Annual Results Presentation
3 June 2010

Barber Surgeons' Hall, London

WEST BROMWICH
BUILDING SOCIETY

“BACK TO BASICS”

- Robert Sharpe – Chief Executive

2009/10 A year of progress

- Group benefiting from the new ‘Back to Basics’ strategy
- A clear split within the Group between:
  - Traditional building society core competencies
  - Run-off of non-core operations
- Economic and market conditions still difficult
- New Board and Senior Management
- Planning for the future with confidence

Non-core – "run-off" strategy

- **Commercial lending - £1,453m** (£1,085m on balance sheet)
  - No new lending
  - Breaches enforced
  - Increased margins where not redeemed - 27% matures in 2011/12
- **Residential letting - 912 properties**
  - No new acquisitions - Opportunistic disposals
  - Now managed for operating profit
- **2nd charge lending - £51m balances**
  - No new loans/ further advances
  - Portfolio to run-off
  - Average margin c.8.3% above BBR
- **Mortgage broking**
  - Sale in principle agreed

Reinvigorate core Society

- Branch restructure
  - 7 to close 2 July 2010 & 4 ongoing branch mergers
- Remaining 35 branches
  - Modernisation plan over next 18/24 months
- Re-branding – to be announced July 2010
- Re-entry to residential mortgages
  - Branches
  - Direct
- New link ups with AXA & RSA for other income

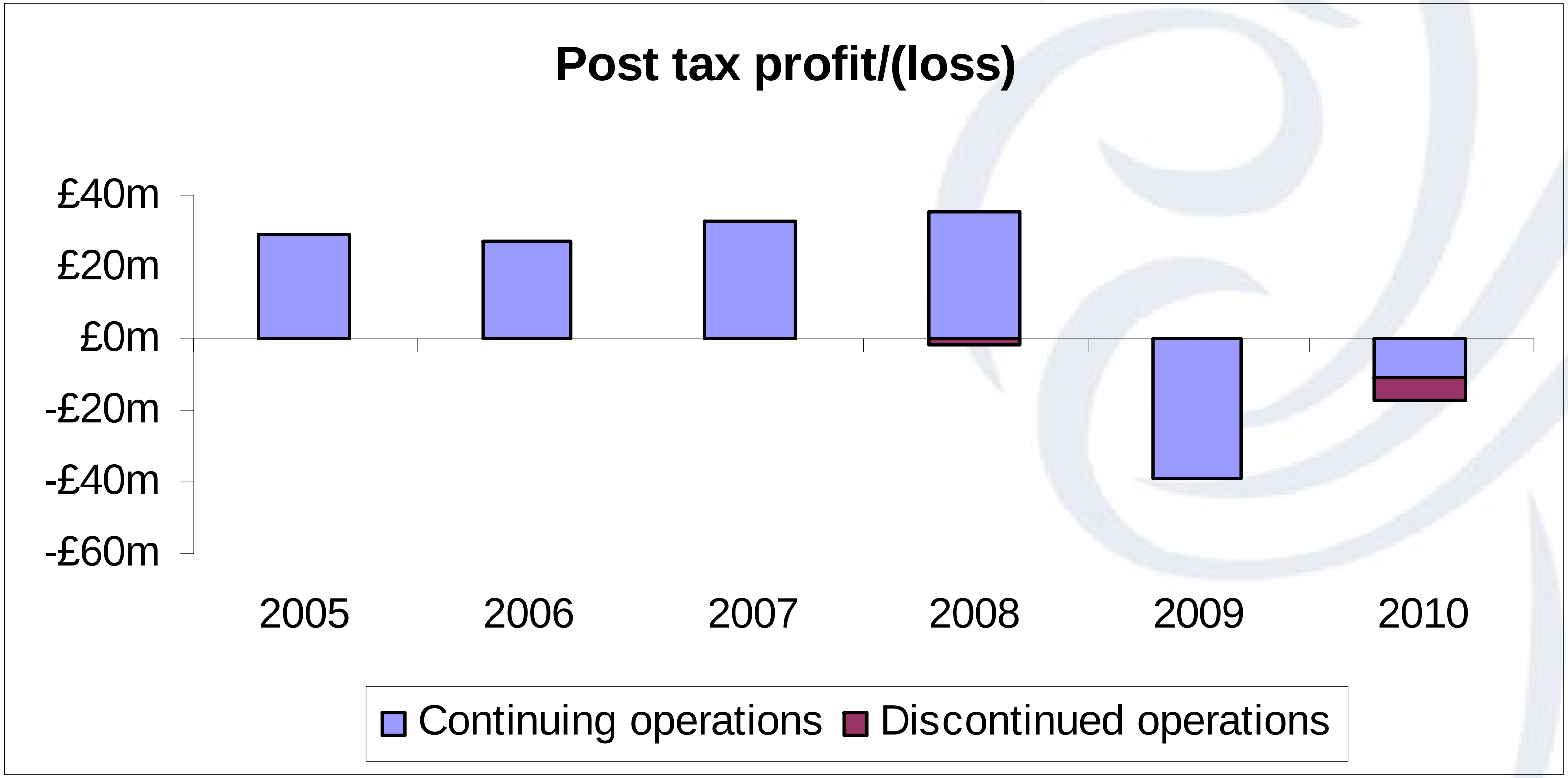
Key Financial Highlights

- Over 70% reduction in losses from continuing operations
- Core Tier 1 ratio increased from 6.8% to 11.8%
- Retail balance inflows of £2.9bn
- Prudential Liquidity increased to 25.5%
- Wholesale funding ratio decreased to 11.0%
- Arrears reduced to a 12 month low of 1.55%
- Costs reduced by 26%
- Group management expense ratio 0.53%
- Planned “total assets” reduction of 9.4% to £8.3bn

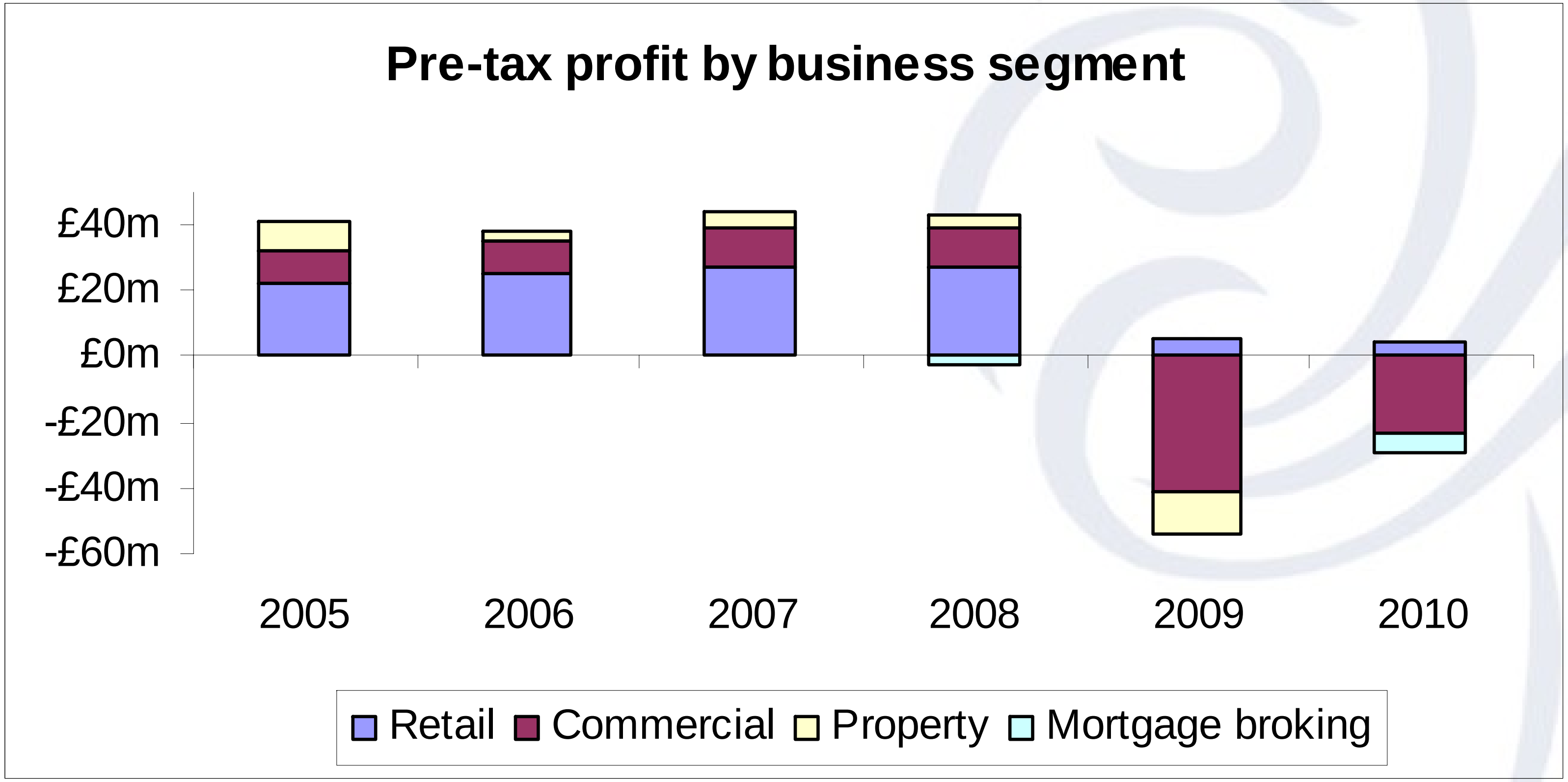
"BACK TO BASICS"

- Jonathan Westhoff – Group Finance Director

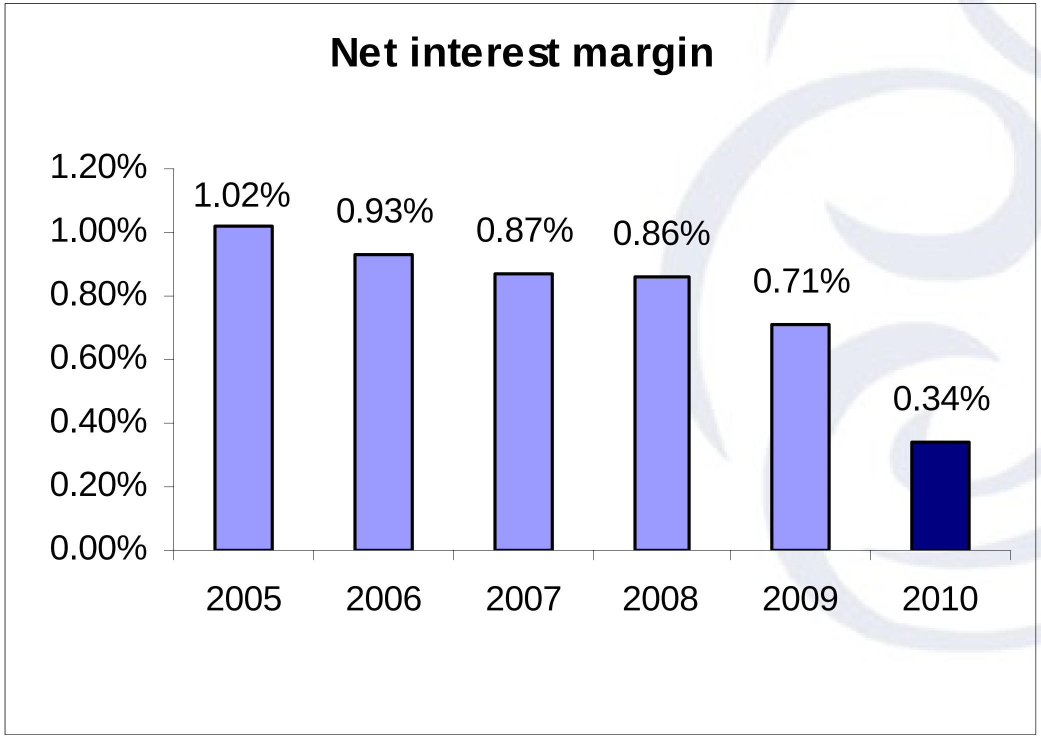
Profitability – improvement



Profitability – Society strong

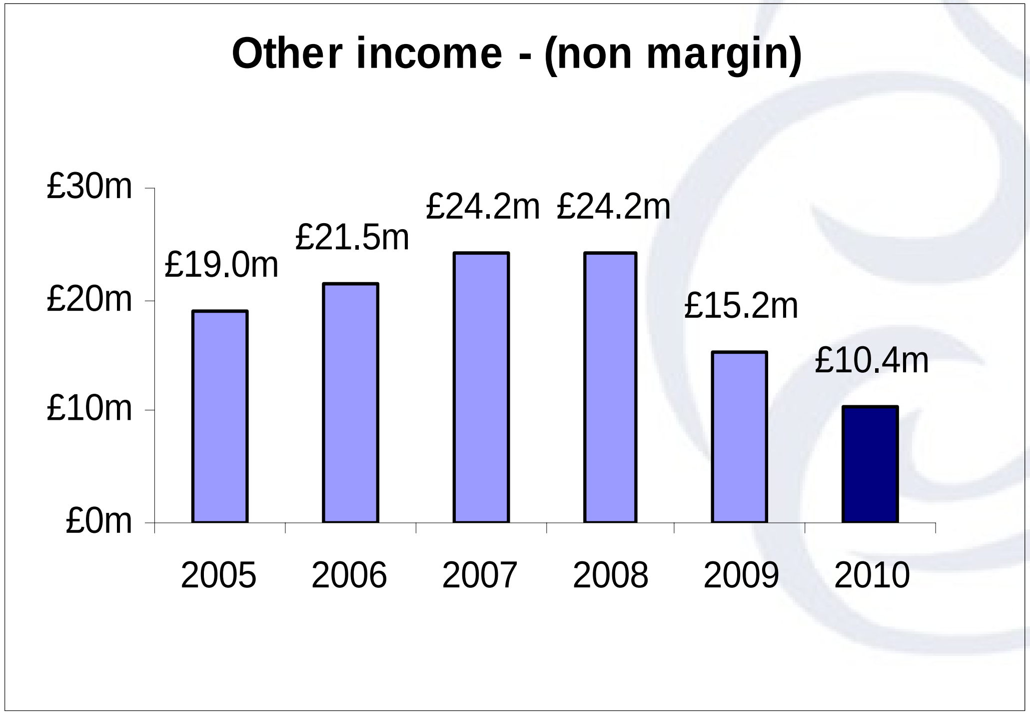


Net interest margin - pressure



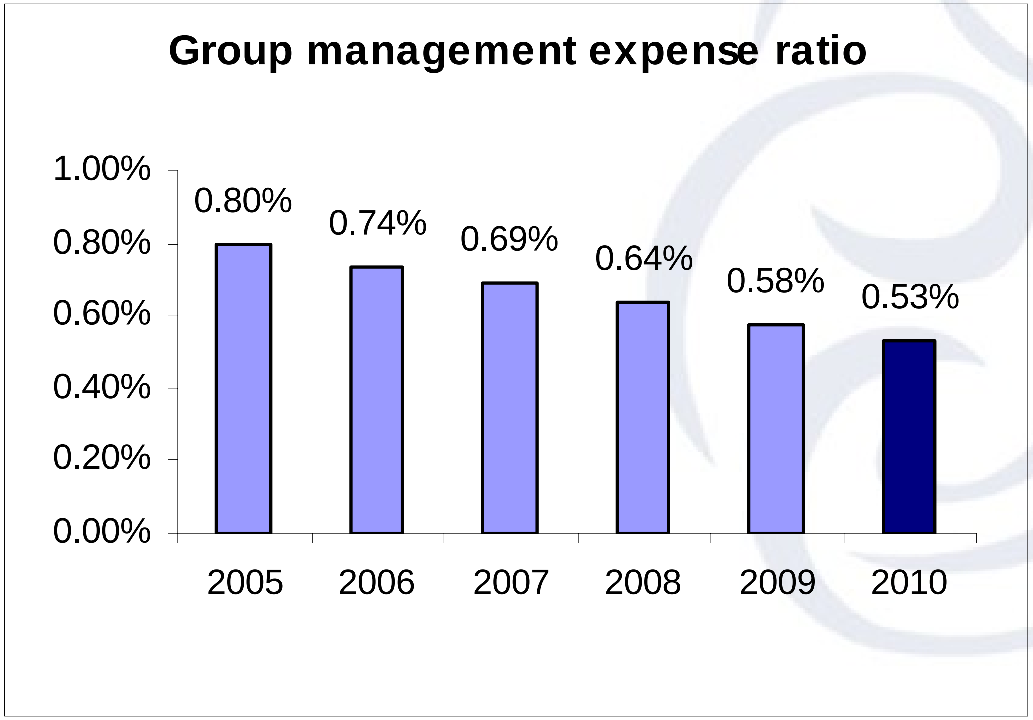
- The decline in net interest margin is as a consequence of:
  - Increased cost of retail savings (increase 1.1% relative to OBR)
  - Lower returns on the Society’s liquidity portfolio
  - Increasing the duration of wholesale and retail funding

Other income – volumes impact



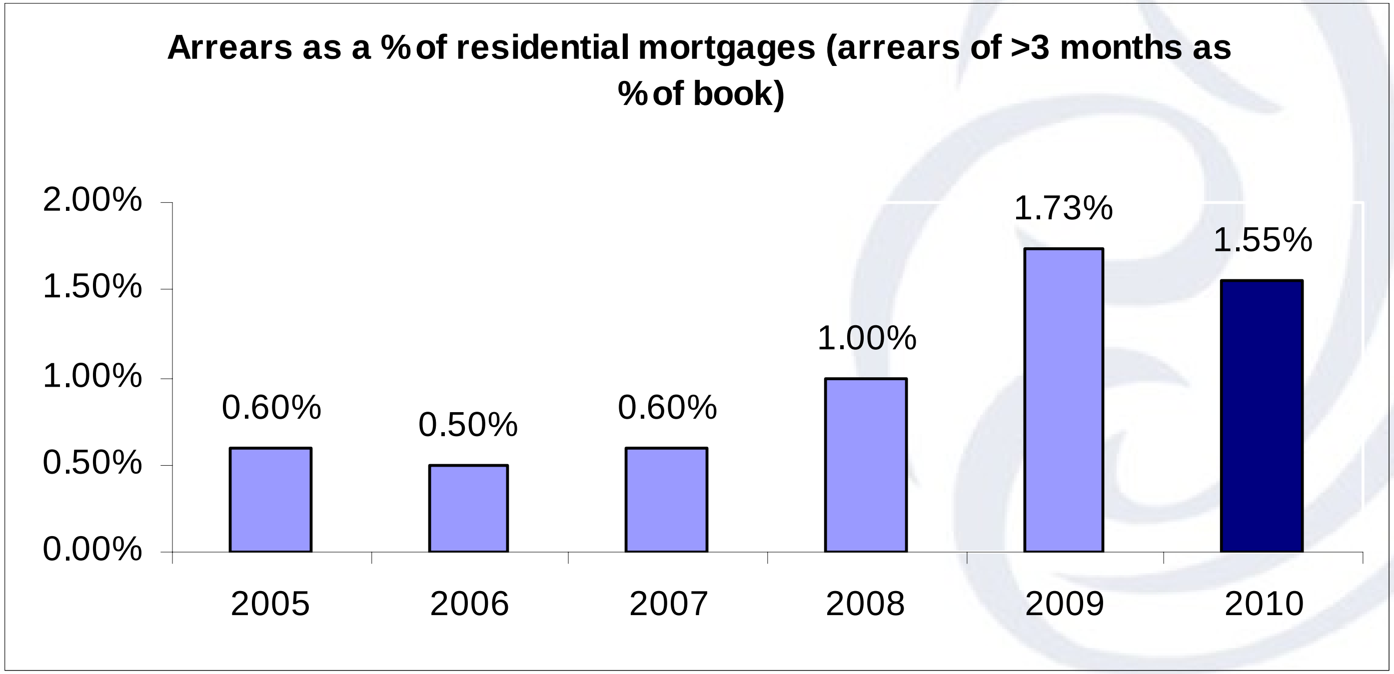
- Dramatic reduction in mortgage market volumes (c.£3.9m)
- Lower commission rates for investment sales (c.£0.8m)

Cost efficiency



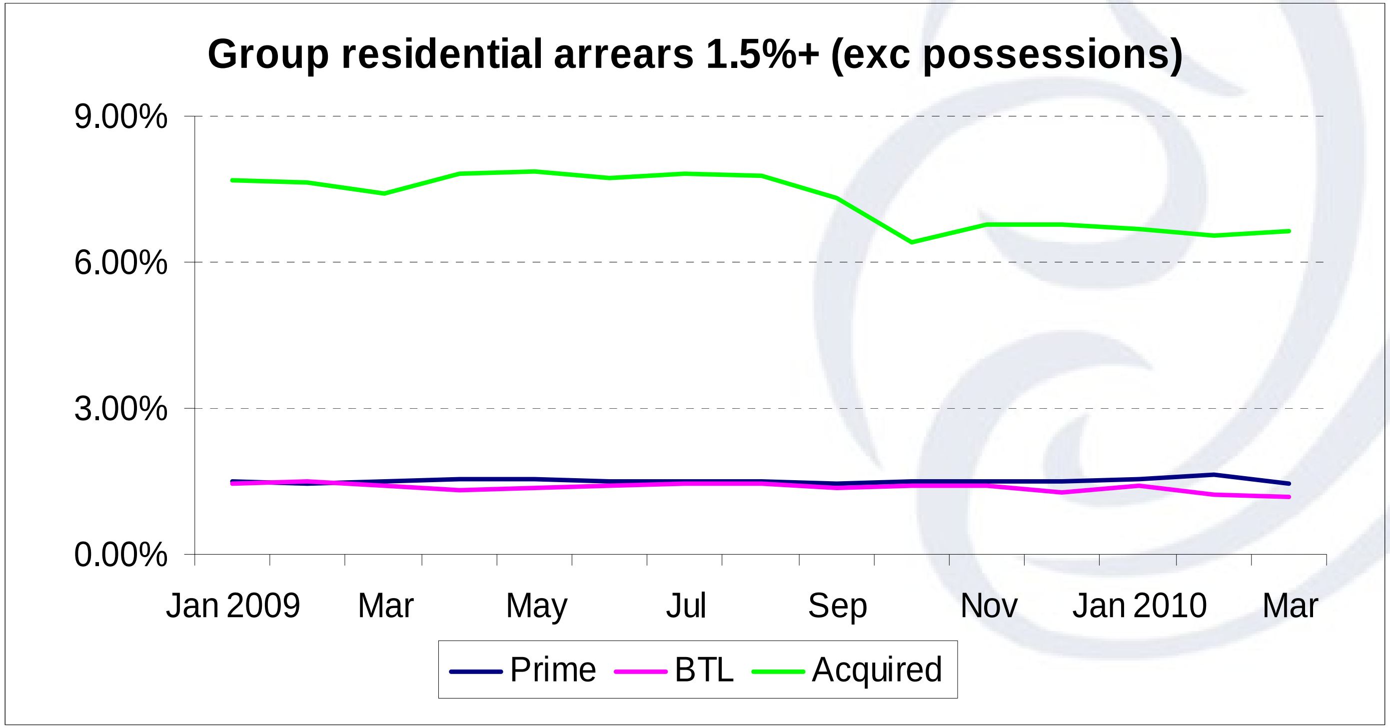
- 26% reduction in the Group's cost base
- Further cuts made – target <0.50% (current asset size)

Credit risk residential arrears



- Residential arrears improved over the year
- At 1.55% the Society is below the sector average of 2.22%

Credit risk - Residential



- There are marked differences between originated and acquired loans
- Acquired loans are in run-off, hence arrears are against a rapidly shrinking book

Credit risk – Commercial profile

As at 31 March	On balance sheet		Off balance sheet	
	2010	2009	2010	2009
	£m	£m	£m	£m
Total exposure	1,085.1	1,133.4	367.9	403.6
Specific provision	44.2	32.7	n/a	n/a
Collective provisions	7.3	16.0	6.9	1.9
Unprovided first loss	n/a	n/a	3.9	8.9
Receivership	203.1	100.2	3.1	0.6

Risks & uncertainties

- Margin
  - – Low interest rate environment
  - – Retail savings competition
  - – LIBOR:OBR distortion
- Credit
  - – Major retail downturn
  - – Sharp housing market reversal
  - – “Rate shock” risk : tolerant to 5% OBR

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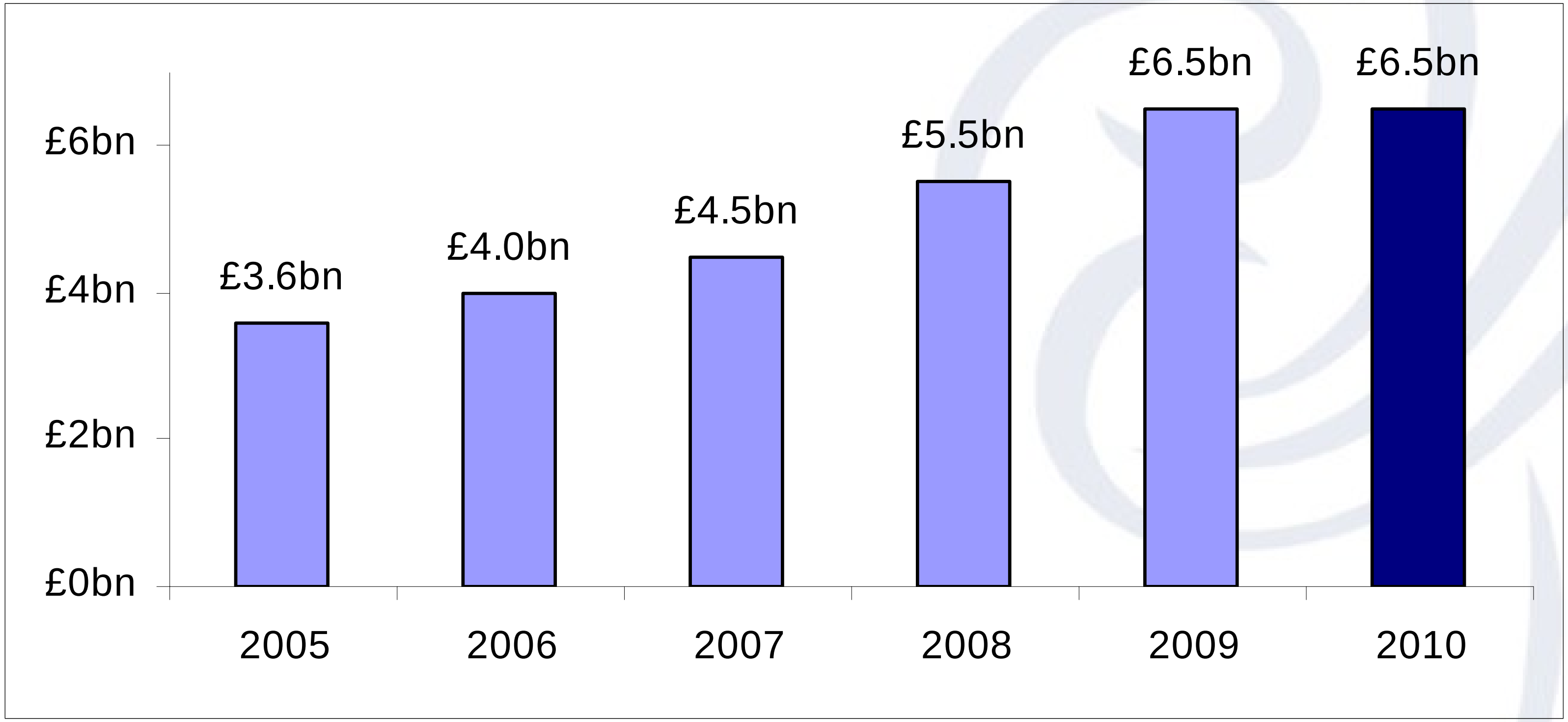
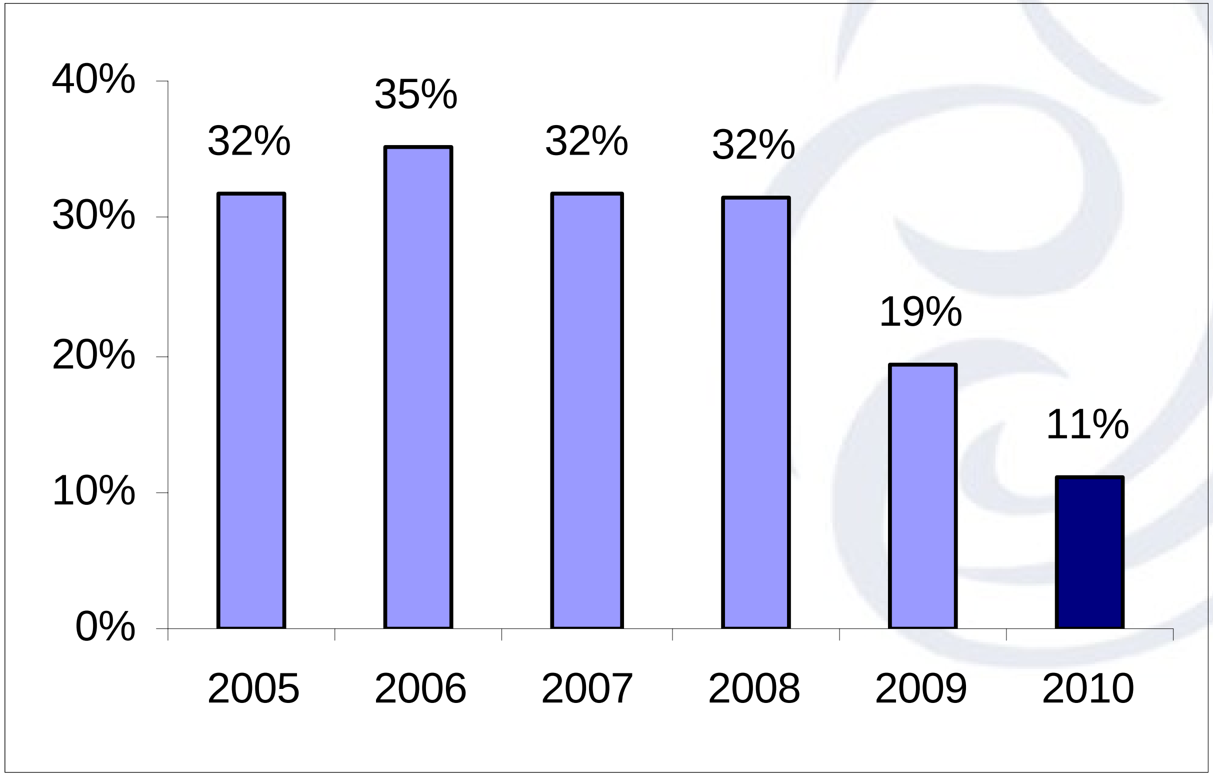
- Stuart Hislop - Treasurer

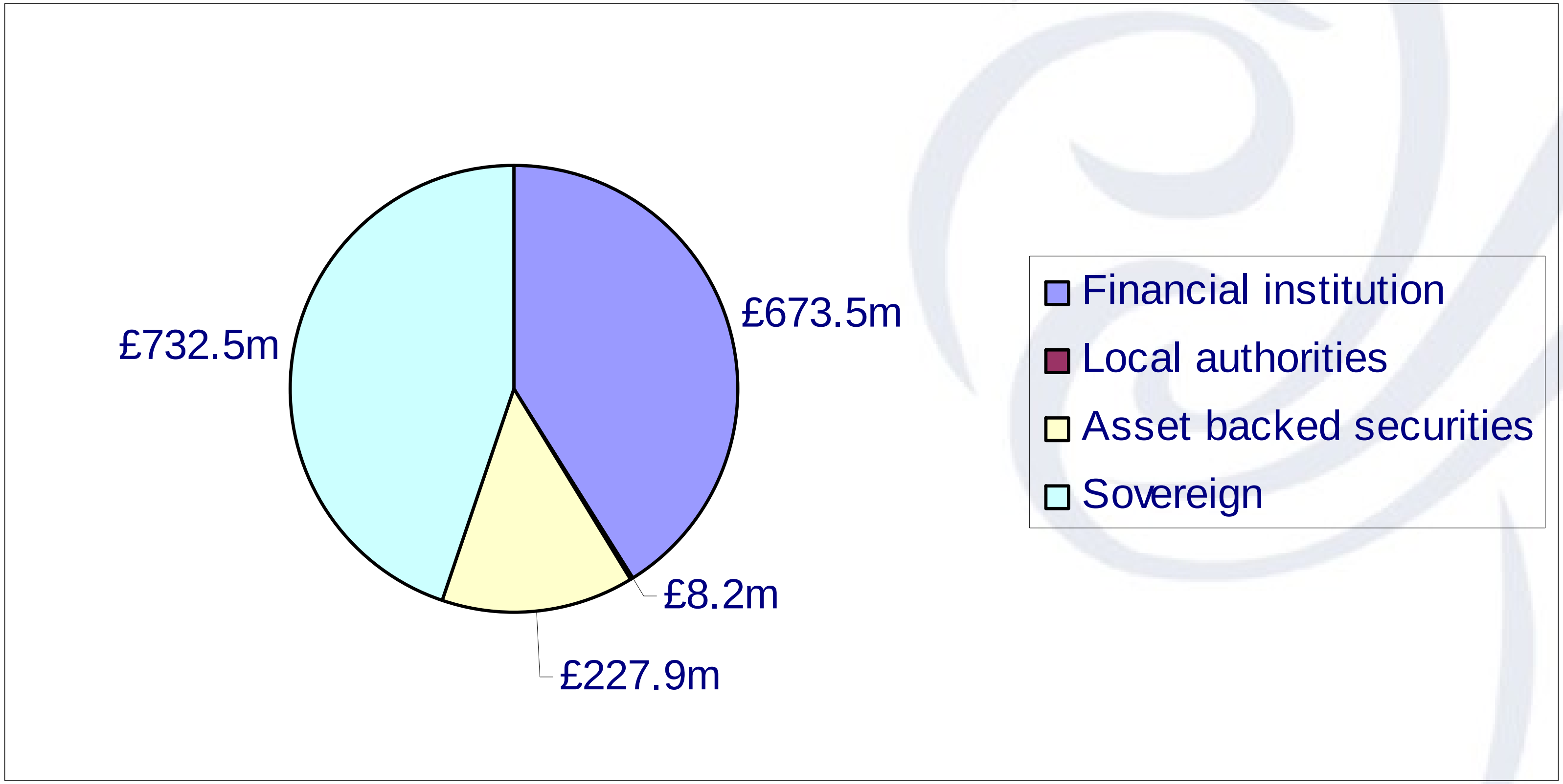
Retail balances



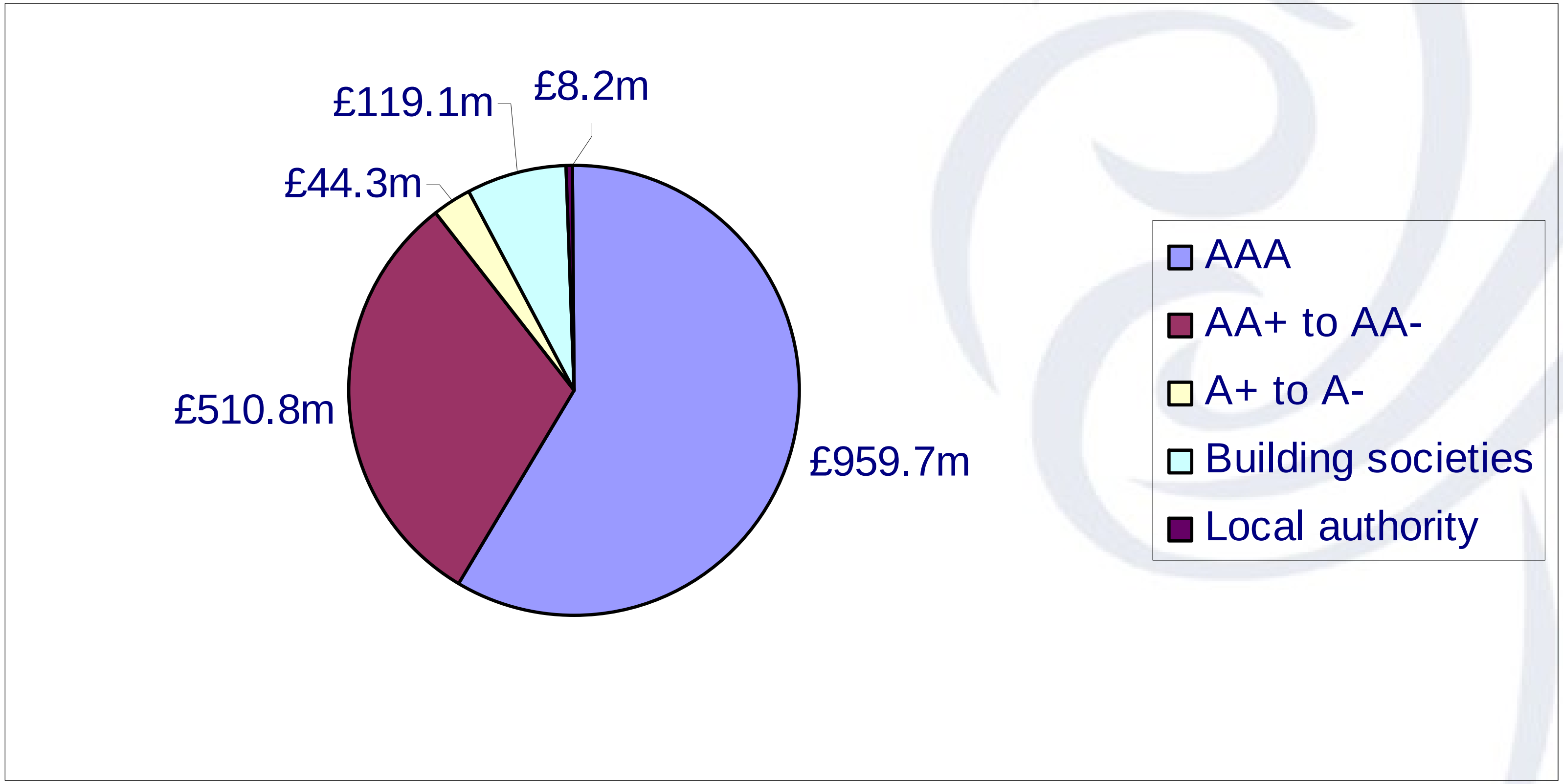
Non-retail funding ratio



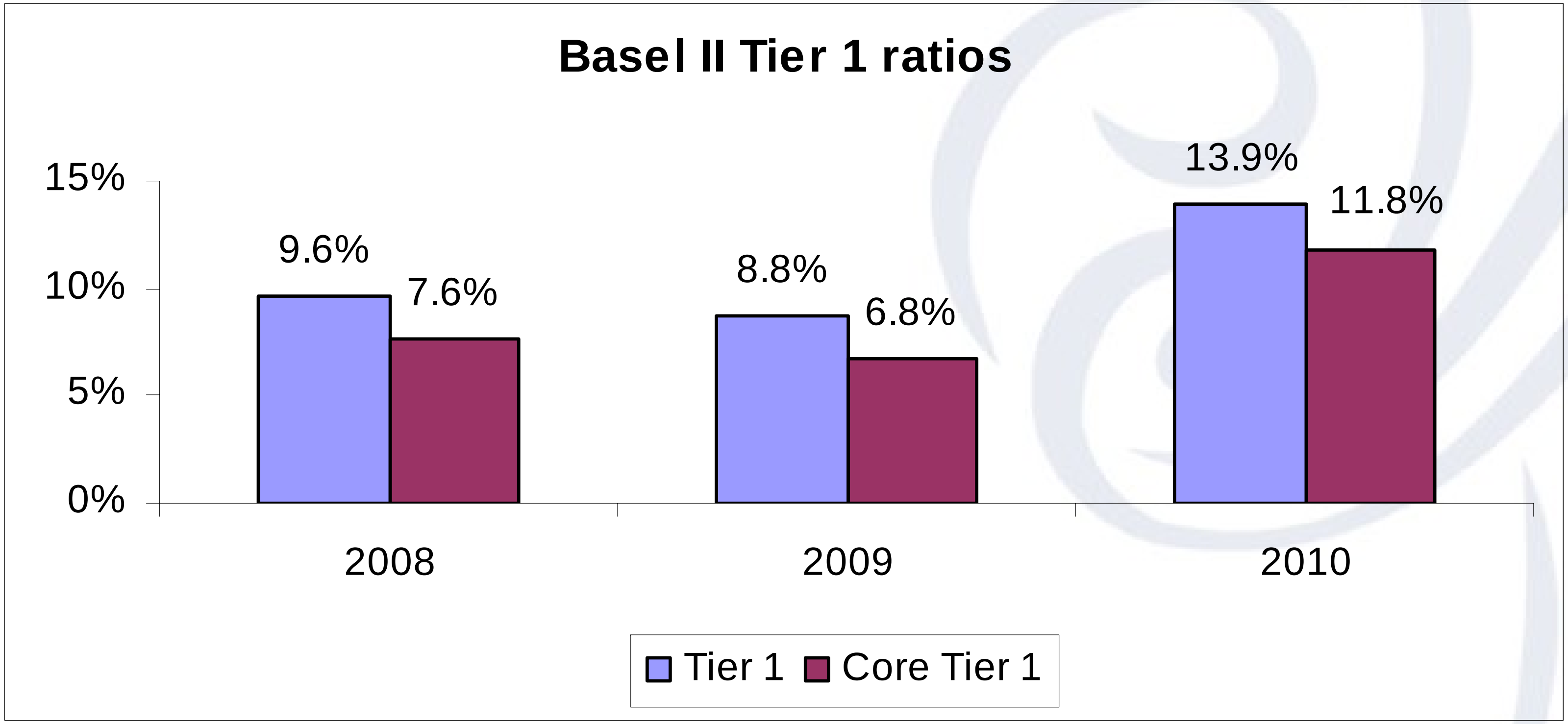
Liquidity by asset class



Liquidity by rating



Capital


Basel II Tier 1 ratios
15%
10%
5%
0%
9.6%
7.6%
8.8%
6.8%
13.9%
11.8%
2008
2009
2010
Tier 1
Core Tier 1

Future funding

- Retail
- Wholesale
- Collateralised borrowings