

West Bromwich Building Society

Annual results presentation year ending 31 March 2011

June 2011





Jonathan Westhoff Chief Executive





Business & Strategy overview



West Brom Overview



- The Society is the 6th largest with circa 600,000 members and £7.5bn of assets.
- Focused on savings, investments and residential mortgages.
- The Society has 39 branches in the West Midlands, Shropshire and Mid Wales.



● Society Branches



Back to Basics – 2 years on



- Run-off of non-core:
 - CRE exposure down c17% to £1.28bn
 - Second charge lending down c20% to £44.8m
 - Acquired portfolios down c20% to £415.6m
 - West Brom Homes - generating trading profit
 - Mortgage Force - sold
- Capital strengthened significantly:
 - Core Tier 1 almost doubled to 12.8%
- Returned to operating profit
- Losses down from £48.8m to £13.8m



Back to Basics – 2 years on

New brand launched



Savings

Paysave Monthly Saver Account

Home Insurance – CSA Guide

Key customer questions	Key features
1. Where is your home insurance due for renewal? Important! Renewal dates vary by insurer.	Our experienced personal recommendations can save your home insurance by up to your Monthly – only pay for cover that you need.
2. Why is your current Home Insurance Provider?	Look at your original insurance provider in the UK, working in conjunction with the West Brom. If you have any queries or questions about your Home Insurance you can always speak to an adviser at your Home Free opening. We'll help you to identify the best price and what you have your own Personal Claims Manager.
3. Why did you choose them?	No charge for monthly direct debit payments.
4. How do you pay for your insurance?	Monthly cover – £100,000 cover buildings cover and £10,000 cover contents cover to standard.

Savings

Oak Savings Account

Home Insurance

Home Insurance Product Guide

Important Information

Rules and Memorandum

Savings

No Notice Saver – Direct

2.3% Gross p.a. AER

the West Brom

Looking after your savings for over 160 years

the West Brom

Home Insurance

Looking for a better deal on your home insurance?

Get a quote now

the West Brom

Ask about **Tax-free ISA Savings**

Savings

Branch Easy Access Saver

2.3% Gross p.a. AER variable

the West Brom

Home insurance for whatever you need

Start with our care cover. Then take your policy with Home Insurance.

the West Brom

3 Year Fixed Rate Escalator Bond

Year one 2.15% gross p.a.
Year two 3.00% gross p.a.
Year three

3.85% Gross p.a.

2.94% AER based on an investment made from 01/11/10 to 30/11/10

the West Brom

- £1,000 minimum investment
- No withdrawals allowed
- Monthly interest option also available



Back to Basics – 2 years on

Reinvigorated branches



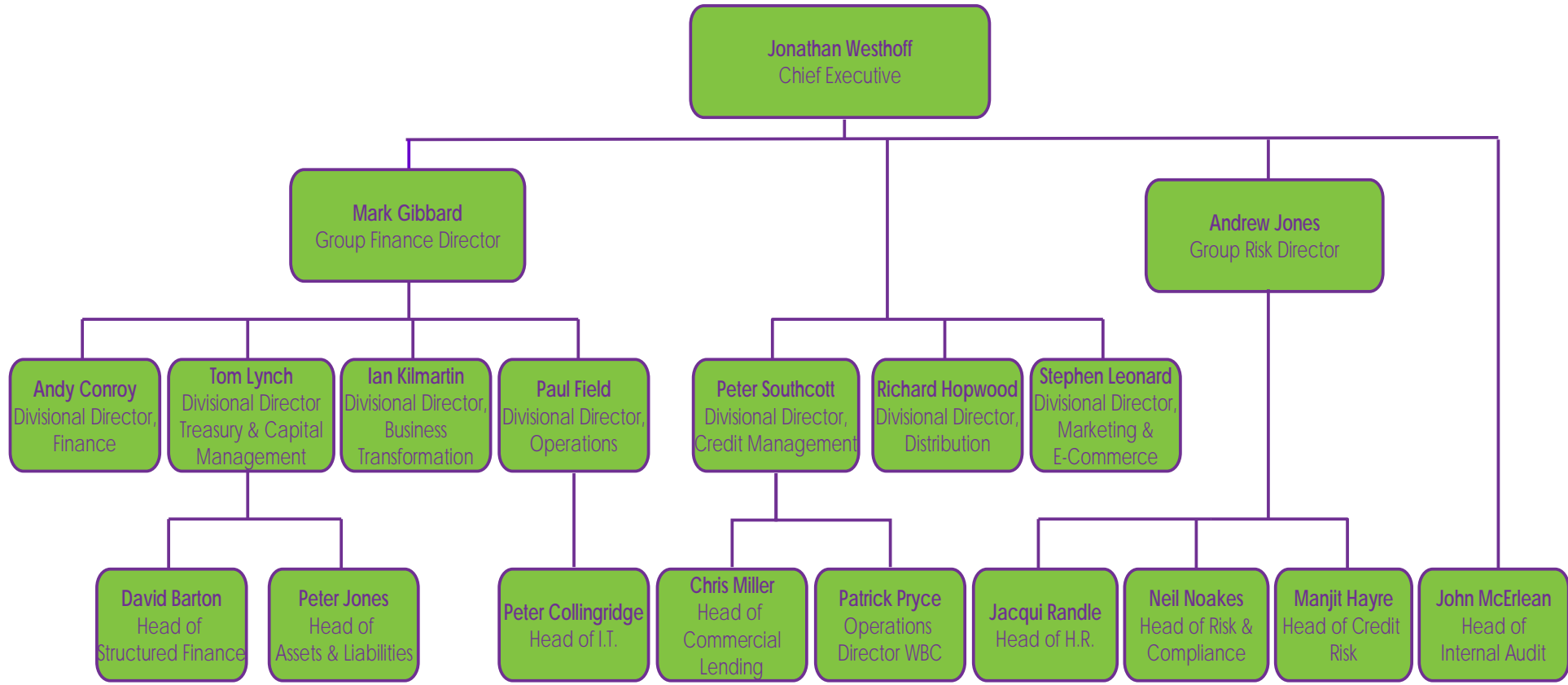
Information screens



Browser walls



Management structure





Financial Performance



Key highlights 2011



- Core Tier 1 ratio strengthened from 11.8% to 12.8%, one of the strongest amongst UK banks and building societies.
- Retail savings inflows of £1.9bn, attracting some 29,500 new savers; residential mortgages covered 1.22 times by retail deposits.
- Net interest margin increased from 0.30% to 0.43%.
- Reduction in credit impairment charges, down 18%.
- Liquidity maintained at levels comfortably above the Society's Individual Liquidity Guidance.
- Further reduction in the post tax loss for the financial year to £10.4m (2009/10:£17.0m).
- Return to profit at the operating level, at £9.3m.



Performance overview



Continuing operations		
Year to 31 March	2011	2010
	£m	£m
Total loss before tax	(13.8)	(24.3)
Net losses/(gains) from fair value volatility	9.1	(2.7)
Gains from sale of financial instruments	(15.6)	(3.8)
FSCS levy charge/(release)	2.2	(5.4)
Restructuring costs	1.8	4.6
Discontinued operations	0.7	5.8
Underlying loss before tax on continuing operations	(15.6)	(25.8)



Overview by business division



Group		
Year to 31 March	2011	2010
	£m	£m
Retail	4.5	3.5
Commercial	(15.7)	(23.3)
Property	(1.7)	0.2
Intercompany adjustments	(0.2)	1.1
Loss before tax on continuing operations	(13.1)	(18.5)
Mortgage broking (discontinued operations)	(0.7)	(5.8)
Total Group loss before tax	(13.8)	(24.3)



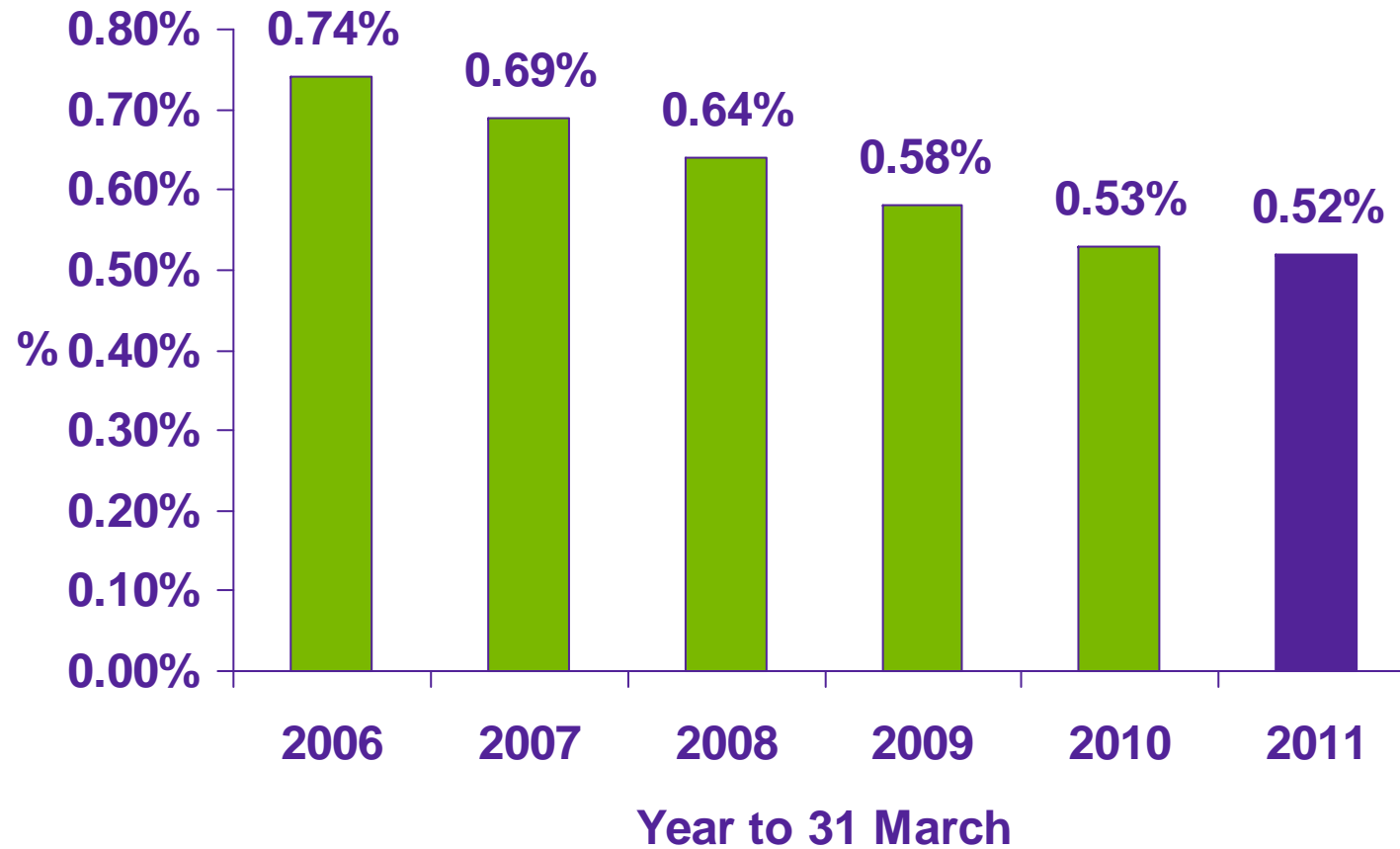
Net interest margin



Other income – (non margin)



Management expenses ratio



Group arrears



	Total balances £m		3 months + %	
	As at 31 March 2011	As at 31 March 2010	As at 31 March 2011	As at 31 March 2010
Prime	1,566.1	1,797.8	1.19%	1.02%
Buy-to-let	2,524.9	2,602.0	0.93%	1.04%
Acquired portfolios and other	429.8	473.5	5.26%	5.44%
2 nd charge lending	44.8	49.8	7.72%	4.49%
Total	4,565.6	4,923.1	1.67%	1.55%



Impairment provisions

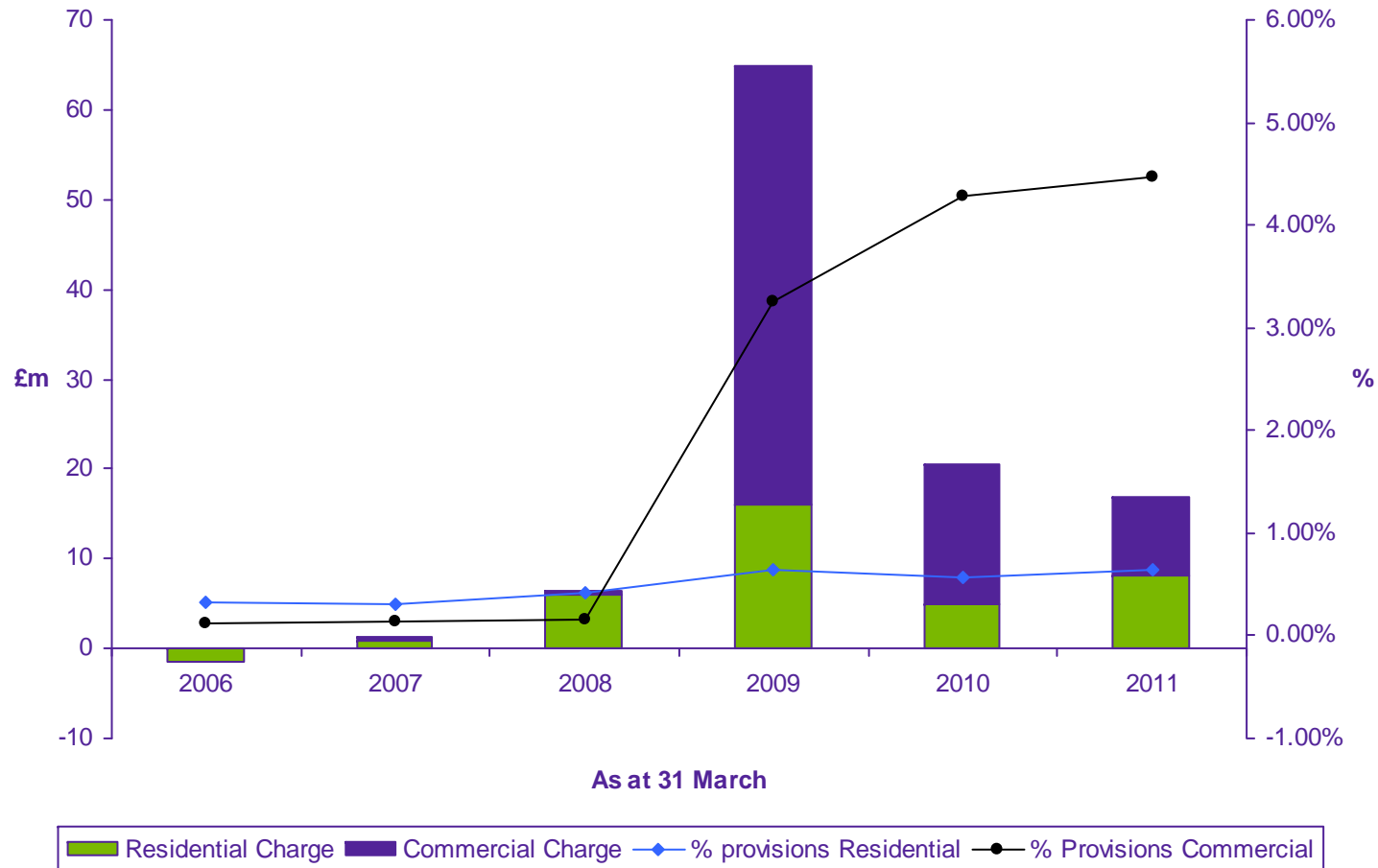


Year to 31 March 2011 - Group			
	Commercial £m	Residential £m	Total £m
At 1 April 2010	58.4	25.6	84.0
Amounts written-off	(6.2)	(3.4)	(9.6)
Charge for the year	8.7	8.1	16.8
As at 31 March 2011	60.9	30.3	91.2

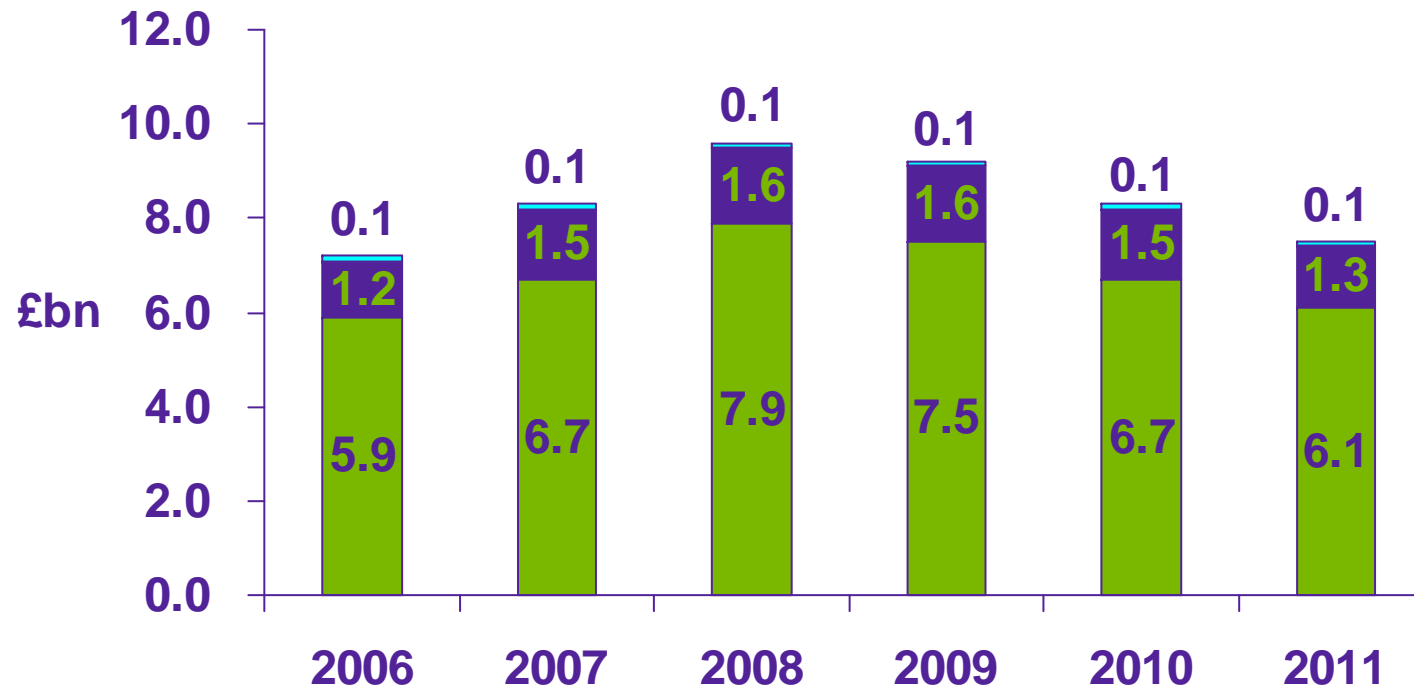
Year to 31 March 2010 - Group			
	Commercial £m	Residential £m	Total £m
At 1 April 2009	50.6	31.6	82.2
Amounts written-off	(7.9)	(10.9)	(18.8)
Charge for the year	15.7	4.9	20.6
As at 31 March 2010	58.4	25.6	84.0



Impairments



Group total assets



As at 31 March

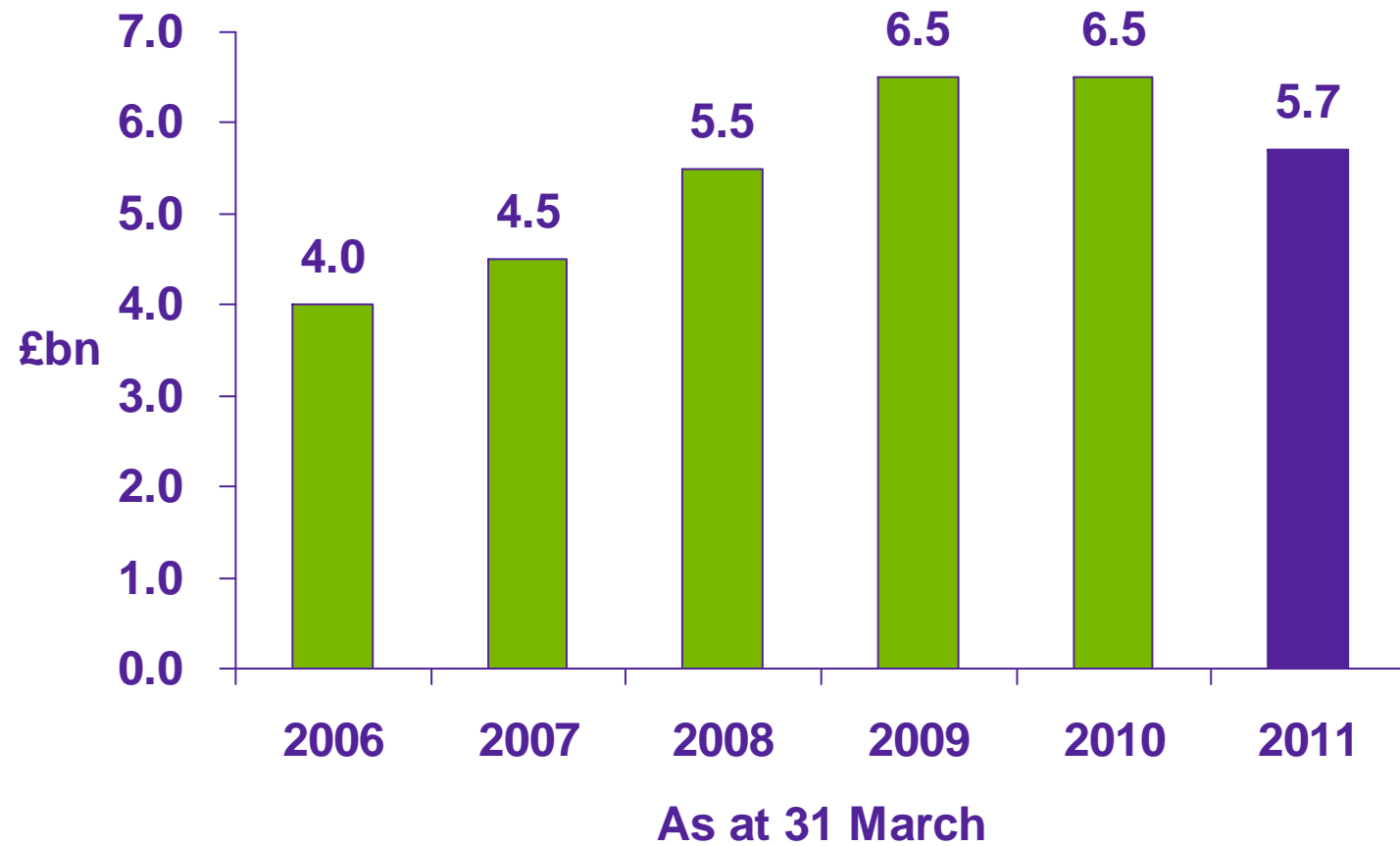




Funding & Capital



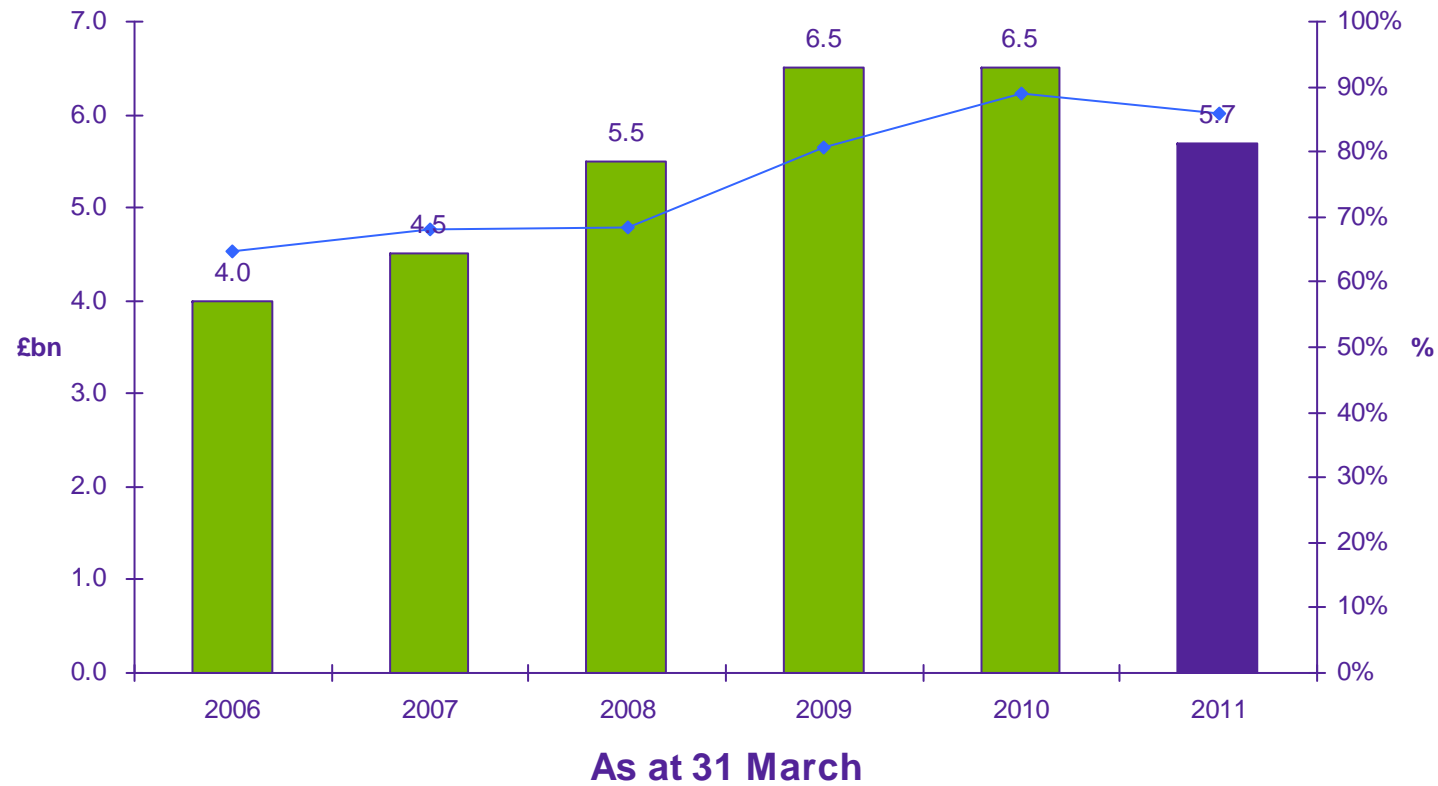
Retail balances



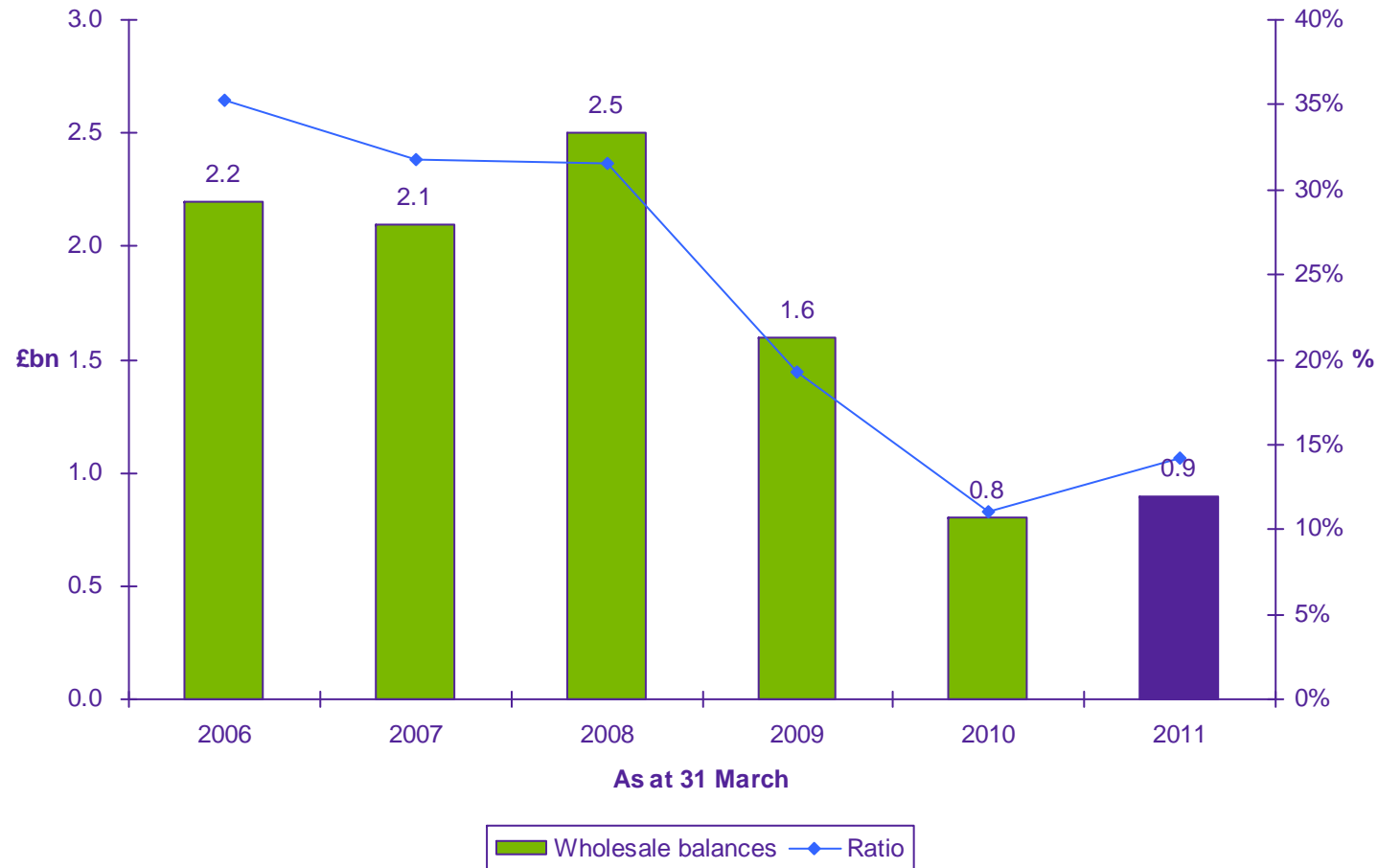
Retail balances



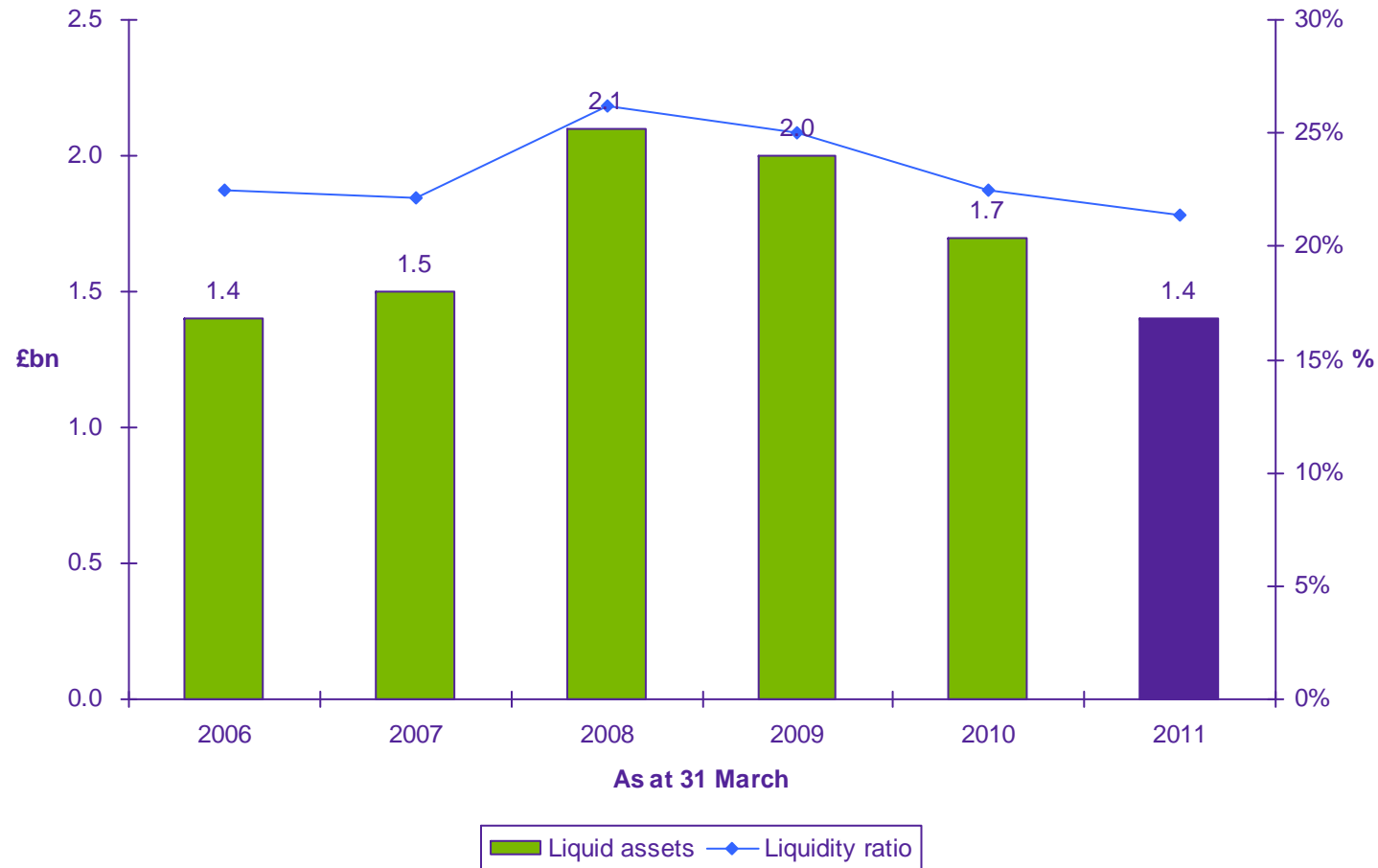
Retail balances and % of average funding (RHS)



Non-retail balances and ratio



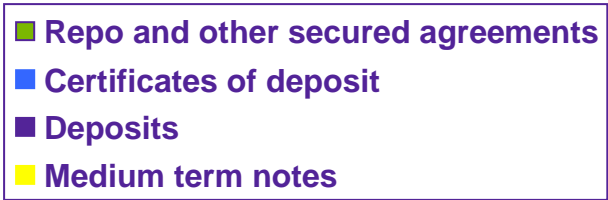
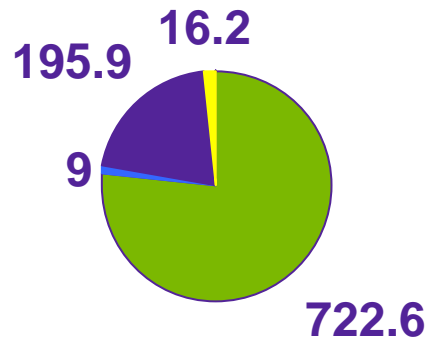
Liquid assets and ratio



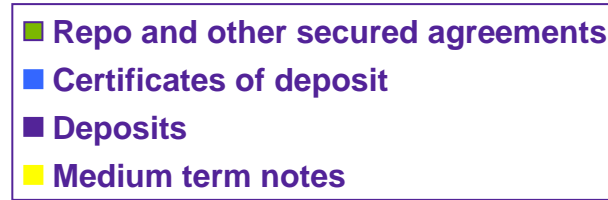
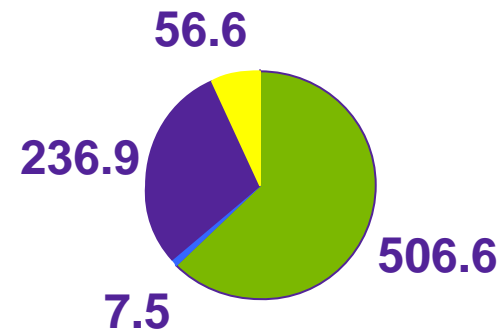
Non-retail funding sources



Non-retail funding sources 2011 (£m)



Non-retail funding sources 2010 (£m)



Buffer liquidity



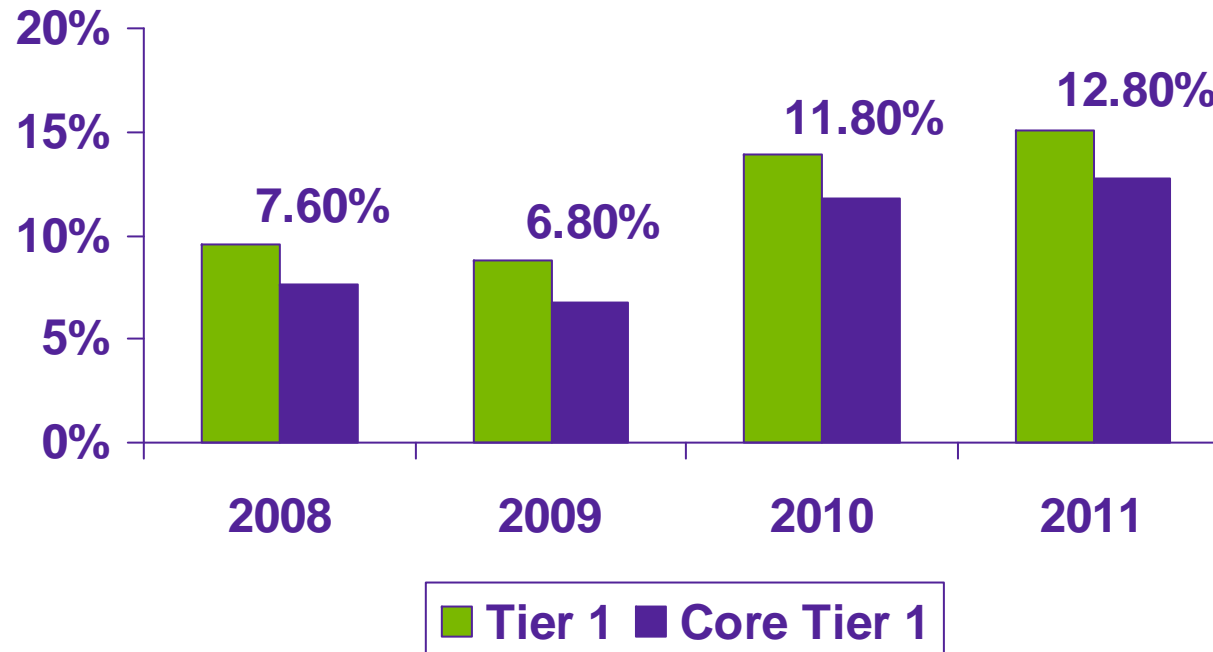
	2011		2010	
	£m	%	£m	%
Buffer liquidity				
- Bank of England Reserve	377.6	26%	7.7	1%
- Treasury Bills	149.6	11%	417.6	25%
-Gilts	142.5	10%	136.8	8%
Total buffer liquidity	669.7	47%	562.1	34%
Other securities – rated single A or better	595.5	42%	872.5	53%
Other securities – rated less than single A	58.2	4%	119.1	7%
Subsidiary / other liquidity	102.7	7%	98.0	6%
Total liquidity	1,426.1	100%	1,651.7	100%



Capital



Basel II Tier 1 ratios



Capital



As at 31 March	2011	2010
	Basel II	Basel II
	Standardised	Standardised
	£m	£m
Regulatory capital		
Tier 1		
General reserves	251.3	258.5
Permanent interest bearing shares	74.9	74.9
Profit participating deferred shares	177.3	179.9
Deductions from Tier 1 capital	(13.3)	(12.1)
	490.2	501.2
Tier 2		
Revaluation reserve	3.7	3.8
Collective impairment allowance	18.9	18.4
Deductions from Tier 2 capital	(8.7)	(4.9)
	13.9	17.3
Total capital	504.1	518.5



Capital



As at 31 March	2011 Basel II Standardised	2010 Basel II Standardised
	£m	£m
Risk weighted assets – Pillar 1		
Credit risk		
-Retail mortgages	1,817.4	1,935.3
-Commercial loans	1,037.1	1,182.1
-Treasury	106.1	182.6
-Other assets	155.8	160.4
Market risk	3.6	35.9
Operational risk	120.6	120.6
	3,240.6	3,616.9
Key capital ratios		
Core Tier 1 (%)	12.8	11.8
Tier 1 ratio (%)	15.1	13.9
Total capital (%)	15.6	14.3



Society ratings



	Short	Long	Outlook
Moody's	P-3	Baa3	Stable (RuR)
Fitch	F3	BBB-	Negative

