instruments*	0.8	4.4
<b>Total income</b>	<b>110.5</b>	<b>105.5</b>
Management expenses	(72.6)	(64.6)
Operating profit before revaluation gains, impairment and provisions	37.9	40.9
Gains on investment properties	0.7	2.4
Impairment on loans and advances	(5.0)	(6.9)
Provisions for liabilities	-	0.1
<b>Profit before tax</b>	<b>33.6</b>	<b>36.5</b>
Taxation	(10.2)	(6.9)
<b>Profit for the financial year</b>	<b>23.4</b>	<b>29.6</b>

\*Fair value gains are net of a loss on derivatives used to hedge commercial loans of £0.8m (2024/25: £1.0m), included within the amounts presented in note 5 to the accounts.

## Net interest income

Net interest income increased in the year to £104.1m (2024/25: £96.2m), with a net interest margin of 1.60% (2024/25: 1.56%).

After peaking in 2023 Bank Rate continued to slowly reduce throughout 2025/26. As this happened, we continued to balance the needs of borrowers and savers, maintaining net interest margin at comparable levels.

We continued to pay interest to our savings members that was 28% (2024/25: 30%) above the market average<sup>2</sup> and overall our savers received a mutual benefit of £37.4m (2024/25: £41.8m).

<sup>2</sup> Average market rates sourced from Bank of England Bankstats table A6.1 March 2026.

## Fair value gain on financial instruments

Financial instruments are used to protect our 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, which is not the case where we use this protection against our mortgage offers that are not yet drawn down.

During the final quarter of the year we saw volatility in market interest rates. Our financial instruments protect against these fluctuations, which resulted in one-off fair value gains this year as the likelihood for future increases in Bank Rate increased.

## Management expenses

Management expenses are the costs related to the running of our Society. This year these costs have increased from £64.6m to £72.6m reflecting ongoing inflation, including increases to employer's national insurance rates, and investment in our digital transformation programme. This 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). We've also been investing in our teams to further reinforce our digital strategy.

## 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	2026 £m	2025 £m
Residential loans	2.1	(0.4)
Commercial loans	2.9	7.3
Total impairment	5.0	6.9
Fair value movement on derivatives held to hedge impaired commercial loans	0.8	1.0
<b>Total impairment and related charges</b>	<b>5.8</b>	<b>7.9</b>

## Residential impairment

Impairment charges on residential lending reflect the Expected Credit Loss (ECL) where a loan defaults. The residential impairment charge has increased with a charge of £2.1m this year (2024/25: credit of £0.4m) due to continued uncertainty in the economic outlook and with flat valuations. Notwithstanding these challenges, arrears and defaults remain low with total residential ECL provision requirements of £12.2m (2024/25: £10.3m), reflecting a small increase in provision coverage from 0.19% to 0.22%. More detail on the ECL provision is in the financial position section.

## Commercial lending impairment

Commercial loan impairment charges arise on legacy lending which is secured against commercial real estate and has been in run-off since 2008. The charge decreased in the year to £2.9m from £7.3m. After adjusting for the impact of provision hedges, net charges decreased by 55% to £3.7m (2024/25: £8.3m).

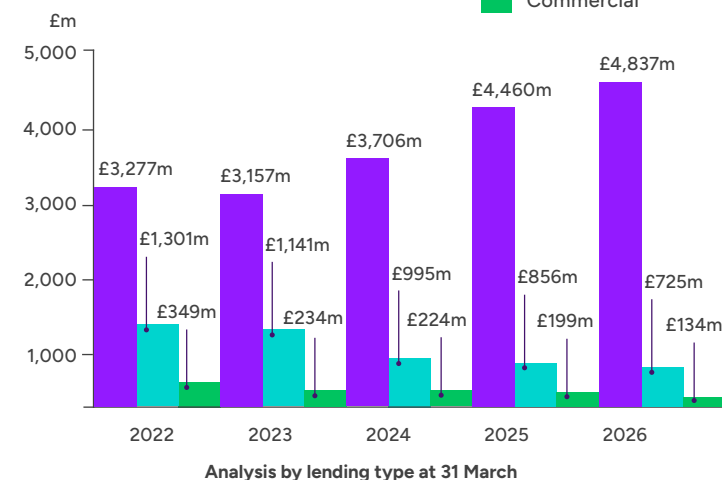
The commercial property sector remains sensitive to changes in the wider economy and we're continuing

to make the appropriate provisions against our exposure. The nature of the portfolio means that charges will vary year on year dependent upon specific circumstances of borrowers and tenants of the properties against which loans are secured. More detail on the ECL provision is in the financial position section below.

## Financial position at 31 March

Summary statement of financial position At 31 March	Group 2026 £m	Group 2025 £m
<b>Assets</b>		
Residential loans and advances	5,516.8	5,288.4
Commercial loans and advances	66.6	109.7
Liquid assets	788.3	716.2
Derivative financial instruments	44.1	44.9
Fixed and other assets	210.9	202.6
<b>Total assets</b>	<b>6,626.7</b>	<b>6,361.8</b>
<b>Liabilities</b>		
Retail funding	5,560.0	5,071.6
Wholesale funding	536.0	778.0
Derivative financial instruments	8.9	16.8
Other liabilities	43.5	34.2
<b>Total liabilities</b>	<b>6,148.4</b>	<b>5,900.6</b>
<b>Equity</b>		
General reserves	344.1	326.5
Other equity instruments	130.9	130.9
Other reserves	3.3	3.8
<b>Total equity</b>	<b>478.3</b>	<b>461.2</b>
<b>Total liabilities and equity</b>	<b>6,626.7</b>	<b>6,361.8</b>

## Gross loans and advances



## Residential loans and advances

Residential loans and advances showed further growth in the year, driven by gross new homeowner lending of £1.1bn (2024/25: £1.3bn) despite the increasingly challenging and competitive market conditions. We're no longer adding to our buy to let lending portfolio, the majority of which has been on our books for at least 17 years, which continues to reduce, falling 15% this year.

Our residential (excluding second charge) arrears rates of 0.73% (2024/25: 0.93%) are slightly below the UK Finance<sup>3</sup> industry average of 0.77% (2024/25: 0.89%), with lower interest rates easing mortgage affordability pressures for some borrowers. Arrears in lending completed from 2012 onwards remained low at 0.37% (2024/25: 0.34%).

<sup>3</sup> UK Finance is a trade association for the UK banking and financial services sector.

We continue to support borrowers who are faced with ongoing cost of living challenges. Encouraging them to engage early is a key focus for us so we can tailor the approach to help reduce the impacts. The unpredictable wider economic outlook may impact our customers and arrears levels going forward.

Our opening provision for impairment included an overlay to cover market valuation difficulties with flats including potential cladding and leasehold issues. We've increased this provision overlay, in light of ongoing challenges in the economic outlook and with some flat valuations.

## Commercial loans and advances

At 31 March Commercial loan portfolio	2026 £m	2025 £m
Non-core commercial balances excluding securitisation	129.4	194.3
Securitised commercial balances	4.1	4.5
Impairment provisions	(66.9)	(89.1)
	66.6	109.7

As part of our long-term strategy to exit the commercial real estate sector, the commercial loan book has reduced by 33% this year (2024/25: 11%). After accounting for increased provisions, the portfolio has fallen by 39% to £66.6m, now making up just 1% (2024/25: 2%) of our total lending.

Since its peak of £1.7bn in 2008/09, commercial exposures have been reduced by 92%.

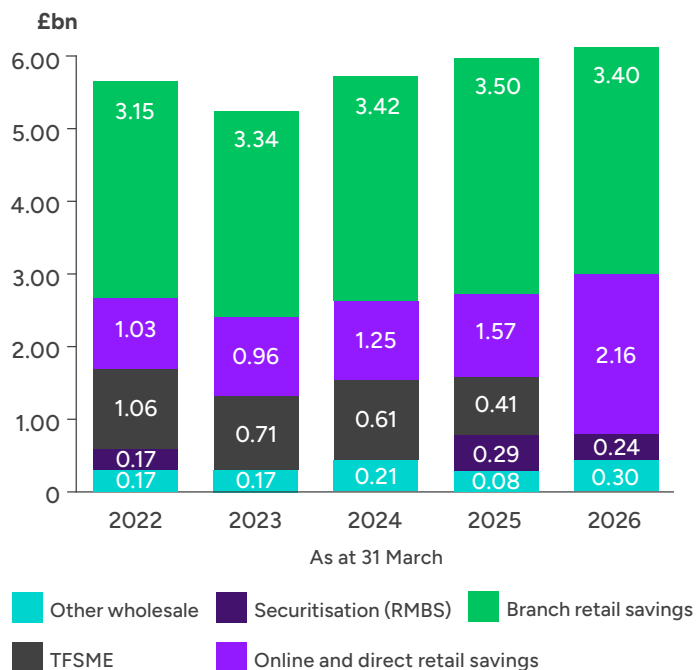
## Liquid assets

Liquid assets were £0.8bn (2024/25: £0.7bn), including £0.7bn (2024/25: £0.6bn) of high-quality liquid assets which are either held in cash or assets that can easily be converted 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. Our Liquidity Coverage Ratio (LCR), which measures our ability to meet cash outflows in a stressed scenario, stood at 141% on average over the 12 months to 31 March 2026 (2024/25: 186%), remaining comfortably above the regulatory minimum of 100%.



## Funding

### Funding balances



As a building society our primary source of funding is retail savings, which rose by 10% to £5.6bn (2024/25: £5.1bn) and represents 91%, (2024/25: 87%) of total funding. The remaining funding is from wholesale sources which includes securitisations and use of Bank of England facilities; the latter reduced in the year following the repayment of all outstanding funding drawn from the Bank of England's TFSME (Term Funding Scheme with additional incentives for SMEs). This reduced the ratio of wholesale funding as a proportion of total shares and borrowing to 9% (2024/25: 13%).

## Capital

At 31 March	2026 £m	2025 £m
<b>Capital resources</b>		
Common Equity Tier 1 capital	436.7	420.4
Tier 1 capital	436.7	420.4
Tier 2 capital <sup>1</sup>	2.0	2.0
<b>Total regulatory capital resources</b>	<b>438.7</b>	<b>422.4</b>
<b>Risk weighted assets (RWA)</b>	<b>2,537.7</b>	<b>2,455.5</b>
<b>Leverage ratio exposure</b>	<b>6,418.4</b>	<b>6,148.2</b>
<b>Capital ratios</b>	<b>%</b>	<b>%</b>
<b>Common Equity Tier 1 (as a percentage of RWA)</b>	<b>17.2</b>	<b>17.1</b>
<b>Tier 1 (as a percentage of RWA)</b>	<b>17.2</b>	<b>17.1</b>
<b>Total capital (as a percentage of RWA)</b>	<b>17.3</b>	<b>17.2</b>
<b>Leverage ratio</b>	<b>6.8</b>	<b>6.8</b>

<sup>1</sup> Tier 2 capital comprises subordinated liabilities excluding accrued interest.

## 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 regulatory requirements.

As at 31 March 2026, 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 increased to 17.2% (2024/25: 17.1%) remains well above our Total Capital Requirement (TCR) of 8.6% (2024/25: 8.7%) of risk-weighted assets. Our leverage ratio remains strong at 6.8% (2024/25: 6.8%).

During the year we paid £5.8m as distributions on our CCDS. In May 2026 our Board declared a final distribution for the period to 31 March 2026 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 99 to 104 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 April 2026, after the financial year end being reported, we redeemed the Society's remaining Permanent Interest Bearing Shares (PIBS), reducing the financing cost of the Society's capital.

## 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 30 to 39 and our Risk Committee report on pages 68 to 69.

## Financial outlook

During the past financial year, whilst economic growth remained modest and markets remained competitive, the overall environment was one of gradual stabilisation, with easing inflation, reducing interest rates and slowly improving business confidence. The conflict in the Middle East has brought a fresh wave of uncertainty to the UK's economic outlook. The surge in oil and gas prices has revived inflationary pressures, forcing markets to reassess the path of interest rates and raising the risk of a renewed squeeze on household budgets. We'll navigate this unpredictable economic landscape carefully, remaining firmly focused on our Purpose to support the financial wellbeing of our customers.

### Alex Pawley

Chief Financial Officer  
28 May 2026



# Risk management

- Risk management report
- Climate-related Financial Disclosures



# Risk management report

This report tells you about:

- How we manage risk.
- Our 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 that 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 34 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.



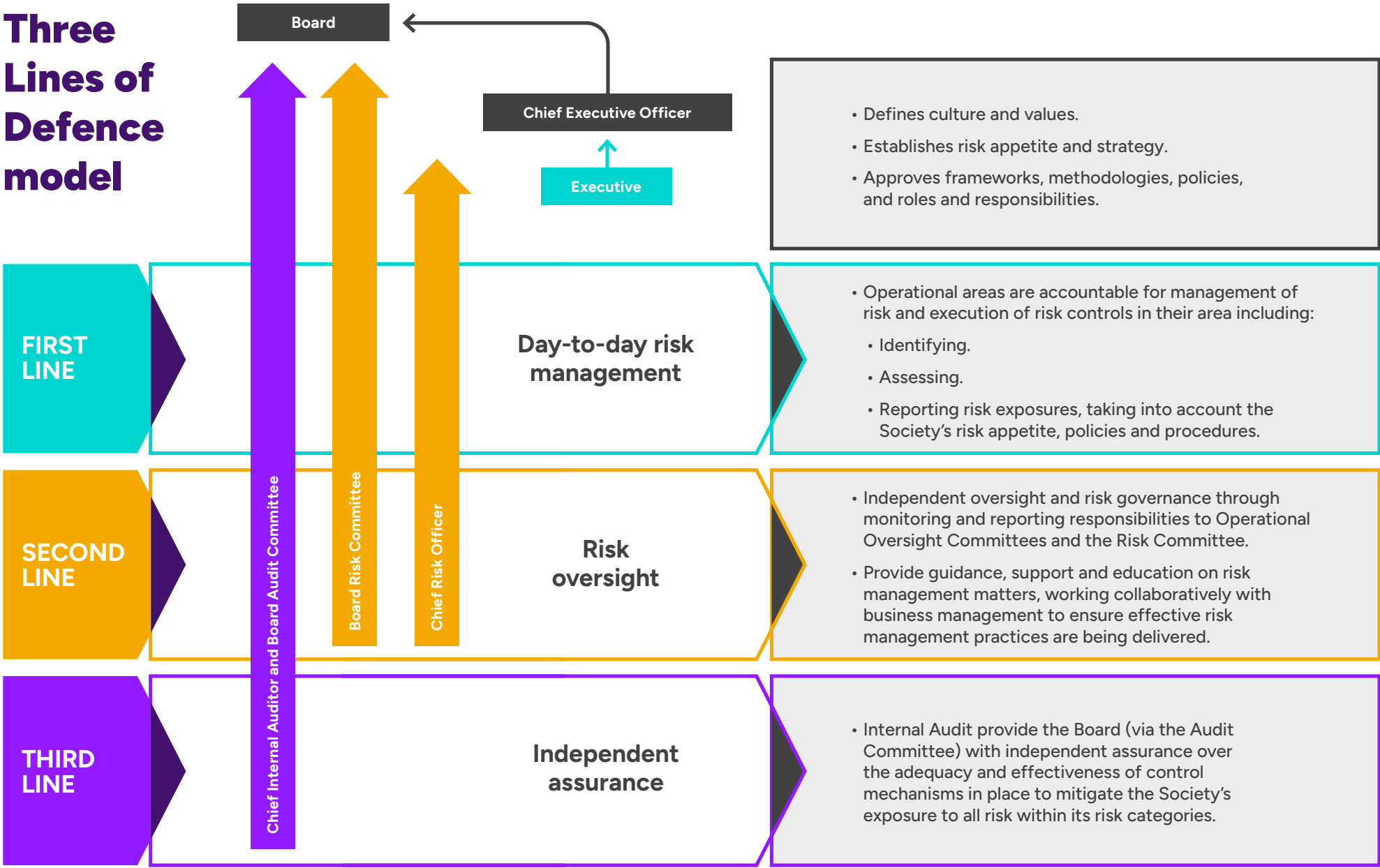
**Level 2** – set by the Executive sub-committees and reported to the Risk Committee and Board.



**Level 3** – set by sub-committees and reported to the Risk Committee and Board by exception.

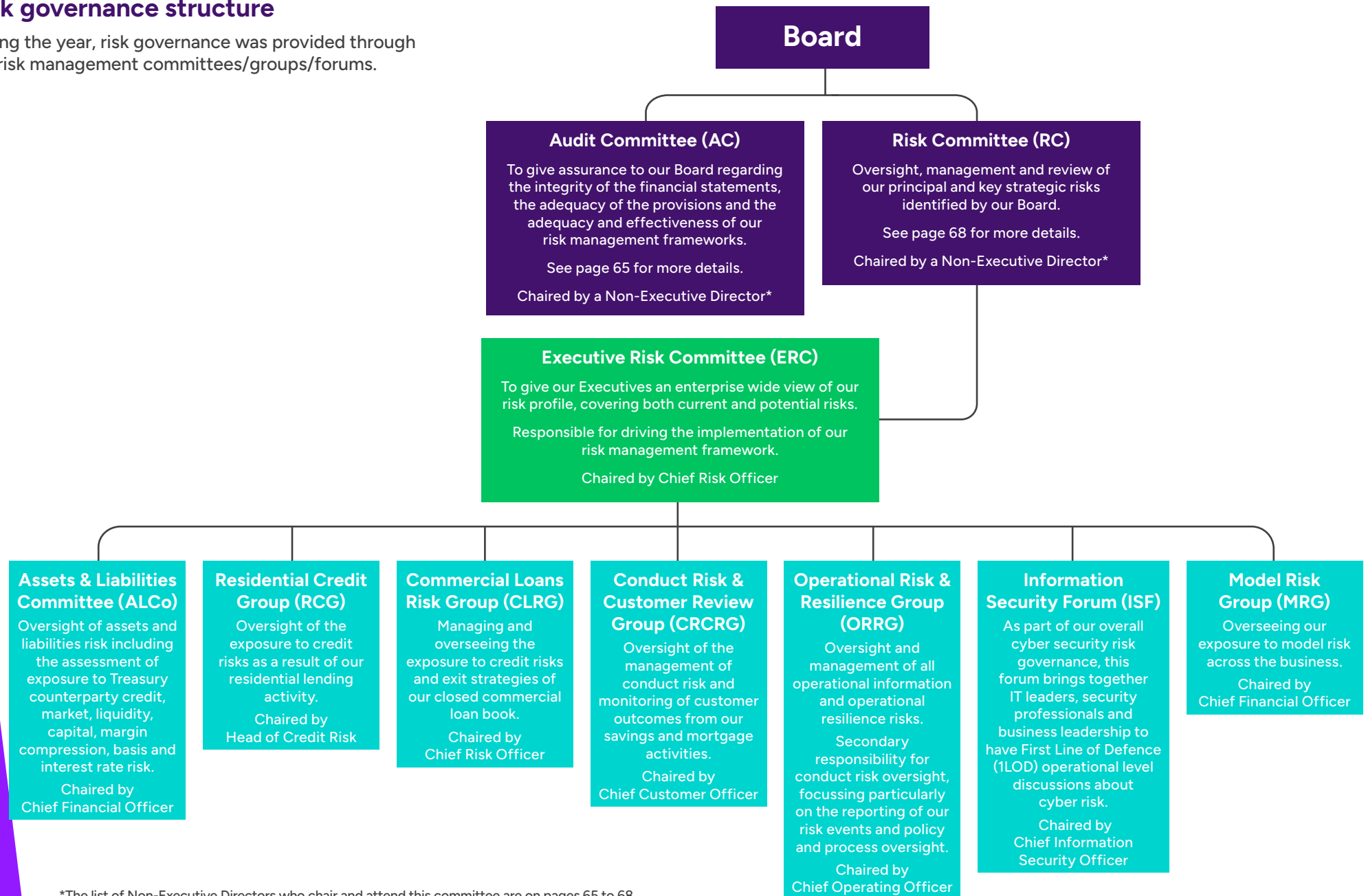
The final element of the framework is the formal structure for managing risk and identifying ownership and responsibility across the Society. This is based on the 'Three Lines of Defence' model which is illustrated opposite.

# Three Lines of Defence model



## Risk governance structure

During the year, risk governance was provided through ten risk management committees/groups/forums.



\*The list of Non-Executive Directors who chair and attend this committee are on pages 65 to 68

## 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 overleaf.

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 quarterly to review our exposure to the risk categories.

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, Asset and Liability Management (ALM) 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 regarding the management of risk and report directly to the Chair of the Audit Committee.

Governance and oversight are provided through a number of management and executive committees as detailed on page 32.

## Emerging risks

Key emerging risks that affect us and the day-to-day management of these risks, include:

### Climate change

Recognised as an emerging risk across several risk categories. Further detail on how the Society manages climate change related physical and transition risks can be found in the ‘Climate-related Financial Disclosures’ section on pages 40 to 50.

### Economic backdrop and geopolitical tensions

Given the volatile geopolitical climate, the Society is continuously monitoring global events and macroeconomic risks. A further escalation in conflicts or significant change in government policy could adversely affect lending plans, and risks to the housing market as well as future interest rates are managed tightly to act quickly if needed. By running regular stress tests, we ensure we can handle difficult economic conditions.

### Changing customer behaviour and expectations

Customer expectations and the increasing use of digital channels continue to shape how the Society serves its members. There is a risk that, without adapting at pace, the Society may fall behind evolving needs and be less effective in attracting new members. To address this, a digital transformation programme is well underway and the first phase will launch later this year, following rigorous testing and assurance. In parallel, we have plans to strengthen our use of customer insight to better understand changing behaviours, enabling us to shape our services and enhance the overall member experience.

Principal risk category	Day-to-day management	
<p><b>Business risk</b></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 continually reviews our strategy and sets out a Medium Term Plan (MTP) which spans a five year period and is refreshed at least annually. Our Board monitors business performance against internal forecasts, including Key Performance Indicators, and assesses 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). These activities involve consideration of mitigating actions should identified risks crystallise. We also maintain a Recovery Plan (RP) to effectively manage more extreme events. The RP defines a range of Early Warning Indicators to identify the emergence of a more extreme stress. These 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 as an emerging risk across several principal risk categories. Further detail on how the Society manages this emerging risk can be found in the 'Climate-related Financial Disclosures' section on pages 40 to 50.</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><b>Credit risk</b></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 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</p>	<p>substantial increases in the cost of living. Focus has been drawn to providing pre-emptive support for borrowers. Our approach is 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. 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>
<p><b>Capital risk</b></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 to support the current and future risks in the business. The analysis collated through the ICAAP incorporates capital requirements from changes in business volumes, mix of assets and activities, and capital regulation within the context of current and anticipated future risks, and stressed scenarios. The ICAAP is reviewed by the Prudential Regulation Authority (PRA) periodically to set our Total Capital Requirement.</p> <p>The RC has delegated authority for the governance of capital risk management to the ALCo which meets at least monthly. The Capital Review Group (CRG), which reports into the ALCo, oversees our capital position under existing and future capital rules.</p>	<p>Our capital requirements are reviewed monthly, and the results of this monitoring are reported to the CRG, ALCo, RC and our Board. RC reviews and recommends the ICAAP for approval to our Board.</p> <p>The detailed breakdown of our capital position can be found on page 27.</p>

<p><b>Liquidity risk</b></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 causes 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 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 allowable gap between maturing wholesale assets and</p>	<p>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"> <li>• The RC has delegated authority for the governance of liquidity risk management to the ALCo which meets at least monthly.</li> <li>• 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.</li> <li>• The Treasury team is responsible for day-to-day management and maintenance of adequate liquid resources under delegated authority from ALCo.</li> <li>• The RC monitors independently the overall liquidity adequacy process, including the activities of ALCo, LMG and the Treasury team. It also reviews and recommends the ILAAP for approval to our Board.</li> </ul> <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-day basis.</p>
<p><b>Margin compression risk</b></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, and 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 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.</p>
<p><b>Market risk</b></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 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><b>Operational risk</b></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 &amp; Continuity team (ORRCT), which has regular dialogue with function managers and collates management information for review by the CRCRG, ERC 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. This area is also supported and has Second Line oversight from the Operational Risk Team. Both teams collaborate to support 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 have been 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 regularly review our Important Business Services, impact tolerances and resource mapping, to ensure they remain appropriate and up to date. We have continued to focus testing against severe but plausible disruption scenarios to identify any vulnerabilities to us remaining operationally resilient. Other risk areas such as Supplier Management, Cyber and Transformation have remained a focus for the Society considering the risk exposure to our operational resilience.</p> <p>As a subset of operational risk, information risk is supported and has Second Line oversight from 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><b>Cyber risk</b></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>The cyber threat landscape continues to evolve in sophistication, speed, and scale, with financial services organisations remaining a high-value target for malicious actors. While the broad nature of the threat environment is consistent with prior periods, changes in the likelihood and impact of certain threat types have prompted a recalibration of the Society's cyber security priorities.</p> <p>The widespread adoption of Artificial Intelligence by both attackers and end users has introduced new dimensions of cyber risk. AI-enabled threats are increasingly capable of evading conventional defences, amplifying the potential impact of fraud, data loss, and operational disruption. Alongside this, the continued threat of ransomware, supply chain vulnerabilities, and the exploitation of third-party relationships underscores the need for greater visibility and control across the Society's technology environment.</p> <p>Cyber risk is managed through a risk-led framework that seeks to identify, assess, and respond to threats in a proportionate and forward-looking manner. The ISF is the</p>	<p>principal governance body overseeing this risk management framework, strategy and policies and ensures that security measures are aligned with business objectives, regulatory requirements and industry best practice, fostering a strong security culture across the organisation. Risk ownership is clearly assigned, with governance structures in place to ensure that cyber risks are escalated appropriately and that the RC receives timely and meaningful reporting on the Society's risk profile and control environment.</p> <p>The Society is actively maturing its cyber risk and assurance capabilities, transitioning from point-in-time assessments towards a more continuous, evidence-based understanding of the control environment. Investment and remediation activity is prioritised according to assessed risk, with a particular focus on third-party and technology risks and incident detection and response capability. This approach supports the Society's commitment to operational resilience and the sustained confidence of members and stakeholders.</p>
<p><b>Conduct risk</b></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 Consumer Duty (the 'Duty'), which has enhanced the existing rules by setting higher and clearer standards.</p> <p>Our Board attested to our compliance with the Duty in July 2025, and we've continued to embed this in a number of ways including:</p> <ul style="list-style-type: none"> <li>• Regular testing of our communications with our Customer Panel to assess whether they are easy to understand.</li> <li>• Learning from customer outcome testing where we assess customer outcomes across a number of key customer journeys.</li> <li>• Regularly reviewing our products to ensure they are fair value and deliver good customer outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring and reporting our performance against conduct risk requirements in a way that also focusses on customer outcomes.</li> <li>• Implementing an ongoing review of customer journeys and associated customer communications to ensure we're providing good outcomes and are easy to understand.</li> </ul> <p>We manage conduct risk and our compliance with the Duty at CRCRG, with secondary oversight at ERC and reporting to RC.</p> <p>We continue to maintain a Board-level Consumer Duty Champion, Sara Bennison, to ensure robust oversight of customer outcomes and alignment with FCA expectations, although no longer a mandatory requirement following the FCA's removal of the obligation to appoint this role in February 2025. The Board considers this to represent good practice in maintaining a clear and sustained focus on customer outcomes. In addition, we produce an annual Consumer Duty Board Report, which is submitted to the Board to provide assurance on overall compliance with the Duty.</p>

## 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, and the 12 month outlook. 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	12 month outlook
Business risk	Adverse changes to the operating environment arising from the general uncertainty in the UK economy, due to the ongoing disruption caused by heightened domestic and geopolitical risks and ongoing cost of living pressures leading to: <ul style="list-style-type: none"> <li>Higher inflation resulting in Bank Rate increasing.</li> <li>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.</li> <li>Elevated competition in the mortgage market and rising cost of retail funding.</li> <li>Flat or declining economic growth and associated rising unemployment causing possible recession.</li> <li>Increasing regulatory costs.</li> </ul>	<p>Business plans continue to model the impact of a range of scenarios and stress tests, which include the potential macroeconomic impact of rising and falling interest rates and house prices. A range of assumptions are 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 overseas operations.</p>	↗
	Higher unemployment because of self-employed/wider business insolvencies and/or an increase in Bank Rate (leading to increased arrears and losses).	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.	↗
	Reduction in property prices (leading to a higher incidence of voluntary possessions and elevated shortfalls when properties are sold).	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 has been obtained on lending originated at above 80% Loan to Value to mitigate potential losses.	↗
Credit risk	Low or flat economic growth combined with higher inflation (leading to further commercial property/BTL tenant failures).	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.	↗
	Rules for calculating capital (amount required and/or amount held) are changed.	Maintain regular dialogue with the regulator and ensure full understanding of, and compliance with, the relevant (existing and future Small Domestic Deposit Taker regime) rules.	→
Capital risk	Intensification of competition for retail and wholesale funding.	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.	→
Liquidity risk	Adjustment to lower reserves and tightening liquidity as the Bank of England reduces its asset purchase facility and concludes the Term Funding Scheme.	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.	→

<b>Margin Compression risk</b>	Reduction in returns from residential tracker mortgage assets whose rate is linked to Bank Rate with no floor.	We don't originate any new residential tracker mortgages and we're managing down our Bank Rate Tracker book, replacing this with administered rate, or SONIA-linked assets.	
	A relative increase in funding costs affecting variable rate retail funding, and particularly the administered rate retail balances.	We've embedded into the Risk Management Framework, a Margin Compression Stress (MCS) tool. The MCS tool quantifies what could happen to NIM following an increase in funding costs exclusively outside of other benchmark rates (Bank Rate and SONIA) and returns earned on existing mortgage assets (which are mostly linked to benchmark rates through swaps).	
<b>Market risk</b>	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.	
<b>Operational risk</b>	Ineffective systems and controls, potentially impacting on critical and important business services.	We maintain effective controls for Society wide risks and processes that are regularly tested. Management of controls is key to ensuring the Society delivers it's Customer, Regulatory and Financial objectives.	
	A significant business continuity event.	Detailed business continuity plans are in place, which are regularly tested and supported by scenario testing which assists the Society in identifying and addressing any vulnerabilities.	
	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.	
	Failure of a Critical Supplier (3rd & 4th Parties)	We ensure that Critical Suppliers have appropriate controls, performance capabilities and resilience to avoid service failures or loss of data that could lead to material impacts to the Society and its customers.	
<b>Cyber risk</b>	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.	The Society recognises the dynamic and evolving nature of the cyber threat landscape and maintains a robust, risk-led approach to cyber security governance. The cyber security strategy has been refreshed to reflect the current threat environment. RC receives regular reporting on cyber risk, controls, and assurance activity. A dedicated Chief Information Security Officer provides leadership and ongoing development of the Society's cyber security capabilities and defences.	
<b>Conduct risk</b>	Actions of third party and outsourced suppliers employed by the Society to deliver services leading to poor 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.	

## Outlook

The UK economy has been showing modest growth supported by easing inflation and lower interest rates, though the broader geopolitical environment remains a key source of uncertainty. The conflict in the Middle East has added further volatility to global energy markets and supply chains, contributing to a more unpredictable inflation path and a cautious sentiment across financial markets. Business sentiment remains subdued, with firms citing global headwinds and policy uncertainty, that has also led to disruption in the housing market.

Inflation has fallen materially from its peak in 2023-24, enabling the Bank of England to continue to lower interest rates to 3.75% as at 31 March 2026. However, inflation was not fully back to the 2% target even before the impact of higher energy prices was factored in, which may constrain further rate cuts. Mortgage rates have dropped from previous highs, but affordability remains stretched and some borrowers coming off older mortgage deals may still face higher monthly payments. While mortgage arrears remain low, we've improved our support for borrowers, offering more personalised and proactive help.

Because our focus is entirely on the UK, the state of the domestic 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 40 to 50.

**David Thomas**  
Chair of Risk Committee  
28 May 2026



# Climate-related financial disclosures

Climate change continues to expose the financial system to growing physical and transition risks, reshaping how we assess risk and plan for the future.

These impacts are increasingly felt by customers too with climate-related pressures amplifying financial vulnerability and impacting property values. As the effects of climate change are unevenly distributed, financial institutions have an important role to play in supporting a fair and orderly transition. We're committed to playing our part and supporting our customers to adapt to increasing climate-related pressures.

We continue 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. This year we have completed a full carbon footprint assessment to further support our understanding of the impact the Society has, and aid us in reducing our overall impact.

The following disclosures align with 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. Following the release of the PRA's Supervisory Statement SS5/25, we are actively engaged in the gap analysis process and, following this, will subsequently work to address the enhancements set out in the revised standards.

Managing climate risk is an ongoing activity, but we're committed to continuing this work in a transparent and responsible way. Our focus is on supporting our members and communities, strengthening our understanding of the risks we face, and driving sustainable initiatives that will contribute to a fair and orderly Net Zero transition.



# Governance

Our approach to climate governance ensures we have clear oversight and accountability for the management of climate-related financial risks. The governance framework supports informed decision-making, outlines clear lines of responsibility, and enables continuous improvement in line with evolving regulatory expectations. Our recent B Corp Certification demonstrates our high standards in our Environmental, Social, and Governance (ESG) approach.

## 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

Our 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 climate scenario analysis outputs. The ERC also reviews proposals relating to climate risk appetite and escalates these to the Risk Committee for approval.

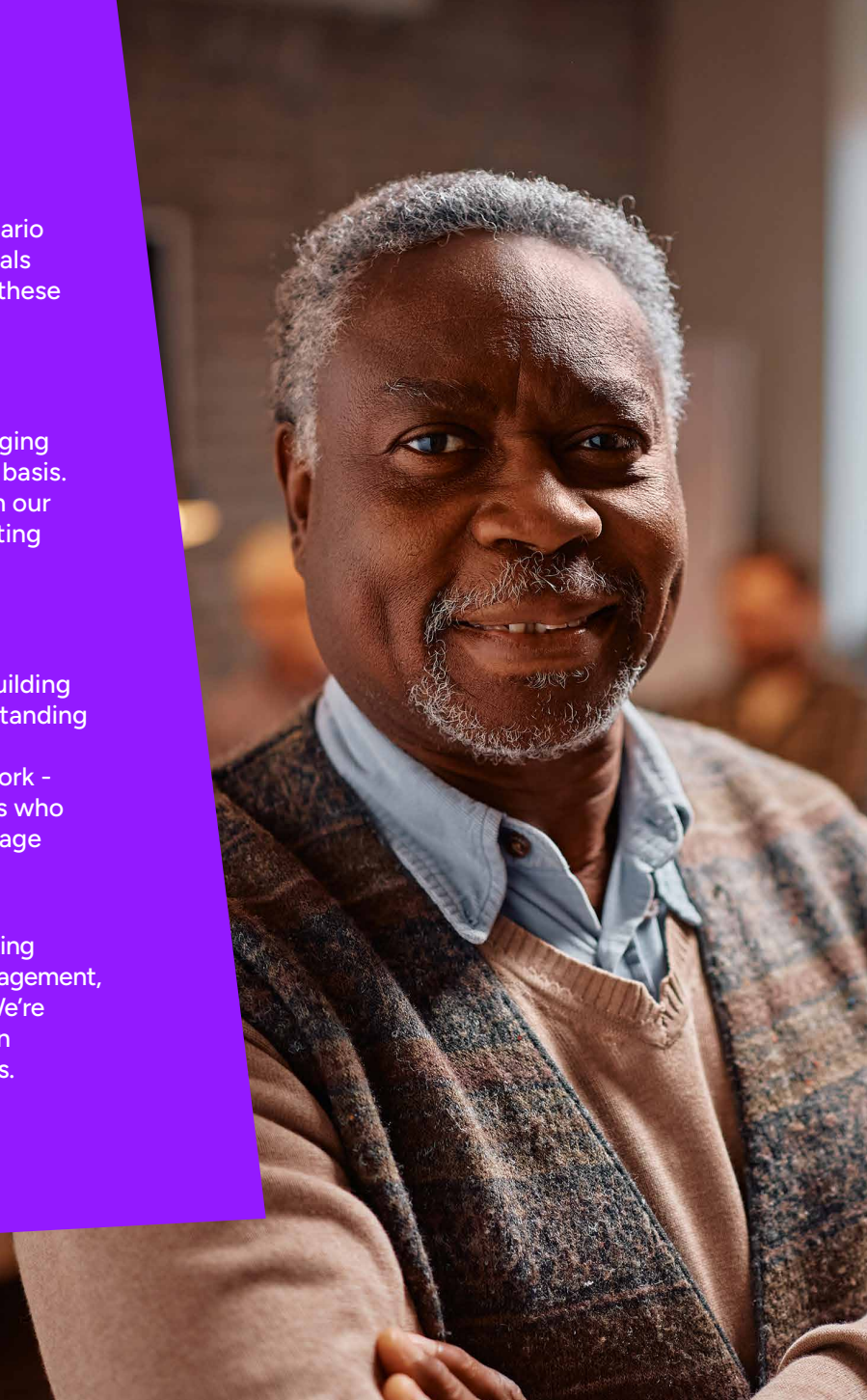
## Day-to-day responsibility

Our Credit Risk team are responsible for managing climate-related financial risks on a day-to-day basis. They consider the implications of these risks in our mortgage portfolios when reviewing underwriting practices and wider credit assessments.

## Training and awareness

We recognise the importance of continually building internal capability and growing climate understanding across the Society. This includes the ongoing 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. We're ensuring climate considerations are embedded in governance, strategy, and day-to-day operations.



# Strategy

Climate is embedded within our wider business strategy under our strategic pillar: ‘keeping our business secure and sustainable for the future’. Embedding climate within our core business strategy helps us to address both the risks and opportunities climate change presents whilst also maintaining alignment with our Purpose. Our environmental approach also supports the UK’s wider goal of reaching Net Zero.

Through careful climate risk management, we aim to support the transition to a net-zero economy and support our members to deal with the impacts of both physical and transition risks, whilst also driving forward our own sustainability initiatives. Our main strategic priority for 2025/26 was to carry out our first carbon footprint, the results of which are presented within the metrics section of this report.

## Climate-related risks

The table on the right presents our assessment of the climate-related risks we face, and the processes we have in place to mitigate these risks. 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 type	Risk summary	Significance/Impact <sup>1</sup>	Ability to control <sup>2</sup>	Horizon term risk <sup>3</sup>	Society response and mitigants
Business risk	Physical	More frequent environmental events could disrupt the delivery of goods and services that we rely on from third-party providers.	Low	Medium	Long	We have a robust supplier framework in place to oversee the activities of key suppliers.
	Transition	‘Green’ competition from more environmentally focused mortgage and savings products.	Low	High	Short	As part of our business continuity planning, plans are in place to address disruption to critical suppliers.
		Climate related pressures increasing costs across supply chains.	Low	Medium	Medium	
Credit risk	Physical	Increased occurrence and severity of severe weather events with flood/subsidence risk materialising. Property damage as a result can reduce collateral value, impacting on borrower ability to repay with defaults rising, resulting in subsequent losses to the Society.	Low	Medium	Long	Physical and transition risk data is collected every six months across our portfolios. Climate-related risks are projected under future climate scenarios to model potential exposures.
	Transition	Tighter energy-efficiency policies for rental properties could affect our buy to let, West Bromwich Homes and commercial lending books.	Medium	High	Medium	As part of our mortgage terms, we require building insurance for properties located in flood risk areas.
		Loss of key employers arising from the transition to lower carbon economy.	Medium	Medium	Long	We monitor significant employers across our borrower profile.

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

<sup>2</sup> Ability to control reflects the extent of mitigation that can be applied by the Society

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

Operational risk	Physical	Increased frequency and severity of extreme weather events could disrupt our operations – including Head Office, branches and key suppliers.	Medium	Medium	Long	Business continuity plans in place for potential operational disruption; this includes continuity plans for critical suppliers.
	Physical/Transition	Suppliers may face disruption from climate-related events. Some suppliers may not have strong climate-risk plans in place which could impact the services we procure.	Medium	Medium	Long	Exposure of Head Office and branches to physical risks impacts will be assessed in 2026/27.
		Climate-related pressures may increase our operating costs, for example through higher insurance premiums or energy prices.	Low	High	Medium	
Market, liquidity, funding risk	Physical	Climate-related events and pressures can cause sudden changes in financial markets causing disruption and volatility – this could affect asset values, specific sectors or regions	Medium	Medium	Long	We maintain an environmental credential document for investment purposes, documenting our commitment to environmental sustainability.
	Transition	Investors and depositors may increasingly opt to support organisations with strong environmental credentials, impacting access to funding.	High	Medium	Medium	We monitor expected credit losses of our mortgage assets based on future climate scenarios.
		The Bank of England may apply higher haircuts on collateral with poor energy-efficiency ratings, reducing the value of these assets.	Medium	Medium	Medium	
		Members may need to use their savings to pay for energy-efficient home improvements or retrofits, or to cover income shortfalls cause by climate-related economic impacts.	Medium	Medium	Medium	

## 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 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.

Our climate model currently focusses on physical climate risks, and we use scenario analysis to assess the resilience of our operational estate, mortgage, and West Bromwich Homes portfolios to climate-related risks under future climate scenarios. We are conscious of the limitations of climate modelling which may have impacts on outputs and we continue to monitor our modelling approach to ensure we capture our exposure to climate risks as accurately as possible.

Conduct risk	Physical/ Transition	Borrowers with properties at high risk of flooding or subsidence, or with poorer EPC ratings, may become mortgage prisoners/face a 'brown' discount – finding it harder to switch lenders/face less favourable pricing.	Low	Medium	Long	We do not restrict lending based on EPC rating. Where a property is in a flood risk area, adequate buildings insurance is required.
		Incentives for green products could unintentionally disadvantage some members or encourage unsuitable choices.	Medium	High	Short	As part of our regular physical and transition risk monitoring, we are aware of properties on our book that may be at higher risk under future climate scenarios.
		Offering green products or guidance carries conduct risks if members misunderstand the support or if products are not clearly explained.	Low	High	Long	We currently do not offer any green products.
Regulatory, legal and, capital risk	Physical/ Transition	Incomplete or inadequate climate risk disclosures may lead to misunderstandings about the risks we face.	Medium	High	Long	We currently align our disclosures with industry standards through TCFD and PRA SS3/19 (soon to be replaced by SS5/25).
		Regulators may require us to hold additional capital if our climate-risk governance or controls are not considered strong enough.	Medium	High	Medium	We are transparent in our climate related disclosures and report against our physical and transition risk metrics and targets
Reputational risk	Physical/ Transition	If significant climate-related risks are not identified or disclosed, this may undermine trust and lead to regulatory or financial consequences.	High	High	Medium	
		There is a reputational risk if we are not seen to be proactively addressing climate risks or are overstating our environmental progress ('greenwashing').	Medium	Medium	Medium	

## Using scenario analysis to shape our strategy

Climate scenario analysis helps us to look ahead and understand how future climate conditions could affect our customers. This could be through reductions in property values, inability to insure properties, or rising energy costs affecting household finances. By looking ahead, we can make more informed decisions today, to make sure our lending remains resilient despite potential climate risks. In short, we're planning for an uncertain future to protect our customers that may be more exposed to climate-related pressures as these risks evolve.

Our approach to scenario analysis is proportionate and reflects the nature of our business and the long-term time horizons over which climate risk may materialise. As part of our continual monitoring of our climate modelling approach, we initiated a refresh of our climate model in September 2025 to broaden our assessment of climate impacts. This process is ongoing with development expected through 2026/27. The physical risk results presented in this report are based on an evolving model. We will use the insights from this modelling to inform our long-term strategic and financial planning.

## Net Zero

Our long-term climate change ambition 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).

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

# Risk management

Climate change presents a systemic risk with foreseeable but 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 an 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. Despite this, we consider the impacts of climate change as a sub-risk under Business Risk, with ongoing oversight from our Board. Whilst our own financial impacts are modest, we recognise that climate change has the potential to impact our members, so we continue to monitor and model our exposure and ensure we keep risks for our members as low as possible.

To support our oversight of climate risk, 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:

<b>Market-wide risks</b>	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.
<b>Idiosyncratic risks</b>	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.
<b>Emerging risks</b>	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:

<b>Regulatory compliance</b>	We align with the PRA's Supervisory Statement (SS3/19) (following completion of our gap analysis, we will subsequently align to the PRA's Supervisory Statement (SS5/25)), FCA disclosure rules, and other relevant requirements.
<b>Proportionality</b>	Our response is tailored to our size and complexity, and reflects the specific nature of our climate-related exposures.
<b>Governance and policy alignment</b>	Any changes to how we manage risk (for example, lending criteria) must follow our approved governance and policy processes.
<b>Best practice</b>	We actively consider insights and recommendations from the Climate Financial Risk Forum (CFRF), BSA and other sector groups to improve our approach.
<b>Resilience in stress</b>	We test whether our risk management would be effective in a range of stress events – whether sudden (e.g. flash flooding) or longer-term.

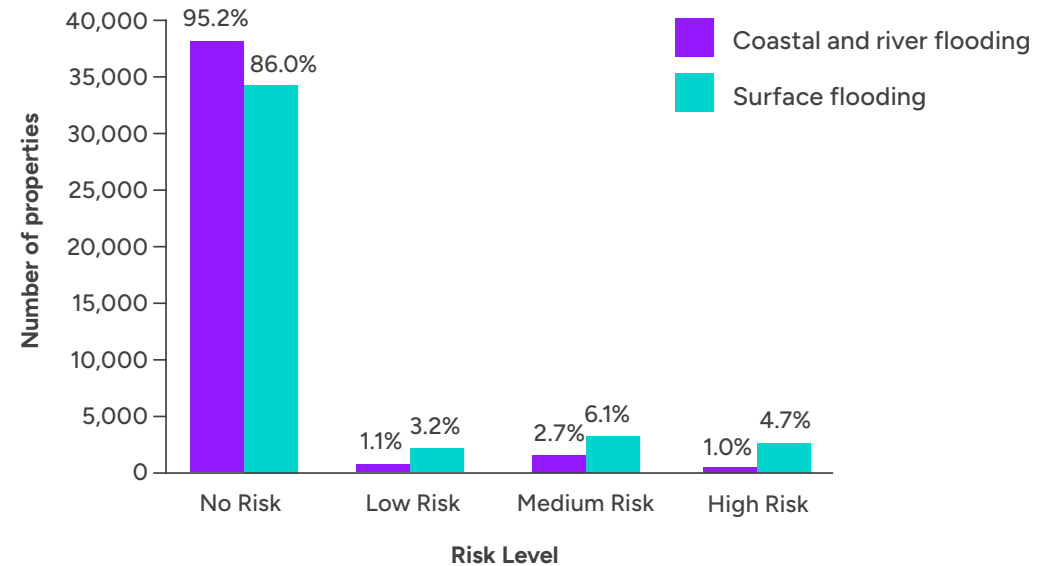
## Use of scenario analysis to inform risk management

We use scenario analysis to understand how climate-related risks may affect our operational estate, mortgage, and West Bromwich Homes portfolios over time. We assess both physical risks, such as flooding and subsidence, and transition risks, including those related to Energy Performance Certificate (EPC) ratings. 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.

Our physical risk modelling is developed in partnership with SkenarioLabs and uses the Met Office Representative Concentration Pathways (RCPs), aligned with Intergovernmental Panel on Climate Change (IPCC) scenarios. We apply a high (RCP 8.5) emissions scenario for properties in England and Northern Ireland, and a medium (RCP 4.5) emissions scenario for properties in Wales, with projected impacts modelled using a static balance sheet. Addressing the current inconsistency in emissions scenarios across regions is a focus for the ongoing development of this model.

Our flood risk exposure profile, based on the residential mortgage portfolio as at 31 December 2025, is shown opposite.

## Distribution of flood risk: residential portfolio



### 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

This year we've been taking significant steps to refine and expand our climate position by conducting our first full carbon footprint. This assessment has provided us with a baseline view of the total emissions across our operations and value chain, helping us to understand where we can focus reduction efforts.

With a clear baseline in place, we've reviewed our climate targets that were originally set in 2020/21. Many of our targets remain the same, with the addition of 2 new targets that we believe are both ambitious but also grounded in our Purpose and ability as a regional building society. We aim to focus on practical improvements across our day-to-day operations to target energy usage reduction and improving operational efficiencies whilst continuing to support our members moving toward a net-zero future and reducing our overall environmental footprint. The below targets reflect our refreshed climate targets, supported by our carbon footprint position.

Target		
Near term	Mid term	Long term
Direct operations to be carbon neutral by 2030	Reduce Scope 1 and 2 emissions by 10% by 2035	To be Net Zero by 2050, with an ambition to be carbon negative
Maintain 100% renewable energy		
Residential portfolio average EPC of C by 2028		

## Our carbon footprint

This year has been significant in building a clear picture of our environmental impact. We've completed a full carbon footprint assessment across our Scope 1, 2, and 3 emissions, understanding the energy we use in our direct operations, and the carbon impact of our wider business operations across our entire value chain.

We're continuing to refine our data as our carbon footprint evolves. This baseline serves as a starting point to improve our data capture to support future emissions reductions.

	tCO <sub>2</sub> e 2025	tCO <sub>2</sub> e 2024	% Change in tCO <sub>2</sub> e from base year	% total carbon footprint
<b>Scope 1</b>				
Scope 1	151.8	175.0	-13.3	0.1
<b>Scope 2</b>				
Market-based	-	1.0	-100	-
Location-based	387.2	412.7	-6.2	-
<b>Scope 3</b>				
Category 1: Purchased goods and services	6,386.1	5,274.1	21.1	3.1
Category 3: Fuel and energy related activities	172.5	163.0	5.8	0.1
Category 4: Upstream transportation and distribution	47.9	55.5	-13.7	<0.1
Category 5: Waste	1.2	1.7	-29.4	<0.1
Category 6: Business travel	38.4	45.9	-16.3	<0.1
Category 7: Employee commuting	785.4	590.5	33.0	0.4
Category 13: Downstream leased assets	1,910.7	1,960.7	-2.6	0.9
Category 15: Investments	194,513.7	194,755.1	-0.1	95.3
<b>Total Scope 3</b>	<b>203,855.9</b>	<b>202,846.5</b>	<b>0.5</b>	
<b>Total carbon footprint (market-based)</b>	<b>204,007.7</b>	<b>203,022.5</b>	<b>0.5</b>	
<b>Total carbon footprint (location-based)</b>	<b>204,394.9</b>	<b>203,434.2</b>	<b>0.5</b>	

**Scope 1:** Direct emissions from our own operations, including the usage of gas across our Head Office and branch network, and emissions arising from our company car fleet.

**Scope 2:** Emissions relating to the electricity we use in our day-to-day operations.

**Scope 3:** Indirect emissions that are linked to our business activities but happen outside of our direct operations. These emissions can be categorised as upstream emissions (including our procurement of goods and services, waste generation and business travel) or downstream emissions (primarily category 15 emissions arising through our mortgages and treasury investments).

## Our main Net Zero targets are:

- Direct operations to be carbon neutral by 2030.
- To be Net Zero by 2050, with an ambition to be carbon negative.

We are focused on achieving Net Zero emissions across our operations by 2050, with an ambition to go even further by becoming carbon negative. This not only covers our Scope 1 and 2 emissions, but also our Scope 3 emissions, which include the indirect impacts generated through our upstream and downstream activities. Our most significant element within Scope 3 are the emissions associated with the properties we finance.

Since 2020, we've made real progress towards our direct operations becoming carbon neutral, with less than 0.1% of our carbon emissions attributed to our direct operations this year. We'd hoped to reach carbon neutrality for Scope 1 and 2 by 2025 but a small amount of residual emissions remain. When we first set our targets, we were clear that we wanted to avoid offsetting for as long as possible and that commitment remains unchanged. Although we may need to use carbon offsetting in the future, our priority is to continue delivering real emission reductions. We've revised our carbon-neutrality target for our direction operations to 2030 to give us time to reduce these remaining emissions as far as possible before turning to any offsets.

We know that reaching Net Zero isn't something we can achieve in isolation with progress also dependent on the decisions and actions taken by policymakers, governments, suppliers, and our customers. These uncertainties may make some of our targets harder to achieve, but our current priority remains on reducing our emissions wherever possible.

## Direct emissions (Scope 1 and 2)

**Target: Reduce Scope 1 and 2 emissions by 10% by 2035**

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.

## How we're reducing our emissions:

Our operational emissions are split into location and market-based emissions.

- **Location based emissions:** This reflects our actual operational footprint and shows our physical electricity consumption impact on the grid – this is based on the average carbon intensity of the local power grid in the area in which we operate. This does not take into account specific electricity suppliers or tariffs.
- **Market based emissions:** This takes into consideration our procurement of renewable energy and reflects our chosen green energy tariffs in our emissions reporting.

## Location-based emissions

Scope 1 (natural gas) emissions saw a slight increase in 2025, whilst Scope 2 (electricity) emissions saw a decrease as a result of our continuous effort to reduce our operational emissions to carbon neutral. Overall, our combined Scope 1 and 2 emissions decreased in 2025.

Location-based emissions (tCO <sub>2</sub> e)			
	2025**	2024/25	2023/24
Scope 1			
Gaseous and other fuels	137.1	129.3	187.9
Transport (owned)	-	-	-
Scope 2			
Buildings electricity	387.2	449.4*	443.8
<b>Total Scope 1 and 2</b>	<b>524.3</b>	<b>578.7</b>	<b>631.7</b>

\* 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.

\*\* Due to a change in reporting period across our climate-related data, this period now reflects our emissions from 1 January 2025 to 31 December 2025.

## Market-based emissions

**Target: Maintain 100% renewable energy**

We continue to source 100% renewable energy through solar, wind and hydro REGO-backed contracts, maintaining our target to commit to utilising renewable energy.

Market-based emissions (tCO <sub>2</sub> e)			
	2025*	2024/25	2023/24
Scope 2			
Buildings electricity	0	0	0
<b>Total Scope 2</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Due to a change in reporting period across our climate-related data, this period now reflects our emissions from 1 January 2025 to 31 December 2025.

## Indirect emissions (Scope 3)

We are working to put targets in place for our Scope 3 emissions. This is the area we have the biggest impact due to our mortgage lending. We recognise that tackling Scope 3 emissions, particularly those linked to financed emissions, is where we can make the biggest impact. We monitor and measure the physical and transition risk of our portfolio to support our members and highlight where we can make emissions reduction impact.

## Physical risk metrics

We assess the impacts of flood and subsidence risks across our operational estate, mortgage, and West Bromwich Homes portfolios. We do this using a climate scenario model that estimates how climate impacts could affect our expected losses (additional ECLs) under a future high-emission climate scenario. As mentioned previously, our model development is ongoing therefore the physical risk results presented in this section are based on an evolving model.

Flood risk exposure for each property is translated into an expected annual loss (EAL) by combining the likelihood of

flood events (e.g. annual exceedance probabilities for different hazard intensities) with estimates of potential damage impacts and aggregating these across the full range of potential flood event severities.

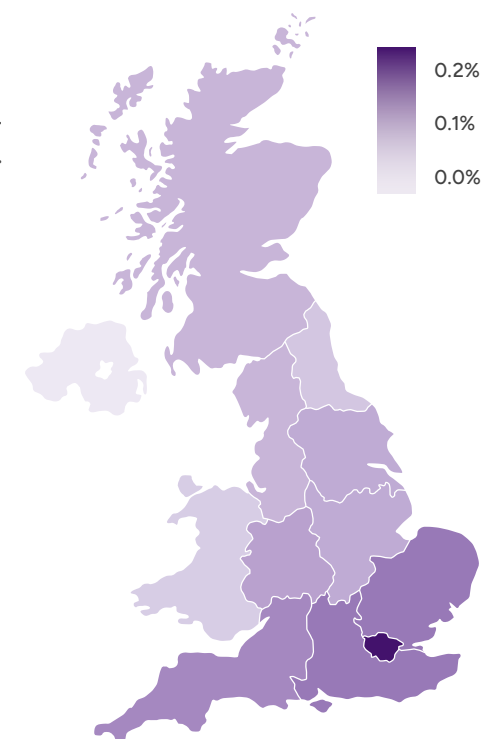
The model then adjusts property values to reflect the financial impact of these climate risks. This results in an expected credit loss (ECL), which represents the anticipated monetary loss by considering both the probability of borrower default due to climate-related impacts, and the magnitude of the loss if this default occurs.

## Flood risk

Across our residential portfolio our overall flood risk exposure remains low with 95.2% of properties not exposed to coastal and/or river flooding under present conditions. Even under a future high-emission climate scenario, risk remains low with 94.8% of the portfolio not at risk. Surface flooding presents a slightly greater risk to our portfolio with 14% of properties exposed to some level of risk at present, with this rising to 17.3% under a future high-emission climate scenario.

Our current residential mortgage exposure to high flood risk across the UK is presented below:

## Percent of properties exposed to high flood risk 2025



	% of total mortgage lending	% of properties at high risk surface flooding (currently)	% of properties at high risk coastal/river flooding
East of England	3.0%	0.2%	-
East Midlands	12.1%	0.7%	0.2%
Greater London	6.0%	0.3%	0.1%
Northern Ireland	-	-	-
North East	5.4%	0.2%	-
North West	15.1%	0.6%	0.1%
Scotland	0.1%	-	-
South East	19.1%	1.0%	0.2%
South West	8.3%	0.4%	0.1%
Wales	4.7%	0.1%	0.1%
West Midlands	14.0%	0.7%	0.1%
Yorkshire and Humber	12.3%	0.4%	0.3%

Our modelling has produced the following outputs for flood-related ECLs and EALs across our residential mortgage portfolio:

### Additional flood risk related expected credit loss £m

Current	Future (based on high emission scenario)	
0.26	0.32	
Expected annual loss (EAL) £m	EAL/property	EAL/m <sup>2</sup>
2.01	£50.03	£1.20

## Subsidence risk

Subsidence risk remains low across our residential mortgage portfolio with 96.7% of the portfolio returning low or very low risk results.

% of properties exposed to subsidence risk	
High	0.5%
Medium	2.7%
Low	10.6%
Very low	86.1%

Overall, 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. Following the refresh of our climate model, future climate reporting will be assessed against 2025 as our revised baseline year.

## Transition risk

### Target: Average EPC rating of our residential mortgage portfolio to a C by 2028

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 28 February 2026, the average EPC rating across our 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 our mortgage portfolio.

We're aiming to improve the average EPC rating of our mortgage portfolio to a C by 2028. While we

	Current EPC rating			Potential EPC rating		
	Total %	Owner Occupied %	Buy to let %	Total %	Owner Occupied %	Buy to let %
<b>A</b>	1.6	1.9	0.0	16.3	19.1	2.3
<b>B</b>	19.4	22.2	5.9	43.6	44.3	40.2
<b>C</b>	21.4	19.5	30.7	24.2	22.0	34.9
<b>D</b>	41.0	40.0	45.7	12.1	11.1	16.9
<b>E</b>	12.2	12.1	12.9	1.7	1.6	2.3
<b>F</b>	2.0	2.1	1.4	0.2	0.2	0.2
<b>G</b>	0.4	0.4	0.2	0.0	0.0	0.1
<b>Unknown</b>	2.0	1.7	3.2	2.0	1.7	3.2
<b>Average</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>B</b>	<b>B</b>	<b>C</b>

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% (2024/25: 98.5%) of these properties. This has been achieved through a series of retrofit projects aimed at improving energy efficiency.

Earlier this year we engaged with our Member Council to understand their views on how we address the challenges surrounding energy efficiency of properties across our portfolio. The Council stressed the importance of protecting members from becoming mortgage prisoners and ensuring those living in lower-efficiency homes continued to be supported, whilst managing our overall risk exposure responsibly.

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 2026

# Governance

- Corporate Governance report
- Audit Committee report
- Risk Committee report
- Remuneration and People Committee report
- Nominations and Governance Committee report
- Directors' report



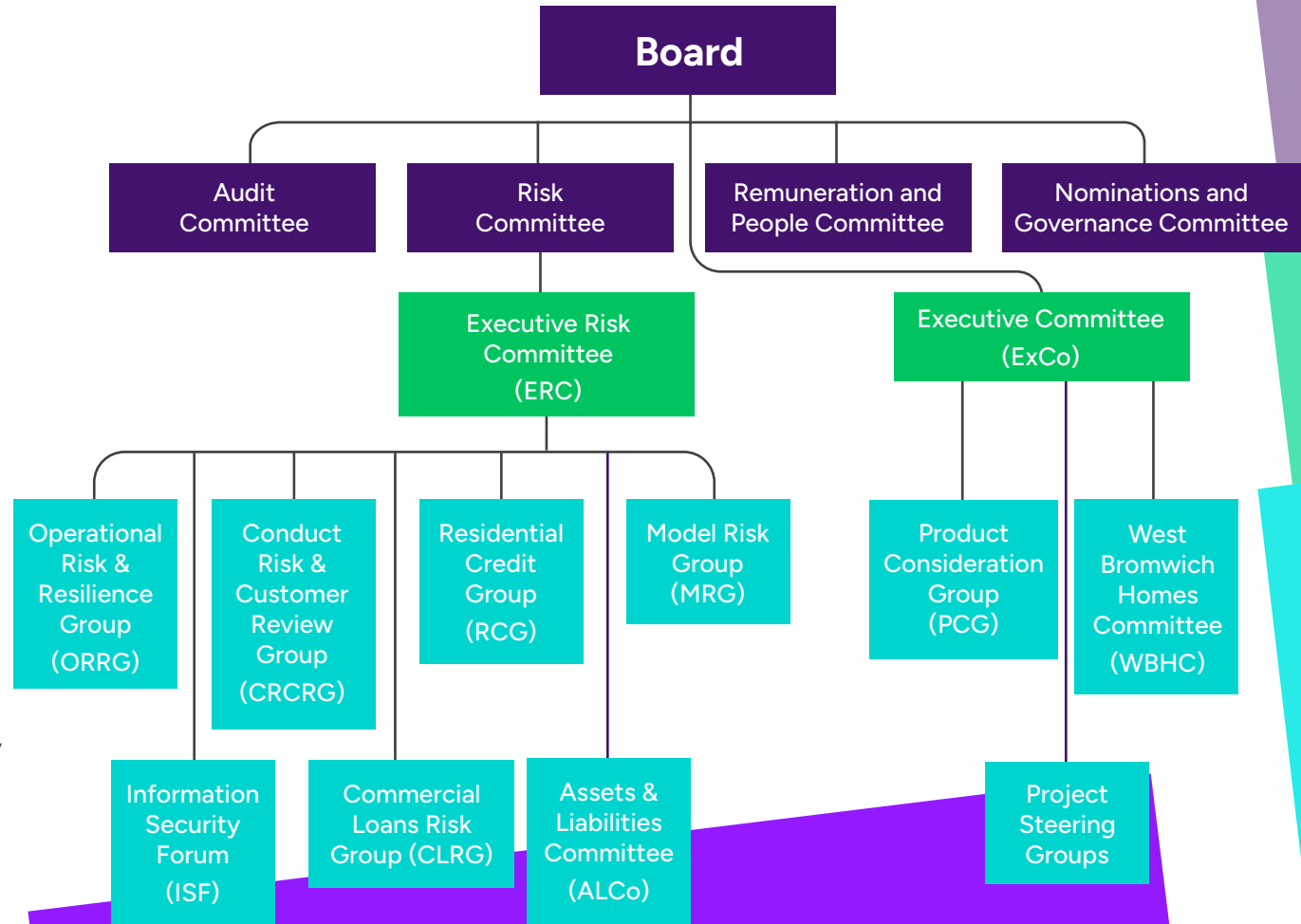
# Corporate Governance report

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.
- Senior Leadership team.

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.



## 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 Tier 3 Sub-Committees, Groups and Forums are run by an Executive Director or one of the Senior Leadership team.

# 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 MBE, BSc (Hons)

– appointed January 2021

### Chair of the Board

**Committees** – Chair of the Nominations and Governance Committee and member of Remuneration and People 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 Alica 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 MBE

– appointed May 2025

### Non-Executive Director

**Committees** – Chair of Remuneration and People Committee and member of Risk and Nominations and Governance 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 MA

– appointed August 2023

**Non-Executive Director**

**Committees** – Member of Remuneration and People and Risk Committees

Sara has over 16 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 BSc (Hons), M.Phil

– 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.



### Russell Galley

– appointed April 2026

**Non-Executive Director**

**Committees** – Member of Remuneration and People Committee and Risk Committee (until 5 May 2025 and re-joined from 1 April 2026) and Audit Committee (from 1 April 2026)

Russell has a wealth of experience from a 40 year regulated financial services career including strategy formulation, risk management, cultural change, colleague engagement, balance sheet and P&L leadership, product and proposition development, transformation programme leadership, marketing, data and personalisation development. He left Lloyds Banking Group as Chief Executive Officer Retail Banking leading 40,000 colleagues across the Lloyds, Halifax and Bank of Scotland Retail Banks. He has previous experience as a Non-Executive Director for Yorkshire Housing, a major social landlord and housebuilder where he also chaired their Audit and Risk Committee.



### Manjit Hayre

– appointed September 2021

**Chief Risk Officer**

**Committees** – Chair of Executive Risk Committee, member of Executive Committee

Manjit first 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.



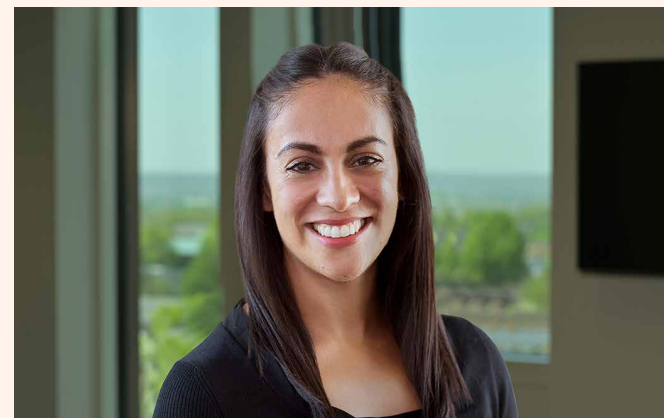
### Phillip McLelland BSc (Hons), ACMA

– appointed April 2026

**Non-Executive Director**

**Committees** – Chair of Audit Committee, member of Nominations and Governance and Risk Committees (from 1 April 2026)

Phillip is an experienced board director and brings executive, hands on experience across retail financial services, government workout, and energy infrastructure, combining finance and treasury leadership with risk management and execution of organisational change. He has held senior roles including Group Finance Director and later Chief Risk Officer at Calisen, and earlier appointments include Finance Director at UK Asset Resolution and at Provident Financial's consumer credit division, covering all aspects of financial management.



### Nimisha Patel BSBA

– appointed June 2024

**Non-Executive Director**

**Committees** – Member of Audit, Nominations and Governance and Risk Committees

Nimisha is an executive leader with over 24 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 Chief Information Officer 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 BSc (Hons), FCA

– appointed January 2023

**Chief Financial Officer**

**Committees** – 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.



### David Thomas MSc, ACIB, FIB

– appointed August 2020

**Senior Independent Director, Deputy Chair to the Board**

**Committees** – Chair of Risk Committee, Chair of Audit Committee (from 24 July 2025 to 31 March 2026), member of Remuneration and People Committee (to 24 October 2025), member of Nominations and Governance Committee (to 1 March 2026)

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 BA (Hons), FMCA, CGMA, ACIB

– appointed May 2009

**Chief Executive Officer**

**Committees** – Chair of Executive Committee, Chair of the Employee Council and member of Executive Risk Committee

Jonathan has spent over 43 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

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



**Martin Boyle**  
BSc (Hons), M.Phil  
Chief Operating Officer



**Gurvinder Glenholme**  
BA (Hons), ACMA, EMBA  
Head of Strategy



**Manjit Hayre**  
Chief Risk Officer



**Adele Hayward**  
Head of Operations



**Gareth Madeley**  
BA (Hons)  
Chief Customer Officer



**Darren Marsden**  
BA (Hons)  
Chief Information Officer



**Ramona Maye**  
Chief Transformation Officer



**Alex Pawley**  
BSc (Hons), FCA  
Chief Financial Officer



**Sophie Pazzaglia**  
BSc (Hons), ACCA, ACG  
Chief People Officer  
& Group Secretary



**David Sorrell**  
BSc (Hons), MSc  
Treasurer



**Wayne Tarrier**  
Head of Compliance  
& Money Laundering  
Reporting Officer



**Sarah Teague**  
LLB, CMIIA  
Chief Internal Auditor



**Jonathan Westhoff**  
BA (Hons), FMCA,  
CGMA, ACIB  
Chief Executive Officer

We're committed to a high level of Corporate Governance and follow the 2024 UK Corporate Governance Code (the Code) where relevant.

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 nine 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 28 and the corporate governance report on page 60.

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

Internal Auditor, Chief People Officer and Group Secretary and the Head of Compliance & Money Laundering Reporting 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 Phillip McLelland (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

## 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.

## 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.

## Remuneration and People Committee

The Remuneration and People 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. It also oversees delivery of our People Strategy.

## Nominations and Governance Committee

The Nominations and Governance 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.

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

## Composition, succession and evaluation

The Nominations and Governance Committee is responsible for the recruitment of our Board members and Senior Leadership team.

More details are included in the Nominations and Governance Committee report on pages 80 to 81.

## 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 Leadership. 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, Risk Committee report on pages 68 to 69 and risk management report on pages 30 to 39.

## Remuneration

More information can be found in the Remuneration and People Committee report on pages 70 to 79.

## 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 Board effectiveness review is conducted externally every three years, with the next external review scheduled for March 2027. The most recent review was carried out internally under the supervision of the Society's Chief People Officer and Group Secretary. During the financial year, the Society continued to ensure that the Board remains effective with a focus on what matters most for the Society's long-term success. We are committed to continue learning and growing together as a Board. Rather than just relying on our existing skills and experience, we are committed to ongoing training and development.

The Board has strengthened its commitment to diversity and ongoing progression by joining the Empowering People of Colour (EPOC) programme. As part of this initiative, an EPOC Fellow joins the Board to ensure that a broader and more diverse range of perspectives is represented at Board level.

## 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. This 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
<b>Society members</b>	<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 Chief Customer Officer, with the CEO and one of the Non-Executive Directors in attendance.</p> <p>We frequently refresh the people sitting on the Member Council to make sure it continues to represent a broad cross-section of our member base and fresh perspectives are put forward.</p>	<p>Over the last 12 months the Member Council has supported the Board by providing valuable input across a range of topics including; new mortgage propositions, initiatives to deepen our presence within local communities, B Corp accreditation and Executive Director remuneration.</p> <p>Every month information is given to the Board covering our key customer metrics including:</p> <ul style="list-style-type: none"> <li>• Customer feedback.</li> <li>• Net Promoter Score.</li> <li>• Complaints.</li> </ul> <p>Our customer panel has over 1,700 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.</p>
<b>Colleagues</b>	<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. In November 2025 the Employer Council refreshed its membership, retaining some existing members and also bringing some new perspectives onboard.</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.</p>	<p>Over the last 12 months our Employee Council has provided colleague insight on matters such as ways of working, annual colleague survey results and Executive Director remuneration.</p> <p>Regular colleague surveys give colleagues the chance to have their say on our key operational matters.</p> <p>Our colleague-led Connect group promotes equity, inclusion and diversity. Further details can be found on page 18 of this report.</p> <p>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.</p>
<b>Communities</b>	<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>Our Board receives regular updates on our community activities. Over the last 12 months we have continued to support the Birmingham-based charity Jericho whose 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>This year our charitable foundation has supported a range of community initiatives. In June this included the launch of the Safe Space Youth Café. Supporting the YMCA with funding towards activity sessions for children and young adults. Donations provided by members attending our AGM were also used to support activities and equipment needed by the Cafe.</p> <p>The 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>Our branches operate at the heart of our local communities; opening their doors in new ways through the course of the year to support the communities they serve. This year branch spaces have been used by local groups, charities and neighbours who need a safe space to connect or host events.</p> <p>Colleagues from across our network have also been out in our communities with pop up events held across our region. Various topics have been covered including fraud and scam awareness.</p> <p>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 51 local causes through this grant scheme.</p> <p>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. More information on how we're supporting our communities can be found on pages 17 to 18 of our strategic report.</p>

<b>Wider stakeholder groups</b>	<p>The Board gets regular updates on the relationships we have with our wider stakeholder groups including:</p> <ul style="list-style-type: none"> <li>• Mortgage brokers and third-party suppliers.</li> <li>• Relationships with wholesale investors, which are overseen by the Assets &amp; Liabilities Committee.</li> </ul>	<p>Regular attendance at supplier user groups encourages a positive feedback loop between clients and providers.</p> <p>Engaging with investors helps build strong collaborative working relationships.</p>
<b>Environment</b>	<p>Our commitment to environmental sustainability is embedded within pillar 5 of our business strategy meaning climate considerations are integrated into strategic decisions, aligning with regulatory expectations and stakeholder priorities.</p> <p>Climate risk is embedded within our Climate Change Risk Management Framework, with regular Board oversight through the Risk Committee.</p> <p>The Board receives bi-annual updates on climate risk including relevant information to support the assessment of physical and transition risks. This year the Board were involved in reviewing and approving our climate and environmental targets and subsequently the onward trajectory of our climate strategy.</p> <p>Sustainability principles are incorporated into our lending policies, procurement, and operational decisions, ensuring a long-term commitment to environmental responsibility.</p>	<p>We have completed our first full carbon footprint assessment, providing us with an overview of our environmental impact across Scope 1, 2 and 3 emissions. This information will be used to drive meaningful reductions.</p> <p>With various regulatory changes across the climate landscape (notably the PRA's revision of SS3/19 to SS5/25, and the proposed roll-out of the UK Sustainability Reporting Standards) we have actively engaged in consultations and working groups to ensure our views are heard.</p> <p>We engage colleagues at all levels through training and awareness initiatives, including our Climate Champions Network, which drives sustainability action across the business.</p> <p>Through member communications, partnerships, and industry collaboration, we ensure that stakeholder views shape our approach to climate and environmental responsibility.</p> <p>More information can be found in our Climate-related Financial Disclosures report on pages 40 to 50.</p>
<b>Regulators</b>	<p>The Board has an open and transparent relationship with both the FCA and the PRA. This includes:</p> <p>Managing actions raised from regulatory reviews at Board level, with key updates provided on a regular basis.</p> <p>Making sure Board members attend important regulatory update meetings. This means our position is considered for any emerging developments.</p>	<p>Monthly updates on key regulatory changes are provided to the Board.</p> <p>Regular conversations with our regulatory supervisors to cover principal risks and other matters.</p>

## Attendance records – Board and Board Committee meetings

Our Board met nine 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 and Governance	Audit	Risk	Remuneration and People
Sara Bennison	8 (9)			5 (6)	4 (4)
Martin Boyle *	9 (9)				
Russell Galley	1 (1)			1 (1)	
Manjit Hayre *	8 (9)				
Julie Hopes	1 (2)		0 (1)		1 (1)
John Maltby (Chair)	9 (9)	7 (7)			4 (4)
Nimisha Patel	9 (9)	6 (7)	4 (4)	6 (6)	
Lynne Atkin	7 (8)	7 (7)		5 (5)	4 (4)
Alex Pawley *	9 (9)				
Lynne Shamwana	4 (4)		1 (1)	2 (2)	
David Thomas	9 (9)	5 (5)	4 (4)	6 (6)	2 (2)
Jonathan Westhoff *	9 (9)				

\* Executive Directors

## Non-adherence to the Principles and Provisions of the Corporate Governance 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).
- In line with the FRC's Corporate Governance Code section 2 Division of Responsibilities and good-practice guidance (Provision 221), the Society notes that the Audit Committee and the Risk Committee were both chaired by David Thomas for a period between July 2025 and March 2026, following the stepping down of Audit Committee Chair Lynne Shamwana at the end of her term and the Society's efforts to identify a suitable replacement. This temporary arrangement was discussed with, and approved by, the Prudential Regulation Authority (PRA) in advance. The Society ensured that appropriate safeguards and reporting structures remained in place throughout this period to maintain effective oversight.

During 2025/26, other than the points listed above, the Board is of the opinion that we have complied with all other aspects of the Code.

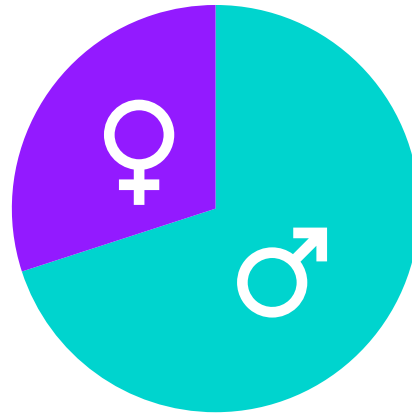
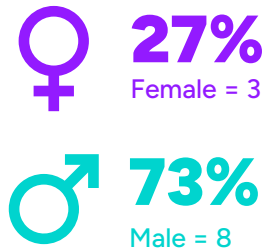
On behalf of the Board

**John Maltby**  
Chair  
28 May 2026

# Board diversity and engagement

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

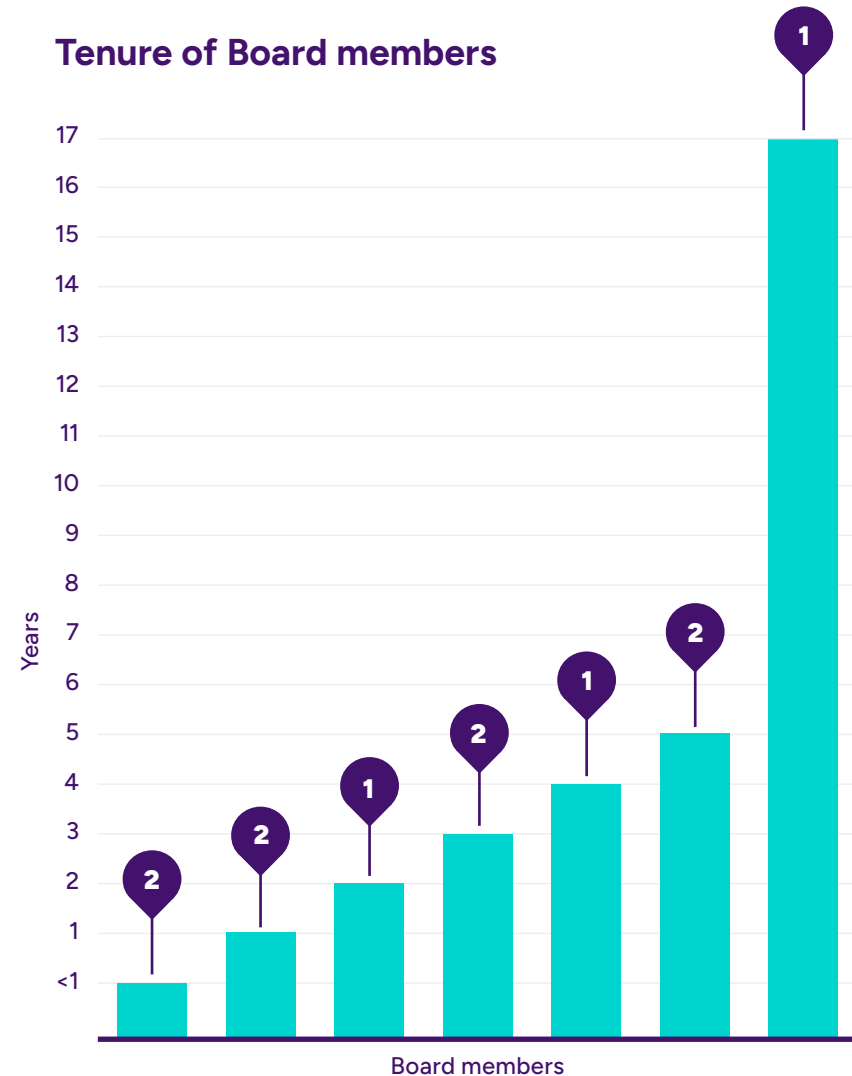
## Gender split



## Ethnic diversity

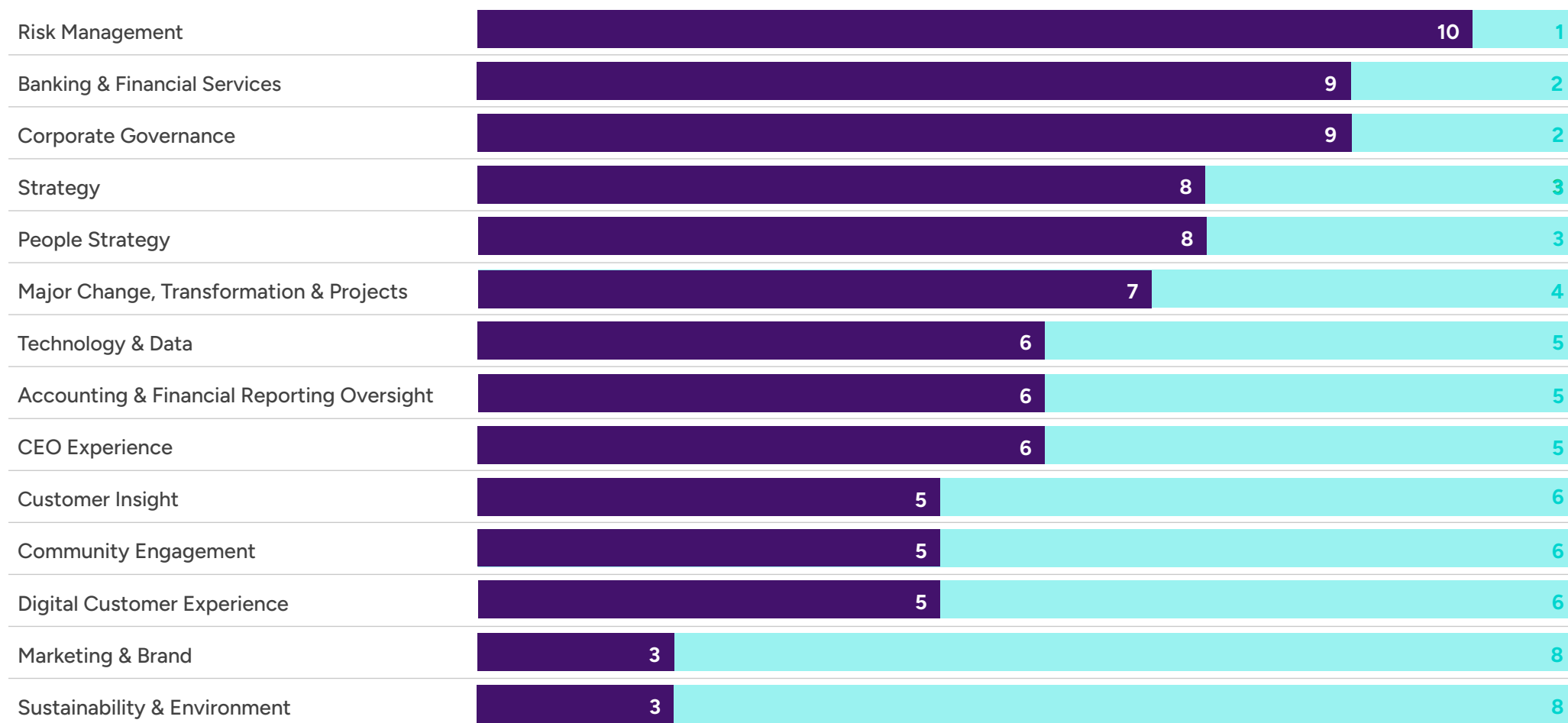


## Tenure of Board members



The Board analysis detailed represents the Board as at 28 May 2026.

## Board skills and experience



Advanced or higher level skills/ experience
  Indirect skills/experience

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

# 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:

- Phillip McLelland – Chair (joined the Committee 01/04/26)
- David Thomas (Interim Chair from 24/07/25 to 31/03/26)
- Nimisha Patel
- Russell Galley (joined the Committee 01/04/26)

Previous members within the reporting period:

- Lynne Shamwana (previous Chair, stepped down from the Committee 23/07/25)
- Julie Hopes (stepped down from the Committee 31/05/25)

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](mailto: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 below.

Area of focus	Actions taken
<b>Loan impairment provisions</b>	<ul style="list-style-type: none"> <li>• We reviewed the expected credit loss provisions for each mortgage portfolio under IFRS 9.</li> <li>• We've considered the use and completeness of Post Model Adjustments.</li> <li>• For commercial loans, we've examined exposure levels, and provision coverage for 'at risk' sectors.</li> <li>• We've challenged the impairment model assumptions in different forecasts and scenario analyses.</li> <li>• We confirmed credit risk disclosures were accurate and properly reported.</li> <li>• We reviewed the development of updates to IFRS 9 models to make sure they continue to meet our needs.</li> </ul>
<b>Investment property valuations</b>	<ul style="list-style-type: none"> <li>• We've made sure that our West Bromwich Homes residential properties are fair valued as per IAS 40.</li> <li>• 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.</li> </ul>
<b>Financial instruments (Fair value and hedge accounting)</b>	<ul style="list-style-type: none"> <li>• We've made sure that the IAS 39 rules for hedge accounting are correctly applied.</li> <li>• We reviewed our hedging requirements and made sure that our processes based on previous external audit findings have been updated where necessary.</li> </ul>
<b>Capitalisation of intangible assets</b>	<ul style="list-style-type: none"> <li>• We've reviewed the IAS 38 rules for capitalising intangible assets and made sure that costs are appropriately capitalised.</li> <li>• We reviewed and will continue to review the key assumptions for the estimated useful lives of intangible assets to ensure they remain appropriate, in particular the assets created as part of our digital transformation programme.</li> </ul>
<b>Accounting standard updates</b>	<ul style="list-style-type: none"> <li>• We reviewed that our disclosures relating to new or amended accounting standards are fair and accurate.</li> </ul>
<b>Going concern and viability statement</b>	<ul style="list-style-type: none"> <li>• We reviewed our evidence supporting the going concern and long-term viability during economic uncertainty.</li> <li>• We've assessed the Group's strategy, business model, and capital/liquidity under current and stressed conditions.</li> <li>• We approved the Annual Report on a going concern basis and affirmed the viability statement in the Directors' report.</li> </ul>
<b>Fair, balanced and understandable reporting</b>	<ul style="list-style-type: none"> <li>• We've made sure that the financial statements and interim reports fairly represent the Group's position, performance, and strategy.</li> </ul>
<b>External audit</b>	<ul style="list-style-type: none"> <li>• We've considered the external auditors' feedback and concluded that no significant changes to our financial statements were needed.</li> </ul>

## 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 30 to 39 and our Risk Committee report on pages 68 to 69.

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 2025/26 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 2025/26. This year, the main areas we reviewed were:

- Cyber security.
- 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 and 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 sixth 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 three 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.

### David Thomas

Chair of Audit Committee (to 31/03/26)  
28 May 2026

# Risk Committee report

This report tells you about:

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



## Purpose of the Committee

The purpose of the Risk Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by ensuring that the Society (and its subsidiaries as applicable) has a robust risk management framework to identify, assess, monitor and control risk and that the risk functions are appropriately independent, resourced and effective.

## Committee membership and responsibilities

The Committee's made up of:

- David Thomas (Chair)
- Sara Bennison
- Nimisha Patel
- Lynne Atkin (joined the Committee 01/05/25)
- Lynne Shamwana (stepped down from the Committee 23/07/25)
- Russell Galley (was a member until 05/05/25 and re-joined the Committee 01/04/26)
- Phillip McLelland (joined the Committee 01/04/26)

All members are Non-Executive Directors. The Chief Executive Officer and other members of ExCo will be in attendance and our Chair and other Non-Executive Directors, may also attend meetings.

The Committee is responsible for:-

- Overseeing the development, implementation and maintenance of the Society's risk management framework, including its risk appetite statements and metrics, to ensure they are appropriate and align with business strategy, current and emerging regulatory, corporate governance and industry practice.
- Ensuring that all material and business risks are properly identified and appropriate systems of assessment, monitoring and controls are in place.
- Reviewing management reports which assess the nature and extent of the current and emerging risks facing the Society.
- Assessing reports of any material breaches and the adequacy of proposed remedial action.
- Reviewing management information and making recommendations for change as and when appropriate.
- Analysing reports in relation to provisioning that include model risk; agreement of economic scenarios; adequacy of risk identification and provisioning as relating to the adequacy of the current and future capital position; and risk mitigation strategies such as MIG.
- Reviewing risk appetite statements and metrics.
- Assessing the ICAAP, ILAAP and Recovery Plan and recommending them for approval to the board.

You can find out more about how we manage risk in our risk management report on pages 30 to 39.

## Key areas of focus

The Risk Committee met six times this year and their key areas of focus were:-

- Reviewing principal risk appetite proposals and risk appetite statements for the financial year.
- Approving the Compliance & Financial Crime Annual Plan, Operational Risk Oversight Plan, the Financial Crime & Anti-Money Laundering Annual Report (MLRO Report) and macroeconomic scenario assumptions.
- Reviewing for recommendation to the Board our Cyber Security Strategy, Recovery Plan annual update, various Level 1 policies (such as the Risk Management Framework Policy, Residential New Lending Policy and Governance and Policy Guidance) and the ICAAP and ILAAP for 2025.

## Risk Committee effectiveness

Every three years an external firm assesses the Committee's effectiveness, looking at time management, processes, support, work and future priorities. This was last completed in December 2024 with the conclusion positive and that the Committee is operating effectively. 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 and presentations on current topics and emerging risks.

### David Thomas

Chair of Risk Committee  
28 May 2026



# Remuneration and People Committee report

This report tells you about:

- The Remuneration and People 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 and People Committee is to review colleagues' pay and benefits and to make sure our people policies and strategies align with the Society's values, risk appetites, along with external legal and regulatory requirements.

During the year, the Committee's remit was expanded to include wider oversight of the Society's People Strategy. This enhanced scope strengthens the Committee's ability to take a more integrated view of remuneration, culture and people related matters, ensuring alignment with the Society's vision and strategic objectives.

## Committee membership and responsibilities

The Committee's made up of:

- Lynne Atkin (Chair) (joined the Committee 01/05/25, Chair from 01/06/25)
- John Maltby
- Sara Bennison
- Russell Galley (was a member of the Committee until 05/05/25, then re-joined 01/04/26)

Previous members within the reporting period:

- Julie Hopes (previous Chair) (stepped down from the Committee 31/05/25)
- David Thomas (stepped down from the Committee 24/10/25)

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.
- Overseeing the Society's People Strategy, including culture, organisational development, talent management, people value proposition, etc., to ensure alignment with the overall Society vision and strategic plan.

The Committee demonstrates the importance of our members' views on remuneration by making their votes on the Remuneration Policy binding, rather than advisory, every three years, accordingly, the Policy will be subject to a binding vote in 2026.

An update has been made to reflect changes in remuneration regulations under which variable pay deferral arrangements for Executive Directors and other Code Staff are no longer mandatory from the 2026/27 financial year onwards where threshold requirements are not met. The Society is supportive of the reforms that were made by regulators as it enables us to ensure our executive pay is equitable, proportionate and attracts and retains high calibre colleagues.

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

\* 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.

# 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 and People 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, awards may be subject to deferral, to allow the Remuneration and People 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 (other than Non-Executive Directors).

#### 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

In accordance with remuneration regulation, up to 40% of the performance-related pay earned may be deferred over up to a four-year period. Where deferral takes place, deferred payments are made over up to 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), which is for a period of seven years for Executive Directors, and five years for any 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.

**Note:** Under the recently reformed remuneration regulations, our Executive Directors do not meet the new thresholds for performance-related pay deferral requirements.

##### 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 2025/26 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 allowance).

##### Opportunity

A pension contribution or cash allowance equal to the maximum pension contribution available to all other colleagues (for 2025/26: 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
<b>Fees</b> 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 and People 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
<b>Basic salary</b>	An amount commensurate with their experience and responsibilities.
<b>Benefits</b>	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.
<b>Performance-related pay</b>	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.
<b>Pension or pension allowance</b>	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).
<b>Recruitment compensation</b>	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 and People 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
<b>Fees</b>	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.

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 72, the Remuneration and People Committee has the right to allow an increase in performance-related award to 75% if deemed appropriate, with effect from financial year 2019/20).

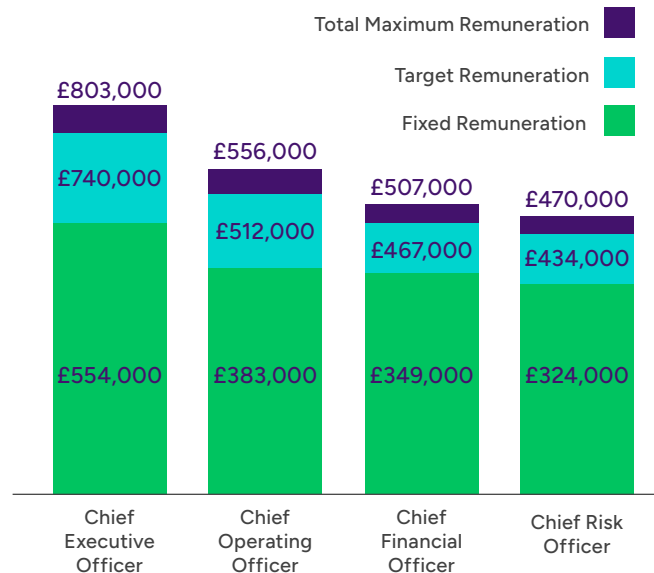
## Employment conditions across the Society

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.

## Remuneration scenarios

The chart shows the breakdown of the component parts of the remuneration package for Executive Directors 2025/26 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.



## 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 other Code Staff.
- Review of People Strategy and Culture.
- Society's position on the recent regulatory and legal changes such as joint PRA and FCA Remuneration Reform and the Employment Rights Bill.
- 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.
- Society and individual performance-related pay objectives for our Executive Directors and other Code Staff (except Non-Executive Directors who do not participate in any performance-related pay scheme) for the 2026/27 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 3%.
- Chief Financial Officer 6.35%.
- Chief Risk Officer 3%.
- Chief Operating Officer 3%.

Our Executive Directors' remuneration, including performance-related pay can be found on pages 76 to 77.

FIT Consultants reviewed Non-Executive Director fees for next year. To stay competitive and keep a strong Board, the Committee agreed to increase the fee for Non-Executive fees by 3%, the fee for Chairs of Board Committees by 5% and the fee for Board Chair by 5.45%.

## 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 2026 gender and ethnicity pay gap report on our website.

## 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 2026, base salary increments applied to eligible colleagues ranged between 1% and 32%. The upper end of this range reflects the re-scoping of a role as part of a team restructure.

## 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.

At 31 March 2026, one Director (2024/25: one Director) or persons connected with Directors had mortgage loans granted in the ordinary course of business totalling £0.2m (2024/25: £0.2m). In accordance with Section 68 of the Buildings Societies Act 1986, a register containing details of loans and transactions between the Society and its Directors is maintained and will be available for inspection 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	2025/26 Fees <sup>(1)</sup>	2025/26 Benefits <sup>(2)</sup>	2024/25 Fees	2024/25 Benefits <sup>(2)</sup>
		£000	£000	£000	£000
<b>John Maltby</b> (Society Chair since 01/03/21)	04/01/21	137	3	135	3
<b>David Thomas</b> (Senior Independent Director, Deputy Chair since 01/06/25, Risk Committee Chair since 04/05/21 and Audit Committee Chair since 24/07/25)	01/08/20	78	2	69	2
<b>Lynne Atkin</b> (Remuneration and People Committee Chair since 01/06/25)	01/05/25	62	2	-	-
<b>Sara Bennison</b>	01/08/23	55	1	54	2
<b>Nimisha Patel</b>	01/06/24	55	2	45	2
<b>Lynne Shamwana</b> (Audit Committee Chair until 23/07/25)	01/02/19	23	1	69	2
<b>Julie Hopes</b> (Remuneration and People Committee Chair and Deputy Chair until 31/05/25)	01/04/16	13	-	79	2
<b>Russell Galley</b> (until 05/05/25)	01/05/24	5	-	50	2
<b>David Dyer</b> (until 24/07/24)	01/09/21	-	-	18	1
<b>Anne Gunther</b> (until 24/07/24)	01/11/21	-	-	18	1
<b>Total</b>		<b>428</b>	<b>11</b>	<b>537</b>	<b>17</b>

### Notes:

<sup>1</sup> The Society's Chair (John Maltby) and other Non-Executive Directors received a 1.85% increase in their base fee from April 2025.

<sup>2</sup> 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 – 2025/26 (audited)

Executive Director	Basic salary	Performance - related pay <sup>(1)</sup>	Pension	Other benefits	Total
	£000	£000	£000	£000	£000
<b>Jonathan Westhoff</b> (Chief Executive Officer)	497	222	53	4	776
<b>Martin Boyle</b> (Chief Operating Officer)	345	152	37	1	535
<b>Alex Pawley</b> (Chief Financial Officer)	315	138	33	1	487
<b>Manjit Hayre</b> (Chief Risk Officer)	292	125	31	1	449
<b>Total</b>	<b>1,449</b>	<b>637</b>	<b>154</b>	<b>7</b>	<b>2,247</b>

<sup>1</sup> 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 £9,000 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 – 2024/25 (audited)

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

<sup>1</sup> 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.

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 (2025/26), the total performance-related pay for our Executive Directors is:

Executive Director	% awarded for Society objectives	% awarded for personal objectives	Total % awarded
<b>Jonathan Westhoff</b> (Chief Executive Officer)	26.25%	18.50%	44.75%
<b>Martin Boyle</b> (Chief Operating Officer)	26.25%	17.75%	44.00%
<b>Alex Pawley</b> (Chief Financial Officer)	26.25%	17.50%	43.75%
<b>Manjit Hayre</b> (Chief Risk Officer)	8.75%	34.25%	43.00%

Our objectives for the year include:

Objectives	% of overall award potential	% of award achieved
<b>Help our customers achieve a more financially secure future</b> • Net lending, proportion of purpose led lending and NPS score	20%	15%
<b>Strengthening our communities</b> • New customers in West Midlands and Brand awareness	7.5%	5%
<b>We are customer centric, and purpose driven</b> • Colleagues enabled to perform and understanding their contribution to our vision and strategy	10%	7.5%
<b>Modernise our digital and technology estate</b> • Digital transformation milestones, metrics and change plans delivered to time, quality, cost and within risk appetite	30%	27.5%
<b>Keep our business secure and sustainable for the future</b> • Profit, cost efficiency, net interest margin, strategic risk management and environmental sustainability	22.5%	22.5%
<b>Overall assessment of Executive performance</b>	10%	10%
<b>Overall Society objectives</b>	<b>100%</b>	<b>87.5%</b>

The Remuneration policy gives us the option to increase Executive Directors' maximum performance-related pay award up to 75% of basic salary.

## Deferred performance-related pay

Previously, part of the Executive Directors' performance-related pay was 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.

According to the recently reformed remuneration regulations, our Executive Directors and other Code Staff do not meet the threshold requirements for performance-related pay deferrals to be enforced.

The Remuneration Policy has been updated to ensure compliance with the regulation.

Deferred performance-related payments for relevant prior years have been approved for payment at the end of the 2025/26 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	Payable in future years		Payable after year ending			
	Deferred from	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Jonathan Westhoff	2021/22	17	-	-	-	-
	2022/23	19	19	-	-	-
	2023/24	22	22	22	-	-
	2024/25	23	23	23	23	-
	2025/26	-	22	22	22	22
<b>Total</b>		<b>81</b>	<b>86</b>	<b>67</b>	<b>45</b>	<b>22</b>
Ashraf Piranie (until 31/12/2022)	2021/22	12	-	-	-	-
	2022/23	10	10	-	-	-
<b>Total</b>		<b>22</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>
Manjit Hayre	2021/22 <sup>1</sup>	7	-	-	-	-
	2022/23	10	10	-	-	-
	2023/24	12	12	12	-	-
	2024/25	13	13	13	13	-
	2025/26	-	13	13	13	13
<b>Total</b>		<b>42</b>	<b>48</b>	<b>38</b>	<b>26</b>	<b>13</b>
Alex Pawley	2022/23 <sup>2</sup>	6	6	-	-	-
	2023/24	12	12	12	-	-
	2024/25	14	14	14	14	-
	2025/26	-	14	14	14	14
<b>Total</b>		<b>32</b>	<b>46</b>	<b>40</b>	<b>28</b>	<b>14</b>
Martin Boyle	2023/24	15	15	15	-	-
	2024/25	16	16	16	16	-
	2025/26	-	15	15	15	15
<b>Total</b>		<b>31</b>	<b>46</b>	<b>46</b>	<b>31</b>	<b>15</b>

<sup>1</sup> 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.

<sup>2</sup> 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 2026.

Year	Method	25th Percentile	Median	75th Percentile
2025-26	Option A	29:1	22:1	15:1
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	27,194	35,916	52,414
Salary	25,080	33,847	48,000

## Statement on member voting at the 2025 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 for	Votes against	Withheld*
To approve the Directors' Remuneration Report	9,567	92.86%	736	246

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

## Focus for 2026/27

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.

### Lynne Atkin

Chair of Remuneration and People Committee  
28 May 2026

# Nominations and Governance Committee report

This report tells you about:

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

## Purpose of the Committee

The purpose of the Nominations and Governance Committee is to ensure the composition of Board is of the appropriate size, skill, experience and diversity to enable it to fulfil its regulatory and corporate governance responsibilities. The scope and objectives of this Committee have been expanded to include the Society's broader governance framework, which is now reflected in the updated Terms of Reference.

## Committee membership and responsibilities

The Committee's made up of:

- John Maltby (Chair)
- Lynne Atkin (joined the Committee 01/05/25)
- Nimisha Patel
- Phillip McLelland (joined the Committee on 01/04/26)

Previous members within the reporting period:

- Julie Hopes (stepped down from the Committee 31/05/25)
- David Thomas (stepped down from the Committee on 01/03/26)

All members are Non-Executive Directors. Our Chief Executive Officer 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 Senior Leadership team.

- Ensuring the Board is the right size and has the skills and experience to govern the Society.
- Overseeing the corporate governance framework for the Board and its Committees, including adherence to the Code, regulatory rules and disclosures and ensure it provides effective mechanisms for the oversight and governance of the Society's strategy and objectives.

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

## Key areas of focus

In the last 12 months the Committee met seven 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.

## 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 Leadership 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 and Governance Committee  
28 May 2026



# 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 2026. 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 64 in the Corporate Governance report.

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

- Russell Galley (resigned 05/05/25) - had stepped down from the Board for personal reasons; however, he was reappointed as a Non-Executive Director with effect from 1st April 2026
- Julie Hopes (resigned 31/05/25)
- Lynne Shamwana (resigned 23/07/25)
- Lynne Atkin (appointed 01/05/25)

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 2026 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 welcome on page 7, the CEO's review on pages 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 £33.6m (2024/25: £36.5m). Our capital position can be found in the financial review of the year on pages 24 to 28 and the annual business statement on page 167.

## Country-by-country reporting

Information in respect of the Capital Requirements (country-by-country reporting) Regulations 2013 can be found on page 163.

## 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 30 to 39. In addition to these principal risks there are, because of the 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, capital and liquidity risks. The Board manages these risks through its risk management framework, Board policies and the Treasury, Finance 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 31 to 34 of the financial statements. Any other emerging risks concerning the Society can be found in the risk management section on pages 30 to 50.

## Mortgage arrears

At 31 March 2026 there were 103 residential and 8 commercial mortgage accounts (2024/25: 123 residential and 7 commercial mortgage accounts) where payments were 12 months or more in arrears.

The total amount outstanding on these accounts was £111.1m (2024/25: £105.4m), of which £99.3m (2024/25: £91.1m) related to commercial mortgage accounts. The total amount outstanding represented 1.95% (2024/25: 1.92%) of mortgage balances. The amount of arrears was £21.9m (2024/25: £18.7m), 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

We agree on payment terms before trading with a supplier and to pay according to the contractual and other legal obligations. At 31 March 2026, the creditors' days figure was 35 days (2024/25: 27 days).

## 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 pages 17 to 18. During the year, the Society made charitable donations of £2,976 (2024/25: £3,671) of which £1,467 was donated to YMCA Black Country (2024/25: £1,592 to Jericho) from the number of votes received at the 2025 Annual General Meeting (AGM).

No donations were made for political purposes.

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 to 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 50, 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 6 to 28. Our financial position, including our capital structure, risk management and control processes for managing exposure to credit, market, capital, liquidity and operational risk are described in the strategic report

on pages 24 to 28 and the risk management report on pages 30 to 39.

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 2029.

## 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 Auditors are 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 Auditors are 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 60 to 61.

On behalf of our Board,

**John Maltby**  
Chair  
28 May 2026



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# Financial Statements

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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 March 2026 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 financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise:

- the Group and Society statements of financial position as at 31 March 2026;
- the Group and Society income statements and statements of comprehensive income, the Group and Society statements of cash flows, and the Group and Society statements of changes in members' interests and equity for the year then ended;
- and the notes to the financial statements, 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 financial statements, 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 financial statements 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 financial statements 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 financial statements 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 financial statements, we have provided no non-audit services to the Group in the period from 1 April 2025 to 31 March 2026.

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

### Our audit approach

#### Overview

##### Audit scope

- We conducted all of our audit work over the Group and its components using one audit team, using information obtained from the Group's 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 seven other entities. Our audit procedures provide coverage over 94.7% of the interest income of the Group and 85.1% of the total assets of the Group.

##### Key audit matters

- The application of key judgements and assumptions in relation to applying expected credit loss provisioning to loans and advances to customers. (Group & Society)

##### Materiality

- £4.7m (2025: £4.5m) - Group financial statements
- Based on approximately 1% of Group net assets
- £3.85m (2025: £3.8m) - Society financial statements
- Based on approximately 1% of net assets

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. 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.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements 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 financial statements 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.

Risk of inappropriate manual adjustments made in the hedging process, which was a key audit matter last year, is no longer included because of simplifications made by management in the prior period in respect to the manual adjustments required to be posted to system outputs to achieve compliance with the accounting standards, reducing the inherent risk.

Risk of material misstatement in the valuation of investment property through inappropriate assumptions applied in the year end valuation, which was a key audit matter last year, is no longer included because management have continued to rationalise the portfolio, further decreasing magnitude of the exposure. Concentration risk has also reduced compared to the prior period, including a decreased exposure to flats and other less homogeneous asset classes, reducing the inherent risk.

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

### Key audit matter

#### **The application of key judgements and assumptions in relation to applying expected credit loss provisioning to loans and advances to customers. (Group & Society)**

The Group and Society hold expected credit loss ('ECL') provisions against loans and advances to customers in accordance with IFRS 9.

Determining ECL involves management judgement and is subject to a high degree of estimation uncertainty.

Management makes various assumptions when estimating ECL. We performed a risk assessment to identify those assumptions with significant levels of management judgement and for which variations had the most material impact on ECL;

- In relation to the residential portfolio, assumptions in the forward looking economic scenarios and their probability weightings used within the ECL calculation. The level of estimation uncertainty in this area has remained high as a result of uncertainties in the macroeconomic and geopolitical environment. (Group & Society)
- In relation to the commercial portfolio, assumptions in determining the ECL on individually assessed exposures, specifically around cash flow assumptions and where applicable, valuation of collateral. (Group only)

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 residential ECL:

- We engaged our economic experts in assessing the reasonableness of the assumptions in the forward-looking economic scenarios and probability weightings assigned to these scenarios. We focused on whether the scenarios adequately captured future potential economic risks, such as risks caused by the geopolitical environment. These assessments considered the sensitivity of ECLs to variations in the severity and probability weighting of economic scenarios.

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

- In respect to a sample of individually assessed commercial exposures, we assessed the significant assumptions used to estimate the discounted cash flow projections, and where appropriate we involved valuation experts to assess the underlying collateral. We further considered whether the judgements made in selecting the significant assumptions would give rise to indicators of possible management bias.

Finally, we tested the Credit Risk disclosures made in the Annual Report.

### 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 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). The Group's mortgage book is predominantly secured on UK residential owner-occupied property. The Group is formed of the Society, subsidiaries (West Bromwich Mortgage Company Limited, West Bromwich Homes Limited, West Bromwich Commercial Limited, Insignia Finance Limited and White Label Lending Limited) and several structured entities which administer the Group's funding programmes.

Throughout our risk assessment, we tailored our determination as to which entities and balances we needed to perform testing over to support our Group and Society opinions, taking into account the group structure, accounting processes and controls. The risk of material misstatement can be reduced to an acceptable level by testing the most financially significant entities within the Group and those that drive particular significant risks identified as part of our risk assessment, providing us with sufficient coverage for each financial statement line item ('FSLI').

We performed a full scope audit of the significant component, namely West Bromwich Building Society (Society). West Bromwich Mortgage Company Limited, West Bromwich Homes Limited and West Bromwich Commercial Limited, identified as being individually financially significant in respect of only one or more account balances (Loans & Advances to customers, associated expected credit losses, Investment Property and Rental Income) were non-significant components and thus subject to specific audit procedures over those account balances.

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

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

### 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 financial statements	Society financial statements
<b>Overall materiality</b>	£4.7m (2025: £4.5m)	£3.85m (2025: £3.8m)
<b>How we determined it</b>	Approximately 1% of net assets.	Approximately 1% of net assets.
<b>Rationale for benchmark applied</b>	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 £2.8m to £4.5m.

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% (2025: 75%) of overall materiality, amounting to £3.6m (2025: £3.4m) for the Group financial statements and £2.9m (2025: £2.9m) for the Society financial statements.

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 (Group and Society) (2025: £0.2m) as well as misstatements below those amounts, that, in our view, warranted reporting for qualitative reasons.

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

### 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:

- We reviewed and challenged the key assumptions used by the directors in their determination of the going concern of the Group and Society;
- We reviewed management's stress test scenarios and considered whether the Group and Society would continue to operate above required regulatory capital and liquidity minima during times of stress;
- We considered as to whether our audit work had identified events or conditions which may give rise to uncertainty of the Group and Society's future ability to trade; and
- We reviewed legal and regulatory correspondence, and met with the PRA, 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 when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements 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 financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 financial statements 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.

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

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 the 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 2026 is consistent with the accounting records and the financial statements; 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.

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and Annual Accounts, the directors are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and 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 Group or the Society or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

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 Group and 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 financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of inappropriate manual journal entries to manipulate financial performance and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Review of internal audit findings throughout the year;
- Reading key correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and

## Independent Auditors' report to the members of West Bromwich Building Society (continued)

- Identifying and testing journal entries, in particular any journal entries posted to unusual account combinations based on our understanding of usual business operations.

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 financial statements. 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.

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 financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 financial statements 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 financial statements for the year ended 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 March 2021 to 31 March 2026.

### Other matter

The society is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

**Nikhil Dhiri** (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

28 May 2026

## Income Statements

for the year ended 31 March 2026

	Note(s)	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 Restated* £m
Interest receivable and similar income					
Calculated using the effective interest method		289.2	279.9	290.8	276.7
On instruments measured at fair value through profit or loss		14.4	36.5	12.2	33.6
<b>Total interest receivable and similar income</b>	2	<b>303.6</b>	316.4	<b>303.0</b>	310.3
Interest expense and similar charges	3	(199.5)	(220.2)	(206.6)	(222.6)
<b>Net interest receivable</b>		<b>104.1</b>	96.2	<b>96.4</b>	87.7
Fees and commissions receivable		1.1	0.7	1.5	0.9
Other operating income	4	4.5	4.2	3.0	0.3
Fair value gain on financial instruments	5	0.8	4.4	2.5	1.8
<b>Total income</b>		<b>110.5</b>	105.5	<b>103.4</b>	90.7
Administrative expenses	6	(64.0)	(57.6)	(61.1)	(54.9)
Depreciation and amortisation	16,18	(8.6)	(7.0)	(8.6)	(7.0)
<b>Operating profit before revaluation gains, impairment and provisions</b>		<b>37.9</b>	40.9	<b>33.7</b>	28.8
Gains on investment properties	17	0.7	2.4	-	-
Impairment on loans and advances	14	(5.0)	(6.9)	(0.6)	(0.3)
Provisions for liabilities	24	-	0.1	-	0.1
Provisions against investments in subsidiary undertakings	15	-	-	(5.1)	(8.0)
<b>Profit before tax</b>		<b>33.6</b>	36.5	<b>28.0</b>	20.6
Taxation	9	(10.2)	(6.9)	(7.6)	(8.2)
<b>Profit for the financial year</b>		<b>23.4</b>	29.6	<b>20.4</b>	12.4

The profit for the year derives wholly from continuing operations.

\*Society 2025 "Fair value gain on financial instruments" and "Taxation" have been restated as explained in note 39.

The notes on pages 105 to 162 form part of these financial statements.



## Statements of Comprehensive Income

for the year ended 31 March 2026

	Note	Group 2026 £m	Group 2025 £m
<b>Profit for the financial year</b>		<b>23.4</b>	<b>29.6</b>
<b>Other comprehensive (expense)/income</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Fair value through other comprehensive income investments			
Valuation losses taken to equity		(0.5)	(0.6)
Taxation	29	0.1	0.2
<b>Items that will not subsequently be reclassified to profit or loss</b>			
Actuarial losses on defined benefit assets	30	(0.1)	(4.5)
Taxation	29	-	1.1
<b>Other comprehensive expense for the financial year, net of tax</b>		<b>(0.5)</b>	<b>(3.8)</b>
<b>Total comprehensive income for the financial year</b>		<b>22.9</b>	<b>25.8</b>
	Note	Society 2026 £m	Society 2025 Restated* £m
<b>Profit for the financial year</b>		<b>20.4</b>	<b>12.4</b>
<b>Other comprehensive (expense)/income</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Fair value through other comprehensive income investments			
Valuation losses taken to equity		(0.5)	(0.6)
Taxation	29	0.1	0.2
<b>Items that will not subsequently be reclassified to profit or loss</b>			
Actuarial losses on defined benefit assets	30	(0.1)	(4.5)
Taxation	29	-	1.1
<b>Other comprehensive expense for the financial year, net of tax</b>		<b>(0.5)</b>	<b>(3.8)</b>
<b>Total comprehensive income for the financial year</b>		<b>19.9</b>	<b>8.6</b>

\*Society 2025 "Profit for the financial year" has been restated as explained in note 39.

The notes on pages 105 to 162 form part of these financial statements.

<b>Statements of Financial Position</b> at 31 March 2026		Group	Group	Society	Society
		2026	2025	2026	2025
	Note	£m	£m	£m	Restated* £m
<b>Assets</b>					
Cash and balances with the Bank of England	10	179.6	159.8	179.6	159.8
Loans and advances to credit institutions		93.3	88.8	62.9	58.4
Investment securities	11	515.4	467.6	680.4	658.6
Derivative financial instruments	12	44.1	44.9	37.8	36.2
Loans and advances to customers	13	5,583.4	5,398.1	4,883.2	4,538.3
Deferred tax assets	19	8.7	12.9	4.0	6.9
Trade and other receivables	20	9.8	4.3	9.5	4.1
Investments	15	-	-	741.2	912.0
Intangible assets	16	33.1	20.7	33.1	20.7
Investment properties	17	137.9	143.2	-	-
Property, plant and equipment	18	21.3	20.3	21.3	20.3
Retirement benefit asset	30	0.1	1.2	0.1	1.2
<b>Total assets</b>		<b>6,626.7</b>	<b>6,361.8</b>	<b>6,653.1</b>	<b>6,416.5</b>
<b>Liabilities</b>					
Shares		5,560.0	5,071.6	5,560.0	5,071.6
Amounts due to credit institutions		273.2	459.1	275.7	460.2
Amounts due to other customers	21	24.7	29.1	388.3	469.3
Derivative financial instruments	12	8.9	16.8	8.9	16.8
Debt securities in issue	22	238.1	289.8	-	-
Current tax liabilities		1.7	-	1.7	1.3
Deferred tax liabilities	19	16.3	12.9	5.3	2.1
Trade and other payables	23	23.0	18.8	21.8	17.9
Provisions for liabilities	24	0.4	0.4	0.3	0.3
Subordinated liabilities	27	2.1	2.1	2.1	2.1
<b>Total liabilities</b>		<b>6,148.4</b>	<b>5,900.6</b>	<b>6,264.1</b>	<b>6,041.6</b>
<b>Members' interests and equity</b>					
Core capital deferred shares	26	127.0	127.0	127.0	127.0
Subscribed capital	25	3.9	3.9	3.9	3.9
General reserves		344.1	326.5	254.8	240.2
Revaluation reserve		3.1	3.2	3.1	3.2
Fair value reserve		0.2	0.6	0.2	0.6
<b>Total members' interests and equity</b>		<b>478.3</b>	<b>461.2</b>	<b>389.0</b>	<b>374.9</b>
<b>Total members' interests, equity and liabilities</b>		<b>6,626.7</b>	<b>6,361.8</b>	<b>6,653.1</b>	<b>6,416.5</b>

\*Society 2025 "Amounts due to other customers", "Current tax liabilities" and "General reserves" have been restated as explained in note 39.

The accounting policies and notes on pages 105 to 162 form part of these financial statements.

Approved by the Board of Directors on 28 May 2026 and signed on its behalf by:

**John Maltby**  
Chair

**Jonathan Westhoff**  
Chief Executive Officer

**Alex Pawley**  
Chief Financial Officer



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## Statements of Changes in Members' Interests and Equity

for the year ended 31 March 2026

Group	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2025	127.0	3.9	326.5	3.2	0.6	461.2
Profit for the financial year	-	-	23.4	-	-	23.4
<b>Other comprehensive expense for the year (net of tax)</b>						
Retirement benefit assets	-	-	(0.1)	-	-	(0.1)
Realisation of previous revaluation gains	-	-	0.1	(0.1)	-	-
Fair value through other comprehensive income investments	-	-	-	-	(0.4)	(0.4)
<b>Total other comprehensive expense</b>	-	-	-	(0.1)	(0.4)	(0.5)
<b>Total comprehensive income for the year</b>	-	-	23.4	(0.1)	(0.4)	22.9
Distribution to the holders of core capital deferred shares	-	-	(5.8)	-	-	(5.8)
<b>At 31 March 2026</b>	<b>127.0</b>	<b>3.9</b>	<b>344.1</b>	<b>3.1</b>	<b>0.2</b>	<b>478.3</b>

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
<b>Other comprehensive expense for the year (net of tax)</b>						
Retirement benefit assets	-	-	(3.4)	-	-	(3.4)
Fair value through other comprehensive income investments	-	-	-	-	(0.4)	(0.4)
<b>Total other comprehensive expense</b>	-	-	(3.4)	-	(0.4)	(3.8)
<b>Total comprehensive income for the year</b>	-	-	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)
<b>At 31 March 2025</b>	<b>127.0</b>	<b>3.9</b>	<b>326.5</b>	<b>3.2</b>	<b>0.6</b>	<b>461.2</b>

## Statements of Changes in Members' Interests and Equity

for the year ended 31 March 2026

Society	Core capital deferred shares £m	Subscribed capital £m	General reserves £m	Revaluation reserve £m	Fair value reserve £m	Total £m
At 1 April 2025	127.0	3.9	240.2	3.2	0.6	374.9
Profit for the financial year	-	-	20.4	-	-	20.4
<b>Other comprehensive expense for the year (net of tax)</b>						
Retirement benefit assets	-	-	(0.1)	-	-	(0.1)
Realisation of previous revaluation gains	-	-	0.1	(0.1)	-	-
Fair value through other comprehensive income investments	-	-	-	-	(0.4)	(0.4)
<b>Total other comprehensive expense</b>	-	-	-	(0.1)	(0.4)	(0.5)
<b>Total comprehensive income for the year</b>	-	-	20.4	(0.1)	(0.4)	19.9
Distribution to the holders of core capital deferred shares	-	-	(5.8)	-	-	(5.8)
<b>At 31 March 2026</b>	<b>127.0</b>	<b>3.9</b>	<b>254.8</b>	<b>3.1</b>	<b>0.2</b>	<b>389.0</b>

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 (restated)*	-	-	12.4	-	-	12.4
<b>Other comprehensive expense for the year (net of tax)</b>						
Retirement benefit assets	-	-	(3.4)	-	-	(3.4)
Fair value through other comprehensive income investments	-	-	-	-	(0.4)	(0.4)
<b>Total other comprehensive expense</b>	-	-	(3.4)	-	(0.4)	(3.8)
<b>Total comprehensive income for the year (restated)*</b>	-	-	9.0	-	(0.4)	8.6
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)
<b>At 31 March 2025 (restated)*</b>	<b>127.0</b>	<b>3.9</b>	<b>240.2</b>	<b>3.2</b>	<b>0.6</b>	<b>374.9</b>

\*Society 2025 "Profit for the financial year" has been restated as explained in note 39.

The notes on pages 105 to 162 form part of these financial statements.



## Statements of Cash Flows

for the year ended 31 March 2026

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>Net cash inflow/(outflow) from operating activities (see note 40)</b>	<b>135.3</b>	(491.7)	<b>(101.4)</b>	(184.4)
<b>Cash flows from investing activities</b>				
Purchase of investment securities	(356.1)	(333.6)	(356.1)	(524.7)
Proceeds from disposal of investment securities	314.2	256.8	340.2	256.9
Proceeds from disposal of investment properties	7.5	8.5	-	-
Purchase of property, plant and equipment, intangible assets and investment properties	(14.1)	(6.3)	(12.5)	(5.6)
New funding to subsidiaries	-	-	(39.3)	(48.1)
Repayment of funding from subsidiaries	-	-	204.8	197.7
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(48.5)</b>	(74.6)	<b>137.1</b>	(123.8)
<b>Cash flows from financing activities</b>				
Net (repayment)/issuance of debt securities	(51.1)	286.9	-	-
Interest paid on subordinated liabilities	(0.2)	(0.2)	(0.2)	(0.2)
Payment of lease liabilities	(0.4)	(0.5)	(0.4)	(0.5)
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)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(57.5)</b>	277.0	<b>(6.4)</b>	(9.9)
Net increase/(decrease) in cash	<b>29.3</b>	(289.3)	<b>29.3</b>	(318.1)
Cash and cash equivalents at beginning of year	<b>248.6</b>	537.9	<b>218.2</b>	536.3
<b>Cash and cash equivalents at end of year</b>	<b>277.9</b>	248.6	<b>247.5</b>	218.2

The notes on pages 105 to 162 form part of these financial statements.

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

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Cash in hand (including Bank of England Reserve account)	<b>179.6</b>	159.8	<b>179.6</b>	159.8
Loans and advances to credit institutions	<b>93.3</b>	88.8	<b>62.9</b>	58.4
Investment securities	<b>5.0</b>	-	<b>5.0</b>	-
	<b>277.9</b>	248.6	<b>247.5</b>	218.2

The Group's loans and advances to credit institutions include £28.8m (2024/25: £28.3m) of balances belonging to the Society's structured entities which are not available for general use by the Society.

# Notes to the Accounts for the year ended 31 March 2026

## 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 85 to 86 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. IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and is effective for periods beginning on or after 1 January 2027. This standard sets out the requirements for the presentation and disclosure of information in financial statements. The Company is reviewing the impact of this standard for future reporting periods.

### 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 entity - Group

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

The principal activity of the entity is that of holding a non-core commercial mortgage portfolio comprising assets transferred when the securitisation was established. Whilst the structured entity is 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. 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 this entity, 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 entity.

## 1. Accounting policies (continued)

The table below indicates the interests in the unconsolidated structured entity.

	31 March 2026				31 March 2025			
	Deemed loan balances	Mortgages transferred	Notes held in structured entity	Maximum exposure to loss in unconsolidated structured entity	Deemed loan balances	Mortgages transferred	Notes held in structured entity	Maximum exposure to loss in unconsolidated structured entity
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Group</b>	<b>4.5</b>	<b>4.1</b>	<b>0.3</b>	<b>0.3</b>	<b>4.8</b>	<b>4.5</b>	<b>0.3</b>	<b>0.3</b>

### 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 SPPI 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 tool 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. 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.

Total PMAs for 2025/26 of £2.5m (2024/25 £3.3m) 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 concentration risk applied to a sub-population of BTL mortgages on flats.

### *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 and unemployment. 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 2026 and 31 March 2025.

### *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 tool 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 analysis. 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 2026 and 31 March 2025 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 assets expires. The Group also derecognises financial assets that it transfers to another party provided the transfer of the assets also transfers the right to receive the cash flows of the financial assets 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) and subscribed capital 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:

<b>Freehold branches</b>	Up to 50 years
<b>Head office</b>	Up to 25 years
<b>Leasehold improvements</b>	Annual instalments over the period of the lease
<b>Equipment, fixtures and fittings and motor vehicles</b>	
• 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 has been funded by contributions from the Society at rates assessed by independent actuaries, with these contributions 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.

### 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. 2 Plc, management judge that this entity no longer meets the consolidation criteria set out in IFRS 10. In particular, the Group's limited exposure to credit losses in this entity (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 and tools 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 and tools incorporate four macroeconomic forecasts (central, upside, downside and stress), each comprising a number of economic variables considered to be credit risk drivers. Economic scenarios and weightings are regularly reviewed and updated to reflect the changing economic conditions to which the Group is exposed.

##### Impairment on loans and advances – macroeconomic scenarios

The following table indicates the main economic variables included within the IFRS 9 macroeconomic scenarios at 31 March 2026 and the associated weightings, along with the sensitivity of the Group 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 2025 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 at 31 March 2026:

	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
			2026/27	2027/28	2028/29	2029/30	2030/31			
Central scenario	55%	Bank Rate	3.8	3.8	3.8	3.8	3.8	3.8		
		HPI	1.5	1.6	2.9	3.0	3.2	2.4		
		Unemployment	5.5	5.2	5.1	4.9	4.9	5.1	(6.7)	-
		GDP	0.7	1.3	1.3	1.4	1.5	1.2		
Upside scenario	5%	Bank Rate	3.5	3.5	3.5	3.3	3.0	3.3		
		HPI	3.3	3.9	4.1	5.1	5.1	4.3		
		Unemployment	4.9	4.7	4.6	4.4	4.2	4.6	(8.9)	(0.2)
		GDP	1.4	1.7	1.8	1.7	1.9	1.7		
Downside scenario	30%	Bank Rate	6.0	5.3	4.0	3.0	2.5	4.2		
		HPI	(5.3)	(5.0)	(2.0)	1.7	2.0	(1.7)		
		Unemployment	6.0	6.6	6.0	6.3	6.6	6.3	6.4	1.4
		GDP	(0.6)	(0.4)	1.1	1.2	1.2	0.5		
Stress scenario	10%	Bank Rate	6.5	0.5	1.0	1.5	2.0	2.3		
		HPI	(9.4)	(12.1)	(9.5)	7.4	6.9	(3.3)		
		Unemployment	6.3	8.2	8.1	7.3	6.5	7.3	21.9	2.9
		GDP	(4.3)	-	1.4	1.4	1.4	-		

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

## 1. Accounting policies (continued)

Macroeconomic scenarios at 31 March 2025:

	Scenario weighting	Metric	Year ended 31 March 2025 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)

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

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 previous tables and the forecast of future house price inflation (HPI). The sensitivity of the residential provision calculations to the HPI growth assumption in the current and prior year is as follows:

Assumption	Change to current assumption	(Decrease)/increase in impairment provision 2026 £m	(Decrease)/increase in impairment provision 2025 £m
HPI growth	Increase of 5.0%	(0.5)	(0.4)
HPI growth	Decrease of 5.0%	0.6	0.6

### 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 55%, 5%, 30% and 10% respectively (2024/25: 50%, 5%, 30% and 15% respectively).

In addition to the scenario weightings and account-specific factors that impact cash flows, the key 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 calculation, compensating economic hedge arrangements would substantially offset the provision movement in profit or loss terms with an opposing fair value movement.

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 2026 £m	(Decrease)/Increase in impairment provision 2025 £m
Upside scenario weighting	Increase weighting by 10% (with a corresponding reduction to the central scenario)	(0.1)	(0.1)
Downside scenario weighting	Increase weighting by 10% (with a corresponding reduction to the central scenario)	0.7	1.0
Stress scenario weighting	Increase weighting by 10% (with a corresponding reduction to the central scenario)	1.2	1.5
Exit yield requirement	Increase of 0.5% across all scenarios	0.6	0.9

### 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 £6.9m (2024/25: £7.2m) with a corresponding change to gains on investment properties.

## 2. Interest receivable and similar income

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
On financial assets not at fair value through profit or loss:				
Loans fully secured on residential property	252.8	233.8	218.5	185.3
Other loans				
Connected undertakings	-	-	34.0	44.7
Loans fully secured on land	5.0	4.0	-	-
Investment securities	21.2	20.2	29.0	25.3
Other liquid assets	10.2	21.9	9.3	21.4
On financial assets at fair value through profit or loss:				
Loans fully secured on residential property	0.7	0.8	0.7	0.8
Net Income on derivative financial instruments	13.7	35.7	11.5	32.8
<b>Total interest receivable and similar income</b>	<b>303.6</b>	<b>316.4</b>	<b>303.0</b>	<b>310.3</b>
Interest receivable includes:				
Income from fixed income securities	4.9	2.9	4.9	2.9

## 2. Interest receivable and similar income (continued)

During the year ended 31 March 2026, the total interest receivable and similar income calculated using the effective interest method was: Group £268.0m (2024/25: £259.7m) and Society £260.3m (2024/25: £251.4m) for financial assets held at amortised cost, and Group £21.2m (2024/25: £20.2m) and Society £29.0m (2024/25: £25.3m) for financial assets held at fair value through other comprehensive income. 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 £4.3m (2024/25: £5.1m) and Society £2.4m (2024/25: £2.4m) and interest accrued on impaired commercial mortgage assets: Group £1.7m (2024/25: £4.3m) and Society £nil (2024/25: £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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
On financial liabilities not at fair value through profit or loss:				
Shares held by individuals	171.3	180.6	171.4	180.6
Deposits from banks and other deposits	15.7	31.8	17.2	31.8
Debt securities in issue	12.3	7.6	-	-
Subordinated liabilities	0.2	0.2	0.2	0.2
Deemed loans	-	-	17.8	10.0
<b>Total interest expense and similar charges</b>	<b>199.5</b>	<b>220.2</b>	<b>206.6</b>	<b>222.6</b>

## 4. Other operating income

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Other operating income includes:				
Rent receivable on investment property	7.1	7.1	-	-
Operating expenses on investment property	(2.6)	(3.2)	-	-
Pension fund net interest (note 30)	-	0.3	-	0.3
Dividends received from Group undertakings	-	-	3.0	-
<b>Total other operating income</b>	<b>4.5</b>	<b>4.2</b>	<b>3.0</b>	<b>0.3</b>

## 5. Fair value gain on financial instruments

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 Restated* £m
Fair value hedges				
Derivatives designated as fair value hedges	7.8	(18.0)	7.8	(18.0)
Adjustments to hedged items in fair value hedge relationships	(8.0)	20.1	(8.0)	20.1
Fair value (loss)/gain on hedge accounting	(0.2)	2.1	(0.2)	2.1
Other derivatives	0.8	2.4	2.5	(0.2)
Financial instruments mandatorily at fair value through profit or loss	0.2	(0.1)	0.2	(0.1)
<b>Total fair value gain on financial instruments</b>	<b>0.8</b>	<b>4.4</b>	<b>2.5</b>	<b>1.8</b>

\*Society 2025 fair value loss on "Other derivatives" has been restated as explained in note 39.

## 6. Administrative expenses

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Staff costs				
Wages and salaries	29.3	29.0	28.7	28.3
Social security costs	3.6	2.9	3.5	2.9
Other pension costs	3.1	2.5	3.1	2.4
Other administrative expenses	28.0	23.2	25.8	21.3
	<b>64.0</b>	<b>57.6</b>	<b>61.1</b>	<b>54.9</b>
Other administrative expenses include:				
Remuneration of auditors (including VAT)				
Audit of these financial statements	0.5	0.5	0.5	0.5
Audit of the subsidiary financial statements	0.3	0.3	-	-

Wages and salaries include £0.2m (2024/25: £0.2m) 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 (2024/25: £11,000) in respect of audit-related assurance services and £nil (2024/25: £nil) in respect of other assurance services, in each case excluding VAT.

## 7. Employee numbers

	Group and Society 2026	Group and Society 2025
The average number of employees employed throughout the year was:		
Full time	544	542
Part time	196	197
	740	739
Building Society		
Central administration (Society and subsidiaries)	575	567
Branches	165	172
	740	739

All employees were employed within the United Kingdom.

## 8. Directors' emoluments

Total Directors' emoluments including expenses amounted to £2.7m (2024/25: £2.8m). Full details are given in the Remuneration and People Committee report on pages 70 to 79.

## 9. Taxation

	Group 2026	Group 2025	Society 2026	Society 2025 Restated*
	£m	£m	£m	£m
UK corporation tax at 25% (2024/25: 25%)	1.6	1.4	1.8	2.7
Corporation tax - adjustment in respect of prior years	0.9	(0.5)	(0.4)	0.2
Total current tax	2.5	0.9	1.4	2.9
Deferred tax				
Current year	7.7	5.3	6.2	4.7
Adjustment in respect of prior years	-	0.7	-	0.6
<b>Tax on profit on ordinary activities</b>	<b>10.2</b>	<b>6.9</b>	<b>7.6</b>	<b>8.2</b>

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 2026	Group 2025	Society 2026	Society 2025 Restated*
	£m	£m	£m	£m
Profit before tax	33.6	36.5	28.0	20.6
Profit before tax multiplied by the UK standard rate of tax of 25% (2024/25: 25%)	8.4	9.1	7.0	5.2
Effects of:				
Income not taxable and expenses not deductible for tax purposes	0.2	0.3	0.7	2.2
Securitisation profits	0.1	(1.9)	-	-
Adjustment in respect of prior years	0.9	0.2	(0.4)	0.8
Transfer pricing adjustments	-	-	(0.4)	(0.6)
Chargeable gains	0.7	0.6	0.7	0.6
Movement in deferred tax not recognised	-	(1.0)	-	-
Revaluation	(0.1)	(0.4)	-	-
<b>Tax charge</b>	<b>10.2</b>	<b>6.9</b>	<b>7.6</b>	<b>8.2</b>

\*Society 2025 "UK corporation tax at 25%" and "Profit before tax" have been restated as explained in note 39.

## 10. Cash and balances with the Bank of England

	Group 2026	Group 2025	Society 2026	Society 2025
	£m	£m	£m	£m
Cash in hand	1.3	1.3	1.3	1.3
Other deposits with the Bank of England	178.3	158.5	178.3	158.5
	179.6	159.8	179.6	159.8

Cash in hand is non-interest bearing.

## 11. Investment securities

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Listed transferable investment securities:				
Fair value through other comprehensive income	515.1	467.3	515.1	467.3
Amortised cost	-	-	165.0	191.0
Fair value through profit or loss	0.3	0.3	0.3	0.3
<b>Total investment securities</b>	<b>515.4</b>	<b>467.6</b>	<b>680.4</b>	<b>658.6</b>

The movement in investment securities is summarised as follows:

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>At beginning of year</b>	<b>467.6</b>	<b>391.5</b>	<b>658.6</b>	<b>391.5</b>
Treated as cash and cash equivalents:				
Additions	5.0	-	5.0	-
Investment securities with maturities > 90 days at date of acquisition:				
Additions	356.1	333.6	356.1	524.7
Disposals (sale and redemption)	(314.2)	(256.8)	(340.2)	(256.9)
Losses from changes in fair value	(0.5)	(0.7)	(0.5)	(0.7)
Other movements	1.4	-	1.4	-
<b>At end of year</b>	<b>515.4</b>	<b>467.6</b>	<b>680.4</b>	<b>658.6</b>

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 2026 £m	Assets 2026 £m	Liabilities 2026 £m
<b>Interest rate swaps</b>			
Designated as fair value hedges	3,204.6	34.5	(2.5)
Economic hedges	1,051.4	9.6	(6.4)
<b>Total derivatives held for hedging purposes</b>	<b>4,256.0</b>	<b>44.1</b>	<b>(8.9)</b>

Group	Carrying value in the Statement of Financial Position		
	Notional amount 2025 £m	Assets 2025 £m	Liabilities 2025 £m
<b>Interest rate swaps</b>			
Designated as fair value hedges	2,743.8	33.6	(7.8)
Economic hedges	1,061.8	11.3	(9.0)
<b>Total derivatives held for hedging purposes</b>	<b>3,805.6</b>	<b>44.9</b>	<b>(16.8)</b>

Society	Carrying value in the Statement of Financial Position		
	Notional amount 2026 £m	Assets 2026 £m	Liabilities 2026 £m
<b>Interest rate swaps</b>			
Designated as fair value hedges	3,204.6	34.5	(2.5)
Economic hedges	668.7	3.3	(6.4)
<b>Total derivatives held for hedging purposes</b>	<b>3,873.3</b>	<b>37.8</b>	<b>(8.9)</b>

Society	Notional amount 2025 £m	Carrying value in the Statement of Financial Position	
		Assets 2025 £m	Liabilities 2025 £m
<b>Interest rate swaps</b>			
Designated as fair value hedges	2,743.8	33.6	(7.8)
Economic hedges	636.4	2.6	(9.0)
<b>Total derivatives held for hedging purposes</b>	<b>3,380.2</b>	<b>36.2</b>	<b>(16.8)</b>

### (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 gain 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 2026

Group	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Fair value hedge of fixed rate residential loans</b>				
Interest rate swap notional (£m)	43.7	382.8	2,709.9	46.2
Average fixed rate	2.69%	2.14%	3.68%	2.42%
<b>Fair value hedge of fixed rate commercial loans</b>				
Interest rate swap notional (£m)	-	5.7	16.3	-
Average fixed rate	-	5.08%	5.07%	-
<b>Society</b>				
<b>Fair value hedge of fixed rate residential loans</b>				
Interest rate swap notional (£m)	39.9	339.3	2,645.8	45.3
Average fixed rate	2.69%	2.06%	3.68%	2.42%
<b>Fair value hedge of intercompany loans*</b>				
Interest rate swap notional (£m)	3.8	49.2	80.4	0.9
Average fixed rate	2.63%	3.92%	4.37%	2.42%

### At 31 March 2025

Group	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Fair value hedge of fixed rate residential loans</b>				
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%
<b>Fair value hedge of fixed rate commercial loans</b>				
Interest rate swap notional (£m)	4.6	1.0	24.0	-
Average fixed rate	4.44%	4.44%	5.08%	-
<b>Society</b>				
<b>Fair value hedge of fixed rate residential loans</b>				
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%
<b>Fair value hedge of intercompany loans*</b>				
Interest rate swap notional (£m)	4.6	22.3	135.4	0.8
Average fixed rate	4.44%	3.67%	4.12%	2.87%

\*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 2026

Interest rate swaps Group	Notional amount £m	Carrying value in the SOFP			Change in fair value used for recognising ineffectiveness £m	Ineffectiveness (credit)/ charge in the Income Statement £m	Income Statement line
		Assets £m	Liabilities £m	SOFP line			
Fair value hedge of fixed rate residential loans	3,182.6	34.5	(2.2)	Derivative financial instruments	7.5	(0.2)	Fair value gain on financial instruments
Fair value hedge of fixed rate commercial loans	22.0	-	(0.3)	Derivative financial instruments	0.3	0.4	Fair value gain on financial instruments
<b>Society</b>							
Fair value hedge of fixed rate residential loans	3,070.3	33.6	(2.1)	Derivative financial instruments	8.0	(0.2)	Fair value gain on financial instruments
Fair value hedge of intercompany loans*	134.3	0.9	(0.4)	Derivative financial instruments	(0.2)	0.4	Fair value gain on financial instruments

### Hedging instruments at 31 March 2025

Interest rate swaps Group	Notional amount £m	Carrying value in the SOFP			Change in fair value used for recognising ineffectiveness £m	Ineffectiveness (credit)/ charge in the Income Statement £m	Income Statement line
		Assets £m	Liabilities £m	SOFP line			
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 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 on financial instruments
<b>Society</b>							
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 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 on financial instruments

## 12. Derivative financial instruments and hedge accounting (continued)

### Hedged items at 31 March 2026

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
<b>Group</b>				
Fixed rate residential loans	3,146.9	(32.1)	Loans and advances to customers	(7.3)
Fixed rate commercial loans	21.9	1.0	Loans and advances to customers	(0.7)
<b>Society</b>				
Fixed rate residential loans	3,038.0	(31.3)	Loans and advances to customers	(7.8)
Intercompany loans*	130.8	0.1	Loans and advances to customers	(0.2)

### 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
<b>Group</b>				
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)
<b>Society</b>				
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

\*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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>Amortised cost</b>				
Loans fully secured on residential property	5,556.6	5,316.2	4,915.1	4,558.1
Loans fully secured on land	132.5	196.5	-	-
	5,689.1	5,512.7	4,915.1	4,558.1
<b>At fair value through profit or loss</b>				
Loans fully secured on residential property	4.5	5.6	4.5	5.6
	5,693.6	5,518.3	4,919.6	4,563.7
Fair value adjustment for hedged risk	(31.1)	(20.8)	(31.3)	(21.1)
Less: impairment provisions	(79.1)	(99.4)	(5.1)	(4.3)
	5,583.4	5,398.1	4,883.2	4,538.3

Included within loans and advances to customers are £133.5m (2024/25: £198.8m) of commercial lending balances of which £4.1m (2024/25: £4.5m) have been sold by the Group to bankruptcy remote structured entities. A balance of £383.5m (2024/25: £464.5m) 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 £165.3m (2024/25: £191.4m). 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 2025	10.3	89.1	99.4	4.3
Amounts written off net of recoveries	(0.2)	(24.8)	(25.0)	0.2
Charge for the year comprising:				
Provision for loan impairment	2.7	2.6	5.3	1.0
Provision for securitisation assets	-	0.3	0.3	-
Adjustments to provisions resulting from recoveries	(0.6)	-	(0.6)	(0.4)
Charge for the year	2.1	2.9	5.0	0.6
Deemed loans	-	(0.3)	(0.3)	-
<b>At 31 March 2026</b>	<b>12.2</b>	<b>66.9</b>	<b>79.1</b>	<b>5.1</b>

	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 net of recoveries	(0.2)	(10.0)	(10.2)	0.4
(Credit)/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

During the year there were impairment charges of £0.3m (2024/25: £0.3m) 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 (2024/25: £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	
	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m
<b>Cost</b>						
At beginning of year	0.6	0.6	1,146.8	1,297.1	1,147.4	1,297.7
Decrease for the year	-	-	(165.7)	(150.3)	(165.7)	(150.3)
<b>At end of year</b>	<b>0.6</b>	<b>0.6</b>	<b>981.1</b>	<b>1,146.8</b>	<b>981.7</b>	<b>1,147.4</b>
<b>Provisions</b>						
At beginning of year	0.5	0.5	234.9	226.9	235.4	227.4
Charge for the year	-	-	5.1	8.0	5.1	8.0
<b>At end of year</b>	<b>0.5</b>	<b>0.5</b>	<b>240.0</b>	<b>234.9</b>	<b>240.5</b>	<b>235.4</b>
<b>Net book value at end of year</b>	<b>0.1</b>	<b>0.1</b>	<b>741.1</b>	<b>911.9</b>	<b>741.2</b>	<b>912.0</b>

The Society's approach to the assessment of impairment against investments in subsidiary undertakings is discussed within the accounting policies in 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 £3.5m (2024/25: £8.8m). 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 charge of £1.6m has been recognised against the investment (2024/25: £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 <sup>(1)</sup>	Second charge lending	Ordinary £1 shares	100%

<sup>(1)</sup>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
Kenrick No.4 Holdings Limited	United Kingdom	Holding company
Kenrick No.4 Plc	United Kingdom	Securitisation entity

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 securitisation entities listed above. Unless stated otherwise above, all are incorporated in the United Kingdom and operate in Great Britain.

## 16. Intangible assets

Group	Goodwill 2026 £m	Purchased software 2026 £m	Development costs 2026 £m	Total 2026 £m	Goodwill 2025 £m	Purchased software 2025 £m	Development costs 2025 £m	Total 2025 £m
<b>Cost</b>								
At beginning of year	0.5	14.3	39.4	54.2	0.5	19.5	35.8	55.8
Additions	-	0.4	18.3	18.7	-	0.6	11.2	11.8
Transfers	-	-	-	-	-	(1.9)	1.9	-
Disposals	-	(0.1)	(0.5)	(0.6)	-	(3.9)	(9.5)	(13.4)
<b>At end of year</b>	<b>0.5</b>	<b>14.6</b>	<b>57.2</b>	<b>72.3</b>	<b>0.5</b>	<b>14.3</b>	<b>39.4</b>	<b>54.2</b>
<b>Aggregate amortisation</b>								
At beginning of year	0.5	13.3	19.7	33.5	0.5	16.4	25.0	41.9
Charge for the year	-	0.8	5.5	6.3	-	0.8	4.2	5.0
Disposals	-	(0.1)	(0.5)	(0.6)	-	(3.9)	(9.5)	(13.4)
<b>At end of year</b>	<b>0.5</b>	<b>14.0</b>	<b>24.7</b>	<b>39.2</b>	<b>0.5</b>	<b>13.3</b>	<b>19.7</b>	<b>33.5</b>
<b>Net book value at end of year</b>	<b>-</b>	<b>0.6</b>	<b>32.5</b>	<b>33.1</b>	<b>-</b>	<b>1.0</b>	<b>19.7</b>	<b>20.7</b>
Net book value at beginning of year	-	1.0	19.7	20.7	-	3.1	10.8	13.9

Society	Purchased software 2026 £m	Development costs 2026 £m	Total 2026 £m	Purchased software 2025 £m	Development costs 2025 £m	Total 2025 £m
<b>Cost</b>						
At beginning of year	14.3	39.4	53.7	19.5	35.8	55.3
Additions	0.4	18.3	18.7	0.6	11.2	11.8
Transfers	-	-	-	(1.9)	1.9	-
Disposals	(0.1)	(0.5)	(0.6)	(3.9)	(9.5)	(13.4)
<b>At end of year</b>	<b>14.6</b>	<b>57.2</b>	<b>71.8</b>	<b>14.3</b>	<b>39.4</b>	<b>53.7</b>
<b>Aggregate amortisation</b>						
At beginning of year	13.3	19.7	33.0	16.4	25.0	41.4
Charge for the year	0.8	5.5	6.3	0.8	4.2	5.0
Disposals	(0.1)	(0.5)	(0.6)	(3.9)	(9.5)	(13.4)
<b>At end of year</b>	<b>14.0</b>	<b>24.7</b>	<b>38.7</b>	<b>13.3</b>	<b>19.7</b>	<b>33.0</b>
<b>Net book value at end of year</b>	<b>0.6</b>	<b>32.5</b>	<b>33.1</b>	<b>1.0</b>	<b>19.7</b>	<b>20.7</b>
Net book value at beginning of year	1.0	19.7	20.7	3.1	10.8	13.9

## 17. Investment properties

	Group 2026 £m	Group 2025 £m
<b>Valuation</b>		
At beginning of year	143.2	148.7
Additions	1.6	0.7
Disposals	(7.6)	(8.6)
Revaluation gains	0.7	2.4
<b>At end of year</b>	<b>137.9</b>	<b>143.2</b>

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 (2025: Level 3).

If the investment properties were carried at cost, the carrying amount would be £66.8m (2024/25: £71.3m).

## 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			
<b>Cost or valuation</b>							
At 1 April 2025	5.0	20.0	0.5	11.2	3.1		39.8
Additions	-	-	-	3.3	-		3.3
Disposals	-	-	-	(0.1)	-		(0.1)
<b>At 31 March 2026</b>	<b>5.0</b>	<b>20.0</b>	<b>0.5</b>	<b>14.4</b>	<b>3.1</b>		<b>43.0</b>
<b>Accumulated depreciation</b>							
At 1 April 2025	0.2	7.3	0.3	9.6	2.1		19.5
Charge for the year	0.1	0.8	-	1.1	0.3		2.3
Disposals	-	-	-	(0.1)	-		(0.1)
<b>At 31 March 2026</b>	<b>0.3</b>	<b>8.1</b>	<b>0.3</b>	<b>10.6</b>	<b>2.4</b>		<b>21.7</b>
<b>Net book value</b>							
<b>At 31 March 2026</b>	<b>4.7</b>	<b>11.9</b>	<b>0.2</b>	<b>3.8</b>	<b>0.7</b>		<b>21.3</b>

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			
<b>Cost or valuation</b>							
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)
<b>At 31 March 2025</b>	<b>5.0</b>	<b>20.0</b>	<b>0.5</b>	<b>11.2</b>	<b>3.1</b>		<b>39.8</b>
<b>Accumulated depreciation</b>							
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)
<b>At 31 March 2025</b>	<b>0.2</b>	<b>7.3</b>	<b>0.3</b>	<b>9.6</b>	<b>2.1</b>		<b>19.5</b>
<b>Net book value</b>							
<b>At 31 March 2025</b>	<b>4.8</b>	<b>12.7</b>	<b>0.2</b>	<b>1.6</b>	<b>1.0</b>		<b>20.3</b>

## 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
<b>Cost or valuation</b>							
At 1 April 2025	5.0	20.0	0.5	10.9	3.1		39.5
Additions	-	-	-	3.3	-		3.3
Disposals	-	-	-	(0.1)	-		(0.1)
<b>At 31 March 2026</b>	<b>5.0</b>	<b>20.0</b>	<b>0.5</b>	<b>14.1</b>	<b>3.1</b>		<b>42.7</b>
<b>Accumulated depreciation</b>							
At 1 April 2025	0.2	7.3	0.3	9.3	2.1		19.2
Charge for the year	0.1	0.8	-	1.1	0.3		2.3
Disposals	-	-	-	(0.1)	-		(0.1)
<b>At 31 March 2026</b>	<b>0.3</b>	<b>8.1</b>	<b>0.3</b>	<b>10.3</b>	<b>2.4</b>		<b>21.4</b>
<b>Net book value</b>							
<b>At 31 March 2026</b>	<b>4.7</b>	<b>11.9</b>	<b>0.2</b>	<b>3.8</b>	<b>0.7</b>		<b>21.3</b>

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
<b>Cost or valuation</b>							
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)
<b>At 31 March 2025</b>	<b>5.0</b>	<b>20.0</b>	<b>0.5</b>	<b>10.9</b>	<b>3.1</b>		<b>39.5</b>
<b>Accumulated depreciation</b>							
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)
<b>At 31 March 2025</b>	<b>0.2</b>	<b>7.3</b>	<b>0.3</b>	<b>9.3</b>	<b>2.1</b>		<b>19.2</b>
<b>Net book value</b>							
<b>At 31 March 2025</b>	<b>4.8</b>	<b>12.7</b>	<b>0.2</b>	<b>1.6</b>	<b>1.0</b>		<b>20.3</b>

The average remaining term of right-of-use assets at 31 March 2026 was 2.3 years (2024/25: 3.2 years).

The net book value of land and buildings occupied for the Society's own activities at 31 March 2026 was £16.8m (2024/25: £17.6m).

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 (2024/25: Level 3).

If land and buildings were carried at historical cost less depreciation, the carrying amount would be £12.7m (2024/25: £13.5m).

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% (2024/25: 25%). The movement on the deferred tax account is as follows:

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
At beginning of year	-	4.8	4.8	8.9
Current year Income Statement charge	(7.7)	(5.3)	(6.2)	(4.7)
Amount recognised directly in other comprehensive income	0.1	1.2	0.1	1.2
Adjustments in respect of prior years	-	(0.7)	-	(0.6)
<b>At end of year</b>	<b>(7.6)</b>	<b>-</b>	<b>(1.3)</b>	<b>4.8</b>

Deferred tax assets and liabilities are attributable to the following items:

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>Deferred tax assets</b>				
Accelerated tax depreciation	-	1.1	-	1.1
Carried forward tax losses	6.7	8.8	3.6	5.2
Other temporary differences	2.0	3.0	0.4	0.6
	<b>8.7</b>	<b>12.9</b>	<b>4.0</b>	<b>6.9</b>
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation	(3.9)	-	(3.8)	-
Property valuations	(12.0)	(11.8)	(1.1)	(1.0)
Other temporary differences	(0.4)	(0.7)	(0.4)	(0.7)
Pensions and other post-retirement benefits	-	(0.4)	-	(0.4)
	<b>(16.3)</b>	<b>(12.9)</b>	<b>(5.3)</b>	<b>(2.1)</b>

The deferred tax charge in the Income Statement comprises the following temporary differences:

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Accelerated tax depreciation	(4.9)	(4.7)	(4.9)	(4.5)
Pensions and other post-retirement benefits	0.3	-	0.3	-
Other provisions	(0.8)	(0.9)	-	-
Carried forward tax losses	(2.2)	(0.2)	(1.6)	(0.8)
Property valuations	(0.1)	(0.2)	-	-
	<b>(7.7)</b>	<b>(6.0)</b>	<b>(6.2)</b>	<b>(5.3)</b>

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 2026, amounted to Group: £19.0m (2024/25: £19.0m) and Society: £nil (2024/25: £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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Prepayments and accrued income	9.1	4.3	8.8	4.1
Other	0.7	-	0.7	-
	9.8	4.3	9.5	4.1

## 21. Amounts due to other customers

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 Restated* £m
Deemed loans	4.5	4.8	366.9	445.1
Other customers	20.2	24.3	21.4	24.2
	24.7	29.1	388.3	469.3

\*Society 2025 "Deemed loans" have been restated as explained in note 39.

## 22. Debt securities in issue

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Non-recourse finance on securitised advances	238.1	289.8	-	-
	238.1	289.8	-	-

The non-recourse finance comprises mortgage backed floating rate 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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
At beginning of year	289.8	-	-	-
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	(51.1)	(12.1)	-	-
Non-cash flows:				
Change in accrued interest	(0.8)	2.8	-	-
Amortisation	0.2	0.1	-	-
At end of year	238.1	289.8	-	-

During the prior 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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Accruals	13.1	12.5	12.2	11.9
Lease liabilities	0.7	1.1	0.7	1.1
Other creditors	9.2	5.2	8.9	4.9
	23.0	18.8	21.8	17.9

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	2026 £m	2025 £m
At beginning of year	1.1	1.5
Interest charged	-	0.1
Lease payments	(0.4)	(0.5)
At end of year	0.7	1.1

## 24. Provisions for liabilities

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
At beginning of year	0.4	0.5	0.3	0.4
Release for the year	-	(0.1)	-	(0.1)
At end of year	0.4	0.4	0.3	0.3

### Provisions for liabilities

Provisions for liabilities include 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. Provisions for liabilities also include expected credit loss allowances for undrawn loan commitments where a mortgage offer has been made but the loan has not yet been advanced.

## 25. Subscribed capital

Group and Society	Number of shares		Carrying value	
	2026	2025	2026 £m	2025 £m
<b>Permanent interest bearing shares</b>				
At beginning of year	3,938	7,847	3.9	7.8
Purchase and cancellation of PIBS	-	(3,909)	-	(3.9)
At end of year	3,938	3,938	3.9	3.9

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 April 2026, having obtained regulatory approval, the Society exercised its option to call the remaining PIBS which were repaid in full at their principal amount, together with accrued unpaid interest.

Following redemption, the PIBS have been cancelled and no further interest payments will be made. The PIBS have been removed from the London Stock Exchange and FCA's Official List.

## 26. Core capital deferred shares

Group and Society	Number of shares	CCDS nominal amount £m	Share premium £m	Total £m
At 31 March 2025	1,288,813	1.3	125.7	127.0
At 31 March 2026	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 2025 which was paid in February 2026. This distribution has been recognised in the Statement of Changes in Members' Interests and Equity. In May 2026 the Directors declared a final distribution for the period to 31 March 2026 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	2026 £m	2025 £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.

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	2026 £m	2025 £m
At beginning of year	2.1	2.1
Financing cash flows		
Interest paid on subordinated liabilities	(0.2)	(0.2)
Non-cash flows:		
Accrued interest (settled during the year)	0.1	0.1
Accrued interest (carried forward)	0.1	0.1
<b>At end of year</b>	<b>2.1</b>	<b>2.1</b>

## 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	2026 £m	2025 £m
At beginning of year	5.6	7.0
Interest added	0.7	0.8
Redemptions	(2.0)	(2.1)
Changes in fair value	0.2	(0.1)
<b>At end of year</b>	<b>4.5</b>	<b>5.6</b>

### 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 tool which incorporates a number of judgemental assumptions to determine the amount and timing of future cash flows arising on mortgage redemption. Certain inputs to the calculation, 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 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 2026 £m	Taxation 2026 £m	Net of tax amount 2026 £m
Fair value through other comprehensive income investments	(0.5)	0.1	(0.4)
Retirement benefit obligations	(0.1)	-	(0.1)
<b>Other comprehensive income</b>	<b>(0.6)</b>	<b>0.1</b>	<b>(0.5)</b>

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)
<b>Other comprehensive income</b>	<b>(5.1)</b>	<b>1.3</b>	<b>(3.8)</b>

## 30. Retirement benefit asset

Group and Society	2026 £m	2025 £m	2024 £m	2023 £m	2022 £m
Net defined benefit pension scheme asset	0.1	1.2	6.1	10.9	14.9

### 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 current and former 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 2025/26 (2024/25: £nil).

At the start of the year, the SRS was invested in two buy-in insurance policies, one purchased in 2024 and one purchased in 2013. The insurance policies pay an income to the SRS which matches the pensions to be paid by the SRS to members.

In March 2026, the Trustee transferred the responsibility of paying pensions to members of the insurance policy purchased in 2013, to the insurance provider. This resulted in a settlement, reducing both assets and obligations by £11m as shown in the reconciliations below. From March 2026, these individuals now each hold an individual policy with the insurer that replicates the benefits they were owed under the SRS, and the Trustee is no longer legally responsible for paying their benefits. In May 2026, the Trustee transferred the responsibility of paying pensions to members of the insurance policy purchased in 2024 to the insurance provider, meaning that these individuals now each hold an individual policy with that insurer that replicates the benefits they were owed under the SRS, and the Trustee is no longer legally responsible for paying their benefits.

As at the 31 March 2026 reporting date, the insurance policy purchased in 2024 covers almost all remaining benefits under the SRS and so 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.

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, potentially leading to additional liabilities beyond those promised under the rules as previously understood. In September 2025 the government published proposed legislation, with the Pensions Schemes Act 2026 gaining Royal Assent on the 29 April 2026, that would enable such confirmation to be obtained retrospectively.

The Trustee and their advisors are working to obtain the relevant retrospective actuarial confirmations required to cover any potential liabilities identified.

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. 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 13 years.

### 30. Retirement benefit asset (continued)

The key assumptions used by the actuary in the updated calculation were:

Group and Society	2026	2025	2024	2023	2022
Pension increases in payment (RPI capped at 5%)	3.2%	3.0%	3.1%	3.1%	3.4%
Pension increases in payment (CPI capped at 2.5%)	1.9%	1.8%	1.8%	1.9%	2.1%
Discount rate	6.1%	5.8%	4.8%	4.8%	2.8%
Life expectancy of male aged 65 at year end date	21.7	21.3	21.2	21.5	21.6
Life expectancy of female aged 65 at year end date	23.8	23.6	23.5	23.7	23.8
Life expectancy of male aged 65 at year end date plus 20 years	23.0	22.6	22.5	22.8	22.9
Life expectancy of female aged 65 at year end date plus 20 years	25.2	25.0	24.9	25.2	25.2

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	2026 (Decrease)/Increase £m	2025 (Decrease)/Increase £m
Discount rate		
Effect on defined benefit obligation of a 1% increase	(6.2)	(7.5)
Inflation		
Effect on defined benefit obligation of a 1% increase	4.3	5.4
Life expectancy		
Effect on defined benefit obligation of a 1 year increase	1.4	2.4

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

Group and Society	2026 £m	2025 £m	2024 £m	2023 £m	2022 £m
Present value of funded obligations	58.2	69.6	82.3	83.9	109.7
Present value of unfunded obligations	0.5	0.5	0.5	0.5	0.7
	58.7	70.1	82.8	84.4	110.4
Fair value of scheme assets	(58.8)	(71.3)	(88.9)	(95.3)	(125.3)
Net asset in the Statement of Financial Position	(0.1)	(1.2)	(6.1)	(10.9)	(14.9)

The amounts recognised in the Income Statement are as follows:

Group and Society	2026 £m	2025 £m	2024 £m
Interest cost	4.0	3.9	3.9
Interest receivable on plan assets	(4.0)	(4.2)	(4.5)
Running costs	0.9	0.7	0.5
Settlements	0.1	-	-
Total pension fund cost	1.0	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	2026 £m	2025 £m
Actuarial (gains)/losses arising from:		
Financial assumptions	(1.4)	(8.8)
Demographic assumptions	0.5	(0.2)
Experience adjustments	0.2	(3.5)
Loss on plan assets (excluding interest)	0.8	17.0
Total amount recognised in Other Comprehensive Income	0.1	4.5

## 30. Retirement benefit asset (continued)

### Change in benefit obligations

Group and Society	2026 £m	2025 £m	2024 £m
Benefit obligations at beginning of year	70.1	82.8	84.4
Interest cost	4.0	3.9	3.9
Actuarial gains	(0.7)	(12.5)	(1.5)
Benefits paid	(3.8)	(4.1)	(4.0)
Settlements	(10.9)	-	-
Benefit obligations at end of year	58.7	70.1	82.8

### Change in scheme assets

Group and Society	2026 £m	2025 £m	2024 £m
Fair value of scheme assets at beginning of year	71.3	88.9	95.3
Interest receivable on plan assets	4.0	4.2	4.5
Actuarial losses	(0.8)	(17.0)	(8.7)
Contribution by employer	-	-	2.3
Running costs	(0.9)	(0.7)	(0.5)
Benefits paid	(3.8)	(4.1)	(4.0)
Settlements	(11.0)	-	-
Fair value of scheme assets at end of year	58.8	71.3	88.9

The amount recognised outside profit and loss in the Statement of Comprehensive Income for 2025/26 is an actuarial loss of £0.1m (2024/25: loss of £4.5m). The cumulative amount recognised outside profit and loss at 31 March 2026 is an actuarial loss of £71.7m.

### History of experience gains and losses

Group and Society	2026	2025	2024	2023	2022
Experience (losses)/gains on scheme assets:					
Amount (£m)	(0.8)	(17.0)	(8.7)	(36.0)	0.7
Percentage of scheme assets	(1%)	(19%)	(9%)	(29%)	1%
Experience (gains)/losses on scheme liabilities:					
Amount (£m)	(0.7)	(12.5)	(1.5)	7.6	2.0
Percentage of scheme liabilities	(1%)	(15%)	(2%)	7%	2%

### Scheme assets

The value of the scheme assets at 31 March 2026 was £58.8m, analysed as follows:

Group and Society	2026 £m	2025 £m	2024 £m
Corporate bonds (Quoted)	-	-	11.8
Fixed interest government bonds (Quoted)	-	-	7.6
Index-linked government bonds (Quoted)	-	-	21.1
Liability driven investment (Quoted)	-	-	12.6
Short duration credit (Quoted)	-	-	2.5
Insurance asset (Unquoted)	58.1	69.1	12.4
Cash and other assets (Quoted)	0.7	2.2	20.9
	58.8	71.3	88.9

### Stakeholder scheme

The total cost for the year of the stakeholder plan to the Group and Society was £1.9m (2024/25: £1.7m).

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 2026

Group	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
<b>Assets</b>				
Cash and balances with the Bank of England	179.6	-	-	179.6
Loans and advances to credit institutions	93.3	-	-	93.3
Investment securities	-	515.1	0.3	515.4
Derivative financial instruments	-	-	44.1	44.1
Loans and advances to customers	5,578.9	-	4.5	5,583.4
<b>Total financial assets</b>	<b>5,851.8</b>	<b>515.1</b>	<b>48.9</b>	<b>6,415.8</b>
Non-financial assets				210.9
<b>Total assets</b>				<b>6,626.7</b>
<b>Liabilities</b>				
Shares		5,560.0	-	5,560.0
Amounts due to credit institutions		273.2	-	273.2
Amounts due to other customers		24.7	-	24.7
Derivative financial instruments		-	8.9	8.9
Debt securities in issue		238.1	-	238.1
Subordinated liabilities		2.1	-	2.1
<b>Total financial liabilities</b>		<b>6,098.1</b>	<b>8.9</b>	<b>6,107.0</b>
Non-financial liabilities				41.4
<b>Total liabilities</b>				<b>6,148.4</b>

#### At 31 March 2025

Group	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>5,641.1</b>	<b>467.3</b>	<b>50.8</b>	<b>6,159.2</b>
Non-financial assets				202.6
<b>Total assets</b>				<b>6,361.8</b>
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>		<b>5,851.7</b>	<b>16.8</b>	<b>5,868.5</b>
Non-financial liabilities				32.1
<b>Total liabilities</b>				<b>5,900.6</b>

## 31. Financial instruments (continued)

At 31 March 2026

Society	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
<b>Assets</b>				
Cash and balances with the Bank of England	179.6	-	-	179.6
Loans and advances to credit institutions	62.9	-	-	62.9
Investment securities	165.0	515.1	0.3	680.4
Derivative financial instruments	-	-	37.8	37.8
Loans and advances to customers	4,878.7	-	4.5	4,883.2
Investments	741.2	-	-	741.2
<b>Total financial assets</b>	<b>6,027.4</b>	<b>515.1</b>	<b>42.6</b>	<b>6,585.1</b>
Non-financial assets				68.0
<b>Total assets</b>				<b>6,653.1</b>
<b>Liabilities</b>				
Shares		5,560.0	-	5,560.0
Amounts due to credit institutions		275.7	-	275.7
Amounts due to other customers		388.3	-	388.3
Derivative financial instruments		-	8.9	8.9
Subordinated liabilities		2.1	-	2.1
<b>Total financial liabilities</b>		<b>6,226.1</b>	<b>8.9</b>	<b>6,235.0</b>
Non-financial liabilities				29.1
<b>Total liabilities</b>				<b>6,264.1</b>

At 31 March 2025

Society	Amortised cost £m	Fair value through other comprehensive income £m	Fair value through profit or loss £m	Total £m
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>5,853.9</b>	<b>467.3</b>	<b>42.1</b>	<b>6,363.3</b>
Non-financial assets				53.2
<b>Total assets</b>				<b>6,416.5</b>
<b>Liabilities</b>				
Shares		5,071.6	-	5,071.6
Amounts due to credit institutions		460.2	-	460.2
Amounts due to other customers (restated)*		469.3	-	469.3
Derivative financial instruments		-	16.8	16.8
Subordinated liabilities		2.1	-	2.1
<b>Total financial liabilities (restated)*</b>		<b>6,003.2</b>	<b>16.8</b>	<b>6,020.0</b>
Non-financial liabilities (restated)*				21.6
<b>Total liabilities</b>				<b>6,041.6</b>

\*Society "Amounts due to other customers" and "Non-financial liabilities" at 31 March 2025 have been restated as explained in note 39.

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

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

The tables below show the fair values of the Group's 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 2026

Group	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Cash and balances with the Bank of England	179.6	179.6	-	-	179.6
Loans and advances to credit institutions	93.3	-	93.3	-	93.3
Loans and advances to customers	5,578.9	-	-	5,695.8	5,695.8
	5,851.8	179.6	93.3	5,695.8	5,968.7
<b>Financial liabilities</b>					
Shares	5,560.0	-	-	5,544.1	5,544.1
Amounts due to credit institutions	273.2	-	273.2	-	273.2
Amounts due to other customers	24.7	-	20.2	4.4	24.6
Debt securities in issue	238.1	238.2	-	-	238.2
Subordinated liabilities	2.1	-	2.1	-	2.1
	6,098.1	238.2	295.5	5,548.5	6,082.2

#### 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
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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

## 31. Financial instruments (continued)

At 31 March 2026

Society	Carrying value £m	Fair value Level 1 £m	Fair value Level 2 £m	Fair value Level 3 £m	Fair value Total £m
<b>Financial assets</b>					
Cash and balances with the Bank of England	179.6	179.6	-	-	179.6
Loans and advances to credit institutions	62.9	-	62.9	-	62.9
Investment securities	165.0	-	165.1	-	165.1
Loans and advances to customers	4,878.7	-	-	5,266.1	5,266.1
Investments	741.2	-	-	741.2	741.2
	6,027.4	179.6	228.0	6,007.3	6,414.9
<b>Financial liabilities</b>					
Shares	5,560.0	-	-	5,544.1	5,544.1
Amounts due to credit institutions	275.7	-	275.7	-	275.7
Amounts due to other customers	388.3	-	21.4	379.7	401.1
Debt securities in issue	-	-	-	-	-
Subordinated liabilities	2.1	-	2.1	-	2.1
	6,226.1	-	299.2	5,923.8	6,223.0

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
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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 (restated)*	469.3	-	24.2	460.6	484.8
Subordinated liabilities	2.1	-	2.1	-	2.1
	6,003.2	-	486.5	5,513.0	5,999.5

\*Society "Amounts due to other customers" at 31 March 2025 have been restated for Society as explained in note 39.

## 31. Financial instruments (continued)

### a) Cash and balances with the Bank of England

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

### b) 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 2026.

### c) 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 2026.

### d) 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 tool 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.

#### At 31 March 2026

Group	Level 1 2026 £m	Level 2 2026 £m	Level 3 2026 £m	Total 2026 £m
<b>Financial assets</b>				
Investment securities				
At fair value through other comprehensive income	515.1	-	-	515.1
At fair value through profit or loss	0.3	-	-	0.3
Derivative financial instruments	-	44.1	-	44.1
Loans and advances to customers	-	-	4.5	4.5
	515.4	44.1	4.5	564.0
<b>Financial liabilities</b>				
Derivative financial instruments	-	8.9	-	8.9
	-	8.9	-	8.9

#### At 31 March 2025

Group	Level 1 2025 £m	Level 2 2025 £m	Level 3 2025 £m	Total 2025 £m
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
Derivative financial instruments	-	16.8	-	16.8
	-	16.8	-	16.8

## 31. Financial instruments (continued)

At 31 March 2026

Society	Level 1 2026 £m	Level 2 2026 £m	Level 3 2026 £m	Total 2026 £m
<b>Financial assets</b>				
Investment securities				
At fair value through other comprehensive income	515.1	-	-	515.1
At fair value through profit or loss	0.3	-	-	0.3
Derivative financial instruments	-	37.8	-	37.8
Loans and advances to customers	-	-	4.5	4.5
	515.4	37.8	4.5	557.7
<b>Financial liabilities</b>				
Derivative financial instruments				
	-	8.9	-	8.9
	-	8.9	-	8.9

At 31 March 2025

Society	Level 1 2025 £m	Level 2 2025 £m	Level 3 2025 £m	Total 2025 £m
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
Derivative financial instruments				
	-	16.8	-	16.8
	-	16.8	-	16.8

The Society's equity release mortgage portfolio is measured at fair value using a discounted cash flow tool for which key inputs are not based on observable market data. The calculation therefore meets the definition of a level 3 valuation technique.

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

Group and Society	2026 £m	2025 £m
<b>Equity release portfolio</b>		
At beginning of year	5.6	7.0
Items recognised in the Income Statement		
Interest receivable and similar income	0.7	0.8
Fair value gains/(losses) on financial instruments	0.2	(0.1)
Redemptions	(2.0)	(2.1)
At end of year	4.5	5.6

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 138 to 141.

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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>Concentration by loan type</b>				
Prime owner occupied	4,809.8	4,433.8	4,767.5	4,383.3
Buy to let	724.5	855.8	147.3	174.4
Other	22.3	26.0	0.3	0.4
<b>Gross balances</b>	<b>5,556.6</b>	5,315.6	<b>4,915.1</b>	4,558.1
Expected credit loss provisions	(12.2)	(10.3)	(5.1)	(4.3)
Fair value hedge adjustments	(32.1)	(22.4)	(31.3)	(21.1)
	<b>5,512.3</b>	5,282.9	<b>4,878.7</b>	4,532.7

#### (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.

### At 31 March 2026

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	671.5	34.6	-	706.1	445.5	16.2	-	461.7
0.25 to < 0.50	808.5	49.8	-	858.3	780.7	42.2	-	822.9
0.50 to < 0.75	2,375.3	188.0	-	2,563.3	2,365.5	187.8	-	2,553.3
0.75 to < 1.00	210.8	35.7	-	246.5	208.3	34.9	-	243.2
1.00 to < 5.00	536.0	302.8	-	838.8	359.0	280.0	-	639.0
5.00 to < 10.00	31.4	72.0	-	103.4	2.0	62.2	-	64.2
10.00 to < 100.00	74.5	77.3	-	151.8	16.8	68.3	-	85.1
100.00 (default)	-	-	85.0	85.0	-	-	45.6	45.6
Second charge	1.9	0.7	0.8	3.4	-	0.1	-	0.1
	4,709.9	760.9	85.8	5,556.6	4,177.8	691.7	45.6	4,915.1

### 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

The table below provides further information on the Group's residential loans and advances to customers by payment due status at 31 March.

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
Not past due	5,480.1	5,236.9	4,868.0	4,515.3
Past due 1 to 3 months	27.1	25.5	20.9	16.4
Past due 3 to 6 months	15.4	18.6	10.6	11.2
Past due 6 to 12 months	11.2	14.0	7.6	7.9
Past due over 12 months	11.6	14.0	6.2	5.6
Possessions	11.2	6.6	1.8	1.7
	5,556.6	5,315.6	4,915.1	4,558.1

## 32. Credit risk (continued)

### (ii) Expected credit losses

The tables 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 2026

	Gross exposure £m	Group Expected credit loss provision £m	Provision coverage %	Gross exposure £m	Society Expected credit loss provision £m	Provision coverage %
<b>Residential loans at amortised cost</b>						
Stage 1	4,709.9	2.3	0.05%	4,177.8	1.3	0.03%
Stage 2						
> 30 days past due	20.5	0.3	1.46%	16.2	0.3	1.85%
Other SICR indicators	740.4	2.8	0.38%	675.5	2.3	0.34%
Provision overlays	-	2.5	-	-	0.1	-
Stage 3	85.8	4.3	5.01%	45.6	1.1	2.41%
	5,556.6	12.2	0.22%	4,915.1	5.1	0.10%

<b>Loan commitments</b>						
Stage 1	410.7	0.1	0.02%	410.6	0.1	0.02%

#### 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 %
<b>Residential loans at amortised cost</b>						
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%

<b>Loan commitments</b>						
Stage 1	250.2	-	0.00%	250.0	-	0.00%

## 32. Credit risk (continued)

The tables which follow analyse the movement in gross residential exposures and the related expected credit loss allowances for the years ended 31 March 2026 and 31 March 2025:

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<b>Gross exposure</b>								
At 1 April 2025	4,395.3	830.3	90.0	5,315.6	3,806.8	707.6	43.7	4,558.1
Transfers due to increased credit risk:								
From stage 1 to stage 2	(310.1)	310.1	-	-	(295.6)	295.6	-	-
From stage 1 to stage 3	(14.8)	-	14.8	-	(8.6)	-	8.6	-
From stage 2 to stage 3	-	(14.2)	14.2	-	-	(10.1)	10.1	-
Transfers due to decreased credit risk:								
From stage 2 to stage 1	260.3	(260.3)	-	-	212.4	(212.4)	-	-
From stage 3 to stage 1	2.3	-	(2.3)	-	0.6	-	(0.6)	-
From stage 3 to stage 2	-	9.7	(9.7)	-	-	6.3	(6.3)	-
Mortgage advances	1,101.2	-	-	1,101.2	1,101.2	-	-	1,101.2
Net redemptions and repayments	(724.2)	(114.7)	(20.2)	(859.1)	(638.0)	(95.3)	(9.7)	(743.0)
Amounts written off	-	-	(0.9)	(0.9)	-	-	(0.2)	(0.2)
Other movements	(0.1)	-	(0.1)	(0.2)	(1.0)	-	-	(1.0)
<b>At 31 March 2026</b>	<b>4,709.9</b>	<b>760.9</b>	<b>85.8</b>	<b>5,556.6</b>	<b>4,177.8</b>	<b>691.7</b>	<b>45.6</b>	<b>4,915.1</b>

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<b>Gross exposure</b>								
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)
<b>At 31 March 2025</b>	<b>4,395.3</b>	<b>830.3</b>	<b>90.0</b>	<b>5,315.6</b>	<b>3,806.8</b>	<b>707.6</b>	<b>43.7</b>	<b>4,558.1</b>

## 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
<b>Expected credit loss provision</b>								
At 1 April 2025	1.4	5.5	3.4	10.3	0.9	2.5	0.9	4.3
Transfers due to increased credit risk:								
From stage 1 to stage 2	(0.1)	0.9	-	0.8	(0.1)	1.0	-	0.9
From stage 1 to stage 3	(0.1)	-	0.3	0.2	(0.1)	-	0.2	0.1
From stage 2 to stage 3	-	(0.1)	0.3	0.2	-	(0.1)	0.2	0.1
Transfers due to decreased credit risk:								
From stage 2 to stage 1	0.6	(1.2)	-	(0.6)	0.3	(0.7)	-	(0.4)
From stage 3 to stage 2	-	0.1	(0.2)	(0.1)	-	-	(0.1)	(0.1)
Remeasurement of expected credit losses with no stage transfer	0.7	-	2.0	2.7	0.4	0.1	0.2	0.7
Redemptions	(0.2)	(0.3)	0.5	-	(0.1)	(0.1)	0.1	(0.1)
Amounts written off	-	-	(0.9)	(0.9)	-	-	(0.2)	(0.2)
Movement in provision overlays	-	0.7	-	0.7	-	-	-	-
Other movements	-	-	(1.1)	(1.1)	-	-	(0.2)	(0.2)
<b>At 31 March 2026</b>	<b>2.3</b>	<b>5.6</b>	<b>4.3</b>	<b>12.2</b>	<b>1.3</b>	<b>2.7</b>	<b>1.1</b>	<b>5.1</b>

	Group				Society			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<b>Expected credit loss provision</b>								
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	(0.2)	-	(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)
<b>At 31 March 2025</b>	<b>1.4</b>	<b>5.5</b>	<b>3.4</b>	<b>10.3</b>	<b>0.9</b>	<b>2.5</b>	<b>0.9</b>	<b>4.3</b>

## 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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
East Anglia	169.2	150.2	154.0	132.3
East Midlands	651.6	586.5	596.6	522.3
Greater London	432.6	465.1	288.0	295.8
Northern Ireland	1.6	1.9	-	-
North	288.6	257.9	263.9	229.7
North West	810.0	779.1	733.9	687.6
Scotland	30.7	38.4	6.8	8.9
South East	1,065.9	1,008.7	938.8	858.1
South West	448.3	424.6	409.9	378.1
Wales	259.4	247.1	231.5	214.2
West Midlands	748.8	739.0	692.0	672.2
Yorkshire	649.9	617.1	599.7	558.9
	5,556.6	5,315.6	4,915.1	4,558.1

### (iv) Collateral

The table below shows the indexed loan to value distribution of the residential loan portfolio at the year end date:

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
>95%	96.7	15.5	96.5	15.8
91% - 95%	577.3	327.1	577.1	326.9
86% - 90%	767.7	618.5	767.3	618.3
76% - 85%	1,114.0	885.7	1,047.3	807.9
51% - 75%	1,717.2	1,959.9	1,438.6	1,635.4
<51%	1,283.7	1,508.9	988.3	1,153.8
	5,556.6	5,315.6	4,915.1	4,558.1

The Group's average indexed loan to value at the year end date is 59.8% (2024/25: 56.3%), 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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>Fair value of collateral held</b>				
Stage 1	9,369.3	9,368.6	8,113.6	7,998.9
Stage 2	1,509.4	1,562.0	1,341.5	1,254.0
Stage 3	200.9	216.0	104.3	103.2
	11,079.6	11,146.6	9,559.4	9,356.1

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 2026 £m	Concessions 2026 £m	Capitalisation 2026 £m	Term extensions 2026 £m	Total 2026 £m
<b>Group</b>					
Not past due	4.7	0.1	3.6	0.2	8.6
Past due 1 to 3 months	0.3	0.1	0.1	-	0.5
Past due 3 to 6 months	1.5	-	0.3	-	1.8
Past due 6 to 12 months	0.4	-	0.1	-	0.5
Past due over 12 months	2.4	-	-	-	2.4
	9.3	0.2	4.1	0.2	13.8

## 32. Credit risk (continued)

Group	Arrangements 2025 £m	Concessions 2025 £m	Capitalisation 2025 £m	Term extensions 2025 £m	Total 2025 £m
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

### (c) Commercial assets

Commercial assets comprise a closed portfolio of non-core commercial loans which is analysed in the table below.

	Group 2026 £m	Group 2025 £m
<b>Concentration by loan type</b>		
Loans secured on commercial property	132.5	196.5
Loans secured on residential property	-	0.6
<b>Gross balances</b>	<b>132.5</b>	<b>197.1</b>
Fair value adjustments	1.0	1.7
<b>Gross exposures</b>	<b>133.5</b>	<b>198.8</b>
Impairment provisions	(66.9)	(89.1)
	<b>66.6</b>	<b>109.7</b>

Of the Group fair value adjustments, £1.0m (2024/25: £1.7m) relate to loans secured on commercial property and £nil (2024/25: £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 tables which follow.

### At 31 March 2026

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
Performing	13.8	-	-	13.8
Default:				
In Law of Property Act Receivership	-	-	119.6	119.6
Other default	-	-	0.1	0.1
	13.8	-	119.7	133.5

### 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

The table below provides further information on the Group's commercial assets by payment due status at 31 March:

	Group 2026 £m	Group 2025 £m
Not past due	30.0	66.7
Past due up to 3 months	-	12.4
Past due 3 to 6 months	1.2	-
Past due 6 to 12 months	2.9	28.5
Past due over 12 months	99.4	91.2
	<b>133.5</b>	<b>198.8</b>

## 32. Credit risk (continued)

### (ii) Expected credit losses

The tables below illustrate the IFRS 9 staging distribution of commercial loans and advances to customers and related expected credit loss provisions at the year end.

#### At 31 March 2026

	Gross exposure £m	Group Expected credit loss provision £m	Provision coverage %
<b>Commercial loans</b>			
Stage 1	13.8	-	0.0%
Stage 3			
Other defaults	119.7	66.9	55.9%
	<b>133.5</b>	<b>66.9</b>	<b>50.1%</b>

#### At 31 March 2025

	Gross exposure £m	Group Expected credit loss provision £m	Provision coverage %
<b>Commercial loans</b>			
Stage 1	27.7	0.4	1.4%
Stage 3			
Provision overlays	-	1.5	-
Other defaults	171.1	87.2	51.0%
	<b>198.8</b>	<b>89.1</b>	<b>44.8%</b>

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 2025	27.7	-	171.1	<b>198.8</b>
Transfers due to increased credit risk:				
From stage 1 to stage 3	(1.2)	-	1.2	-
Net redemptions, repayments and fair value adjustments for hedged risk	(12.3)	-	(28.2)	<b>(40.5)</b>
Amounts written off	(0.4)	-	(24.4)	<b>(24.8)</b>
<b>At 31 March 2026</b>	<b>13.8</b>	<b>-</b>	<b>119.7</b>	<b>133.5</b>

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)	(6.2)	<b>(14.8)</b>
Amounts written off	-	(0.5)	(9.5)	<b>(10.0)</b>
<b>At 31 March 2025</b>	<b>27.7</b>	<b>-</b>	<b>171.1</b>	<b>198.8</b>

## 32. Credit risk (continued)

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
<b>Expected credit loss allowance</b>				
At 1 April 2025	0.4	-	88.7	<b>89.1</b>
Transfers due to increased credit risk:				
From stage 1 to stage 3	(0.1)	-	0.5	<b>0.4</b>
Remeasurement of expected credit losses with no stage transfer	0.1	-	5.1	<b>5.2</b>
Redemptions	-	-	(1.5)	<b>(1.5)</b>
Amounts written off	(0.4)	-	(24.4)	<b>(24.8)</b>
Movement in provision overlays	-	-	(1.5)	<b>(1.5)</b>
<b>At 31 March 2026</b>	<b>-</b>	<b>-</b>	<b>66.9</b>	<b>66.9</b>

	Group			Total £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	
<b>Expected credit loss allowance</b>				
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
<b>At 31 March 2025</b>	<b>0.4</b>	<b>-</b>	<b>88.7</b>	<b>89.1</b>

### (iii) Industry analysis of commercial loans

The analysis of commercial loans by industry type is as follows:

	Group 2026 £m	Group 2025 £m
Healthcare	27.8	41.2
Leisure	8.3	18.5
Industrial and warehouse	3.1	3.3
Retail	94.3	135.2
Residential	-	0.6
	<b>133.5</b>	<b>198.8</b>

### (iv) Geographical analysis

The table below shows the geographic spread of the commercial loan portfolio at the year end date:

	Group 2026 £m	Group 2025 £m
East Anglia	5.5	8.5
East Midlands	0.7	18.4
Greater London	0.9	8.5
North	17.2	18.4
North West	85.0	102.1
South East	12.9	24.2
South West	5.1	5.8
West Midlands	2.5	2.4
Yorkshire	3.7	10.5
	<b>133.5</b>	<b>198.8</b>

## 32. Credit risk (continued)

### (v) Collateral

The Group's average unindexed loan to value at the year end date is 135.0% (2024/25: 126.3%), 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 2026 £m	Unindexed 2025 £m
Value of collateral held		
Stage 1	34.3	52.4
Stage 2	0.3	0.7
Stage 3	71.2	110.4
	105.8	163.5

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 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 2026 £m	Capitalisation 2026 £m	Term extensions 2026 £m	Total 2026 £m
Not past due	9.0	-	-	9.0
Past due 6 to 12 months	2.9	-	-	2.9
Past due over 12 months	3.8	-	-	3.8
	15.7	-	-	15.7

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

### (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 2026, 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% (2024/25: 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 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 Restated* £m
<b>Concentration by credit grading</b>				
AAA	380.2	373.2	499.6	518.6
AA+ to AA-	314.5	253.9	314.5	253.9
A+ to A-	93.3	88.8	62.9	58.3
Other	0.3	0.3	45.9	46.0
	788.3	716.2	922.9	876.8
<b>Concentration by sector</b>				
Financial institutions	93.3	88.8	62.9	58.3
Asset backed securities	287.7	266.3	452.7	457.4
Supranational institutions	92.8	107.3	92.8	107.3
Sovereign	314.5	253.8	314.5	253.8
	788.3	716.2	922.9	876.8
<b>Concentration by region</b>				
UK	666.7	580.7	830.1	769.5
North America	28.8	28.2	-	-
Supranational	92.8	107.3	92.8	107.3
	788.3	716.2	922.9	876.8

\*The Society 2025 analysis of concentration by credit grading has been restated to reclassify £45.7m of class B notes issued by Kenrick No. 4 Plc from AAA to Other

### (e) Intercompany loans

An ECL provision of £240.0m (2024/25: £234.9m) is held against intercompany loans of £887.9m (2024/25: £1,048.5m) 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 £93.2m (2024/25: £98.3m) of intercompany investments and loans is classified as stage 1 with no provision against it (2024/25: £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 levels of Group pre-tax interest rate risk exposures to applicable parallel shifts through the reporting period were as follows:

	At 31 March 2026 £m	Average 2026 £m	High 2026 £m	Low 2026 £m
Market value	(7.1)	(3.7)	(7.1)	(0.8)
Net interest income	(0.7)	(3.8)	(6.5)	(0.7)

	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)

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 30 to 39.

## 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 30 to 39.

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 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 2026

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
<b>Financial assets</b>							
Cash and balances with the Bank of England	179.6	-	-	-	-	-	179.6
Loans and advances to credit institutions	39.3	54.0	-	-	-	-	93.3
Investment securities	-	44.1	131.7	210.6	129.0	-	515.4
Derivative financial instruments	-	0.1	3.2	36.3	4.5	-	44.1
Loans and advances to customers	-	121.7	60.0	292.4	5,218.1	(108.8)	5,583.4
<b>Total financial assets</b>	<b>218.9</b>	<b>219.9</b>	<b>194.9</b>	<b>539.3</b>	<b>5,351.6</b>	<b>(108.8)</b>	<b>6,415.8</b>
<b>Financial liabilities</b>							
Shares	3,398.9	623.9	848.5	688.3	0.4	-	5,560.0
Amounts due to credit institutions	-	161.6	111.6	-	-	-	273.2
Amounts due to other customers	3.0	14.8	6.9	-	-	-	24.7
Derivative financial instruments	-	-	0.4	8.5	-	-	8.9
Debt securities in issue	-	-	-	238.1	-	-	238.1
Subordinated liabilities	-	-	-	-	2.1	-	2.1
<b>Total financial liabilities</b>	<b>3,401.9</b>	<b>800.3</b>	<b>967.4</b>	<b>934.9</b>	<b>2.5</b>	<b>-</b>	<b>6,107.0</b>

## 34. Liquidity risk (continued)

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
<b>Financial assets</b>							
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
<b>Total financial assets</b>	<b>197.0</b>	<b>270.1</b>	<b>136.0</b>	<b>584.4</b>	<b>5,091.9</b>	<b>(120.2)</b>	<b>6,159.2</b>
<b>Financial liabilities</b>							
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
<b>Total financial liabilities</b>	<b>2,803.2</b>	<b>805.4</b>	<b>1,128.1</b>	<b>1,129.1</b>	<b>2.7</b>	<b>-</b>	<b>5,868.5</b>

At 31 March 2026

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
<b>Financial assets</b>							
Cash and balances with the Bank of England	179.6	-	-	-	-	-	179.6
Loans and advances to credit institutions	8.9	54.0	-	-	-	-	62.9
Investment securities	-	44.1	131.7	210.6	294.0	-	680.4
Derivative financial instruments	-	0.1	3.2	30.1	4.4	-	37.8
Loans and advances to customers	-	13.6	14.3	104.8	4,783.7	(33.2)	4,883.2
Investments	-	-	-	-	-	741.2	741.2
<b>Total financial assets</b>	<b>188.5</b>	<b>111.8</b>	<b>149.2</b>	<b>345.5</b>	<b>5,082.1</b>	<b>708.0</b>	<b>6,585.1</b>
<b>Financial liabilities</b>							
Shares	3,398.9	623.9	848.5	688.3	0.4	-	5,560.0
Amounts due to credit institutions	-	164.1	111.6	-	-	-	275.7
Amounts due to other customers	3.0	14.8	2.5	1.8	366.2	-	388.3
Derivative financial instruments	-	-	0.4	8.5	-	-	8.9
Debt securities in issue	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	2.1	-	2.1
<b>Total financial liabilities</b>	<b>3,401.9</b>	<b>802.8</b>	<b>963.0</b>	<b>698.6</b>	<b>368.7</b>	<b>-</b>	<b>6,235.0</b>

## 34. Liquidity risk (continued)

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
<b>Financial assets</b>							
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	-	-	-	-	-	912.0	912.0
<b>Total financial assets</b>	<b>166.9</b>	<b>112.7</b>	<b>114.3</b>	<b>321.6</b>	<b>4,757.9</b>	<b>889.9</b>	<b>6,363.3</b>
<b>Financial liabilities</b>							
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 (restated)*	4.6	18.3	1.5	1.0	443.9	-	469.3
Derivative financial instruments	-	-	1.4	15.4	-	-	16.8
Subordinated liabilities	-	-	-	-	2.1	-	2.1
<b>Total financial liabilities</b>	<b>2,803.2</b>	<b>806.7</b>	<b>1,124.5</b>	<b>839.0</b>	<b>446.6</b>	<b>-</b>	<b>6,020.0</b>

\*Society "Amounts due to other customers" at 31 March 2025 have been restated as explained in note 39.

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	2026 £m	2026 %	2025 £m	2025 %
Cash in hand and balances with the Bank of England	179.6	22.8	159.8	22.3
Cash with banks and building societies	93.3	11.8	88.8	12.4
Gilts	56.4	7.2	37.9	5.3
Treasury bills	78.5	10.0	56.2	7.8
Fixed rate bonds	62.1	7.9	61.6	8.6
Floating rate notes	30.7	3.9	45.7	6.4
Covered bonds	195.1	24.7	154.5	21.6
Mortgage backed securities	92.6	11.7	111.7	15.6
<b>Total</b>	<b>788.3</b>	<b>100.0</b>	<b>716.2</b>	<b>100.0</b>

The following tables show the gross contractual cash flows payable under financial liabilities:

### At 31 March 2026

Group	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
<b>Liabilities</b>					
Shares	4,020.6	896.2	706.4	0.4	5,623.6
Amounts due to credit institutions and other customers	180.2	115.7	-	-	295.9
Derivative financial instruments	0.7	1.7	2.3	-	4.7
Debt securities in issue	16.5	6.4	236.5	-	259.4
Subordinated liabilities	0.1	0.1	0.9	3.7	4.8
	<b>4,218.1</b>	<b>1,020.1</b>	<b>946.1</b>	<b>4.1</b>	<b>6,188.4</b>
<b>Loan commitments</b>	<b>410.7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>410.7</b>

## 34. Liquidity risk (continued)

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
<b>Liabilities</b>					
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*	15.3	9.6	314.6	-	339.5
Subordinated liabilities	0.1	0.1	0.9	3.9	5.0
	3,633.4	1,266.7	1,106.7	4.6	6,011.4
<b>Loan commitments</b>	250.2	-	-	-	250.2

\*For consistency with the current year presentation, the 2025 cash flows for "Debt securities in issue" have been reanalysed to show the note principal payable in April 2025 (based on underlying pool receipts to March 2025) in the "Less than 3 months" category.

At 31 March 2026

Society	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
<b>Liabilities</b>					
Shares	4,020.6	896.2	706.4	0.4	5,623.6
Amounts due to credit institutions and other customers	180.2	115.7	-	-	295.9
Derivative financial instruments	0.7	1.7	2.3	-	4.7
Subordinated liabilities	0.1	0.1	0.9	3.7	4.8
	4,201.6	1,013.7	709.6	4.1	5,929.0
<b>Loan commitments</b>	410.6	-	-	-	410.6

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
<b>Liabilities</b>					
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
<b>Loan commitments</b>	250.0	-	-	-	250.0

For each material class of financial liability a maturity analysis is provided on pages 153 to 155.

## 35. Financial commitments

The maturity analysis of lease liabilities is analysed in the table shown below:

	Group 2026 £m	Group 2025 £m	Society 2026 £m	Society 2025 £m
<b>a) Leasing commitments</b>				
Less than three months	0.1	0.1	0.1	0.1
Greater than three months and less than one year	0.2	0.3	0.2	0.3
Between one and five years	0.4	0.6	0.4	0.6
After five years	-	0.1	-	0.1
	0.7	1.1	0.7	1.1

The Society earns rental income on letting out parts of four (2024/25: three) of its freehold branches to residential and commercial tenants. The income received from this is negligible (less than £0.1m) and included in other operating income.

<b>b) Loan commitments</b>				
Undrawn loan facilities	410.7	250.2	410.6	250.0
<b>c) Capital commitments</b>				
Capital expenditure contracted but not yet provided for in the accounts	5.0	1.5	5.0	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 and People Committee report on pages 70 to 79.

### 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 during the 2026 financial year, and their close family members:

	No. of key management personnel 2026	Amount in respect of key management personnel and their close family members 2026 £000	No. of key management personnel 2025	Amount in respect of key management personnel and their close family members 2025 £000
<b>Group and Society</b>				
Savings balances at 31 March	9	169	13	162
Interest payable on savings balances	9	6	13	5

Of the £169k savings balance at 31 March 2026, £13.8k (31 March 2025: £2.7k) relates to directors and their connected persons who stepped down in the year.

Mortgage loans and savings are available to key management personnel and members of their close family at normal commercial terms. At 31 March 2026, there were mortgage loans outstanding to Directors and their connected persons of £0.2m (31 March 2025: £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 (2024/25: £nil) 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 2026 £m	Interest paid to Society 2025 £m
Insignia Finance Limited	0.1	0.1
West Bromwich Commercial Limited	11.8	15.0
West Bromwich Homes Limited	2.2	2.4
West Bromwich Mortgage Company Limited	19.9	27.2
	<b>34.0</b>	<b>44.7</b>

At the year end the following balances were outstanding with subsidiary companies:

	Loans owed by subsidiaries 2026 £m	Loans owed (to)/ by subsidiaries 2025 £m
Insignia Finance Limited	2.2	(0.1)
West Bromwich Commercial Limited	197.2	292.9
West Bromwich Homes Limited	91.0	98.4
West Bromwich Mortgage Company Limited	450.7	520.7
	<b>741.1</b>	<b>911.9</b>

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 £226.2m (2024/25: £222.7m) and the loans owed by West Bromwich Mortgage Company Limited are net of impairment provisions of £13.8m (2024/25: £12.2m).

## 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 2026

	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	298.2	5.7	-	(14.7)	289.2
On instruments measured at fair value through profit or loss	14.4	-	-	-	14.4
<b>Total interest receivable and similar income</b>	<b>312.6</b>	<b>5.7</b>	<b>-</b>	<b>(14.7)</b>	<b>303.6</b>
Interest expense and similar charges	(207.0)	(5.0)	(2.2)	14.7	(199.5)
<b>Net interest receivable/(expense)</b>	<b>105.6</b>	<b>0.7</b>	<b>(2.2)</b>	<b>-</b>	<b>104.1</b>
Fees and commissions receivable	1.1	-	-	-	1.1
Other operating income	-	-	4.5	-	4.5
Fair value gain/(loss) on financial instruments	2.0	(1.2)	-	-	0.8
<b>Total income</b>	<b>108.7</b>	<b>(0.5)</b>	<b>2.3</b>	<b>-</b>	<b>110.5</b>
Administrative expenses	(62.6)	(0.7)	(0.7)	-	(64.0)
Depreciation and amortisation	(8.6)	-	-	-	(8.6)
<b>Operating profit/(loss) before revaluation gains, impairment and provisions</b>	<b>37.5</b>	<b>(1.2)</b>	<b>1.6</b>	<b>-</b>	<b>37.9</b>
Gains on investment properties	-	-	0.7	-	0.7
Impairment on loans and advances	(2.1)	(2.9)	-	-	(5.0)
<b>Profit/(Loss) before tax</b>	<b>35.4</b>	<b>(4.1)</b>	<b>2.3</b>	<b>-</b>	<b>33.6</b>

### Statements of Financial Position at 31 March 2026

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
<b>Total assets</b>	<b>6,708.1</b>	<b>90.4</b>	<b>141.3</b>	<b>(313.1)</b>	<b>6,626.7</b>
<b>Total liabilities</b>	<b>6,266.8</b>	<b>318.0</b>	<b>102.5</b>	<b>(538.9)</b>	<b>6,148.4</b>
<b>Capital expenditure</b>	<b>22.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22.0</b>

### 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
<b>Total interest receivable and similar income</b>	<b>326.7</b>	<b>8.0</b>	<b>-</b>	<b>(18.3)</b>	<b>316.4</b>
Interest expense and similar charges	(228.0)	(8.1)	(2.4)	18.3	(220.2)
<b>Net interest receivable/(expense)</b>	<b>98.7</b>	<b>(0.1)</b>	<b>(2.4)</b>	<b>-</b>	<b>96.2</b>
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
<b>Total income</b>	<b>105.6</b>	<b>(1.6)</b>	<b>1.5</b>	<b>-</b>	<b>105.5</b>
Administrative expenses	(56.4)	(0.7)	(0.5)	-	(57.6)
Depreciation and amortisation	(7.0)	-	-	-	(7.0)
<b>Operating profit/(loss) before revaluation gains, impairment and provisions</b>	<b>42.2</b>	<b>(2.3)</b>	<b>1.0</b>	<b>-</b>	<b>40.9</b>
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
<b>Profit/(Loss) before tax</b>	<b>42.8</b>	<b>(9.7)</b>	<b>3.4</b>	<b>-</b>	<b>36.5</b>

### Statements of Financial Position at 31 March 2025

	Retail £m	Commercial real estate £m	Property £m	Consolidation adjustments £m	Total Group £m
<b>Total assets</b>	<b>6,456.9</b>	<b>132.5</b>	<b>146.8</b>	<b>(374.4)</b>	<b>6,361.8</b>
<b>Total liabilities</b>	<b>6,043.5</b>	<b>357.7</b>	<b>109.6</b>	<b>(610.2)</b>	<b>5,900.6</b>
<b>Capital expenditure</b>	<b>12.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12.5</b>

## 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 2026 £m	Unencumbered 2026 £m	Encumbered 2025 £m	Unencumbered 2025 £m
Cash and balances at the Bank of England	-	179.6	-	159.8
Loans and advances to credit institutions	73.2	20.1	70.2	18.6
Investment securities	-	515.4	-	467.6
Derivative financial instruments	-	44.1	-	44.9
Loans and advances to customers	537.1	5,046.3	866.2	4,531.9
Other assets	-	210.9	-	202.6
	610.3	6,016.4	936.4	5,425.4

Included in the above, at 31 March 2026, Group loans and advances to credit institutions included £54.0m (2024/25: £51.4m) of collateral pledged against derivative financial instruments.

## 39. Prior year restatement

During the year ended 31 March 2025, the Society and Kenrick No.4 Plc entered into back-to-back interest rate swap arrangements with an external counterparty, this being a standard feature of a securitisation transaction. These swaps each had a fair value at inception, creating a derivative liability for the Society and a derivative asset for Kenrick No. 4 Plc, settled via the deemed loan between the Society and Kenrick No. 4 Plc. At inception, the Society correctly reported its derivative liability but did not record the appropriate deemed loan adjustment, instead recognising a fair value loss on financial instruments. The prior year financial statements for the Society have therefore been restated to reflect the initial fair value of the derivative as an adjustment to the deemed loan and amend the taxation charge for the year accordingly.

The restatement had no impact on accounting periods prior to the year ended 31 March 2025.

The table below shows the effect of the retrospective restatement on the Society statement of financial position at 31 March 2025.

	Society As reported 2025 £m	Restatement £m	Society Restated 2025 £m
<b>Assets</b>			
Cash and balances with the Bank of England	159.8	-	159.8
Loans and advances to credit institutions	58.4	-	58.4
Investment securities	658.6	-	658.6
Derivative financial instruments	36.2	-	36.2
Loans and advances to customers	4,538.3	-	4,538.3
Deferred tax assets	6.9	-	6.9
Trade and other receivables	4.1	-	4.1
Investments	912.0	-	912.0
Intangible assets	20.7	-	20.7
Property, plant and equipment	20.3	-	20.3
Retirement benefit asset	1.2	-	1.2
<b>Total assets</b>	<b>6,416.5</b>	<b>-</b>	<b>6,416.5</b>
<b>Liabilities</b>			
Shares	5,071.6	-	5,071.6
Amounts due to credit institutions	460.2	-	460.2
Amounts due to other customers	474.4	(5.1)	469.3
Derivative financial instruments	16.8	-	16.8
Debt securities in issue	-	-	-
Current tax liabilities	-	1.3	1.3
Deferred tax liabilities	2.1	-	2.1
Trade and other payables	17.9	-	17.9
Provisions for liabilities	0.3	-	0.3
Subordinated liabilities	2.1	-	2.1
<b>Total liabilities</b>	<b>6,045.4</b>	<b>(3.8)</b>	<b>6,041.6</b>
<b>Members' interests and equity</b>			
Core capital deferred shares	127.0	-	127.0
Subscribed capital	3.9	-	3.9
General reserves	236.4	3.8	240.2
Revaluation reserve	3.2	-	3.2
Fair value reserve	0.6	-	0.6
<b>Total members' interests and equity</b>	<b>371.1</b>	<b>3.8</b>	<b>374.9</b>
<b>Total members' interests, equity and liabilities</b>	<b>6,416.5</b>	<b>-</b>	<b>6,416.5</b>

The table below shows the effect of the retrospective restatement on the Society income statement for the year ended 31 March 2025.

	Society As reported 2025 £m	Restatement £m	Society Restated 2025 £m
Interest receivable and similar income			
Calculated using the effective interest method	276.7	-	276.7
On instruments measured at fair value through profit or loss	33.6	-	33.6
<b>Total interest receivable and similar income</b>	<b>310.3</b>	<b>-</b>	<b>310.3</b>
Interest expense and similar charges	(222.6)	-	(222.6)
<b>Net interest receivable</b>	<b>87.7</b>	<b>-</b>	<b>87.7</b>
Fees and commissions receivable	0.9	-	0.9
Other operating income	0.3	-	0.3
Fair value (loss)/gain on financial instruments	(3.3)	5.1	1.8
<b>Total income</b>	<b>85.6</b>	<b>5.1</b>	<b>90.7</b>
Administrative expenses	(54.9)	-	(54.9)
Depreciation and amortisation	(7.0)	-	(7.0)
<b>Operating profit before revaluation gains, impairment and provisions</b>	<b>23.7</b>	<b>5.1</b>	<b>28.8</b>
Impairment on loans and advances	(0.3)	-	(0.3)
Provisions for liabilities	0.1	-	0.1
Provisions against investments in subsidiary undertakings	(8.0)	-	(8.0)
<b>Profit before tax</b>	<b>15.5</b>	<b>5.1</b>	<b>20.6</b>
Taxation	(6.9)	(1.3)	(8.2)
<b>Profit for the financial year</b>	<b>8.6</b>	<b>3.8</b>	<b>12.4</b>

## 40. Note to the Statements of Cash Flows

	Group 2026 £m	Group 2025 Restated* £m	Society 2026 £m	Society 2025 Restated* £m
<b>Cash flows from operating activities</b>				
Profit before tax	33.6	36.5	28.0	20.6
<b>Adjustments for non-cash items included in profit before tax</b>				
Impairment on loans and advances	5.0	6.9	0.6	0.3
Depreciation and amortisation	8.6	7.0	8.6	7.0
Disposal of property, plant and equipment and investment properties	0.1	0.4	-	0.3
Revaluations of investment properties	(0.7)	(2.4)	-	-
Non-cash movements on investment securities	(1.4)	-	(1.4)	-
Provisions against investments in subsidiary undertakings	-	-	5.1	8.0
Interest on subordinated liabilities	0.2	0.2	0.2	0.2
Interest paid on lease liabilities	-	0.1	-	0.1
Fair value gain on financial instruments	(0.8)	(4.4)	(2.5)	(1.8)
	44.6	44.3	38.6	34.7
<b>Changes in operating assets and liabilities</b>				
Loans and advances to customers	(198.1)	(599.9)	(353.3)	(734.1)
Derivative financial instruments	1.5	5.4	0.8	12.9
Shares	488.4	401.0	488.4	401.0
Deposits and other borrowings	(190.9)	(334.1)	(265.5)	109.6
Trade and other receivables	(5.5)	(0.4)	(5.4)	(0.3)
Trade and other payables	(4.9)	(5.5)	(5.2)	(5.7)
Retirement benefit obligations	1.0	0.4	1.0	0.4
Tax paid	(0.8)	(2.9)	(0.8)	(2.9)
<b>Net cash inflow/(outflow) from operating activities</b>	135.3	(491.7)	(101.4)	(184.4)

\*Society 2025 "Profit before tax" and "Deposits and other borrowings" have been restated as explained in note 39. Group and Society 2025 cash flows from operating activities have been restated to correct the disclosure of non-cash items related to fair value changes in derivatives which are now disclosed within "Fair value gain on financial instruments". This has led to a decrease in the previously stated changes in operating assets and liabilities, specifically "Derivative financial instruments", of Group £15.5m and Society £16.6m, with corresponding increases in "Fair value gain on financial instruments". This reclassification results in no change to net cash flows.

# Country-by-Country Reporting for the year ended 31 March 2026

## 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 homeownership 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 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 payments represent the amount of tax paid during the year, as disclosed in the Group Statement of Cash Flows.
- 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.

	2026	2025
Average number of Group employees, all of which employed in the UK	740	739
Arising in the UK:	£m	£m
Group total income	110.5	105.5
Group profit before tax	33.6	36.5
Group corporation tax payments	0.8	2.9
Public subsidies received by the Group	-	-

# 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 2026 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 2026 in Country-by-Country Reporting.

### Basis for opinions

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:

- We reviewed and challenged the key assumptions used by the directors in their determination of the going concern of the Society;
- We reviewed management's stress test scenarios and considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress;
- We considered as to whether our audit work had identified events or conditions which may give rise to uncertainty of the Society's future ability to trade; and
- We reviewed legal and regulatory correspondence to ensure that any compliance issues which may impact the going concern of the 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 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 financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of inappropriate manual journal entries to manipulate financial performance and management bias in significant accounting estimates.

Audit procedures performed by the engagement team included:

- Review of internal audit and compliance monitoring findings throughout the year;
- Reading key correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted to unusual account combinations based on our understanding of usual business operations.

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](http://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 Nikhil Dhiri.

## PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

28 May 2026

# Annual Business Statement for the year ended 31 March 2026

## 1. Statutory percentages

	2026 %	Statutory limit %
Proportion of business assets not in the form of loans secured on residential property	3.6	25.0
Proportion of shares and borrowings not in the form of shares held by individuals	5.1	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

	2026 %	2025 %
As a percentage of shares and borrowings:		
Gross capital	7.88	7.92
Free capital	4.73	4.77
Liquid assets	12.93	12.24
As a percentage of mean total assets:		
Profit for the financial year	0.36	0.48
Management expenses	1.12	1.05

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 2026

Name, qualification and age	Role	Date of appointment	Other directorships and interests	
<b>Lynne Atkin MBE</b> Age 60	Non-Executive Director	1 May 2025	Stray View Management Limited Action for Children	
<b>Sara Bennison</b> MA Age 58	Non-Executive Director	1 August 2023	Dual Corporate Risks Ltd Lawn Tennis Association Ltd Openwork Holdings Ltd Openwork Ltd Sara Bennison Ltd	Northbailey Ltd Brandface Ltd Equifax Ltd TDX Group Ltd
<b>Martin Boyle</b> BSc (Hons), M.Phil Age 55	Chief Operating Officer	3 April 2023	Insignia Finance Ltd West Bromwich Mortgage Company Ltd White Label Lending Ltd	
<b>Manjit Hayre</b> Age 58	Chief Risk Officer	1 September 2021		
<b>John Maltby</b> MBE Age 64	Chair	4 January 2021	Allica Bank Ltd Max Nicholas Renewables Ltd Maltby Coaching Ltd	
<b>Nimisha Patel</b> BSBA Age 47	Non-Executive Director	1 June 2024		
<b>Alex Pawley</b> BSc, FCA Age 43	Chief Financial Officer	1 January 2023	Insignia Finance Ltd White Label Lending Ltd West Bromwich Mortgage Company Ltd West Bromwich Homes Ltd West Bromwich Commercial Ltd	
<b>David Thomas</b> MSc, ACIB, FIB (Ireland) Age 64	Non-Executive Director	1 August 2020	Harrogate Homeless Project Ltd TD Bank Europe Ltd	
<b>Jonathan Westhoff</b> BA (Hons), FCMA, CGMA, ACIB Age 61	Chief Executive Officer	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 St Anton Limited

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 Officer 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 and People Committee report on pages 70 to 79. 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
<b>Sophie Pazzaglia</b> BSc (Hons), FCCA, ACG	Chief People Officer and Group Secretary	West Bromwich Building Society Foundation  Secretary White Label Lending Ltd
<b>Sarah Teague</b> LLB CMIIA	Chief Internal Auditor	None
<b>Alex Windle</b> BSc (Hons), FCCA, ACG	Chief Customer Officer (until 3 April 2026)	None

# Glossary



## Below are the definitions of the terms used in the Annual Report and Accounts to help you understand our disclosures and compare them 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.

### 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.

### 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 (CET 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.

### Credit risk

This is the risk that a mortgage customer may not repay all or part of their mortgage, causing the Society financial loss.

### Cyber risk

The risk that our IT and communications systems come under threat, causing disruption or loss.

### 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 and 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.

### Financial instruments

A financial instrument is a contract between two parties which results in one party owning a financial asset and the other party taking on a financial liability or issuing equity. Our financial assets include mortgages, cash, investment securities and derivatives. Our financial liabilities include customers' savings (known as shares), debt securities in issue and derivatives.

### 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".

### House Price Index (HPI)

The measure of the change in house price, in percentage terms, from a specific start date.

### Impaired loans

Impaired loans are those which meet the Society's default criteria and have been allocated to Stage 3 under IFRS 9 (an accounting standard) 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 management 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 Promoter 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. The remaining PIBS were redeemed and cancelled in April 2026.

### **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).

### **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 the accounting standard 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.

## Total Capital Requirement (TCR)

The minimum amount of capital the Society is required to hold, set by the PRA and informed by the ICAAP.

## West Bromwich Building Society Foundation

The West Bromwich Building Society Foundation was set up in 2023 to provide funding to support our local people and communities. The foundation runs independently from the Society and is not a subsidiary of the Society.

## Wholesale funding

Funding raised by financial institutions by borrowing from other banks or investors, rather than from individual customers.





**West Brom**  
Building Society

**Braille, audio and large print versions of this document are available upon request. Please contact us on 0345 241 3784.**

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[www.westbrom.co.uk](http://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.