

26 September 2018

Dear PIBS Holder

On behalf of the Directors of West Bromwich Building Society, I am writing to you about a resolution which was passed at a meeting of the Board of the Society.

Whilst the PIBS Conditions contain provisions which set out how interest payments will be calculated if they are to be paid, the Board is entitled, in its sole discretion, to cancel any interest payment (in whole or in part) by passing a resolution within 30 days preceding the relevant scheduled interest payment date. PIBS holders will have no right to cancelled interest at any time. The cancellation of interest is not a default by the Society, and does not give rise to any restrictions or requirements on the Society, other than a requirement to give notice of the passing of the resolution. Accordingly, there can be no assurance that interest payments will be paid on the PIBS.

The Society has not made any interest payments on the PIBS since April 2010. From 2009 up until 2018, interest payments on the PIBS were aligned with distribution payments on the Society's Profit Participating Deferred Shares (PPDS).

Under the Society's capital management exercise in 2018, it repurchased and cancelled all of its PPDS, and the vast majority of its PIBS. As part of that exercise, the Society published the Board's distribution policy with respect to future payments of interest on PIBS which remain outstanding following the exercise. Under that policy, if the Board elects, in its sole discretion, to make any future payments of distributions on its PIBS, such payments will be made only if and to the extent that they would have been permitted had the capital management exercise not taken place. This will limit interest payments on the PIBS to the lower of (i) the equivalent annual yield that would have been paid to holders of PPDS (had they remained in issue on their original terms); and (ii) the annual rate set out in the PIBS Conditions (the "Specified Rate"), being 6.15 per cent. prior to 5 April 2021 and, thereafter, a rate of interest reset periodically and equal to the applicable 5-year gilt rate plus a margin of 2.8 per cent.

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Under this policy, is it likely that no interest payments will be made on the PIBS in the near term, and that subsequent interest payments on the PIBS, if made, will likely be below the Specified Rate.

Further, the Board will continue to have complete discretion under the PIBS Conditions not to make interest payments on the PIBS. The Board will continue to keep this policy under review, having regard to its duties to act in the interests of the members of the Society as a whole.

Consequently, the Board passed a resolution to cancel the interest payment due on 5 October 2018 with respect to the Society's PIBS.

Yours sincerely

Neil Noakes
Group Secretary