

SUMMARY FINANCIAL STATEMENT

Details of our financial performance in 2023.

This financial statement is a summary of information in the audited 2023 Annual Report and Accounts, of Yorkshire Building Society and its controlled entities (the Group), a copy of which is available to members and depositors free of charge at every office of Yorkshire Building Society. The information is also available online at ybs.co.uk/annualreport.

Summary Directors' Report

The information contained in the Chairman's welcome and Chief Executive's review on pages 2 to 9 addresses the requirements of the Summary Directors' Report.

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

Approved by the Board of Directors on 28 February 2024:

John Heaps - Chair of the Board

Alasdair Lenman - Chief Finance Officer

Susan Allen - Chief Executive

Group Income Statement	2023 £m	2022 £m
Net interest income	786.0	724.1
Fair value gains and losses	(5.5)	75.6
Net realised gains	1.6	2.9
Other income ¹	4.3	8.8
Total income	786.4	811.4
Management expenses ²	(332.7)	(298.7)
Impairment of loans and advances to customers ³	(4.0)	(6.0)
Movement in provisions	0.6	(4.2)
Profit before tax	450.3	502.5
Tax expense	(118.6)	(123.2)
Profit for the year	331.7	379.3

¹ Includes net fee and commission income, other operating income and income from investments.

² Includes administration expenses, depreciation and amortisation.

³ Loans and advances to customers includes fair value adjustments for hedged risk on those loans.

Group Statement of Financial Position

	2023 £m	2022 £m
Assets		
Liquid assets	12,798.4	12,482.3
Loans and advances to customers	46,200.4	43,695.4
Other assets	1,969.9	2,576.4
Total assets	60,968.7	58,754.1
Liabilities		
Shares - retail savings	47,056.7	42,008.2
Wholesale funding and other deposits	7,789.3	11,558.3
Subordinated liabilities	1,621.7	1,035.1
Other liabilities	802.5	756.0
Total liabilities	57,270.2	55,357.6
Members' interest and equity	3,698.5	3,396.5
Total members' interest, equity and liabilities	60,968.7	58,754.1

Summary of key financial ratios

	2023 %	2022 %
Gross capital as a percentage of shares and borrowings	9.70	8.27
The gross capital ratio is the relationship between the Group's capital and its liabilities to investors. Capital comprises general reserves (i.e. accumulated profits), hedging and revaluation reserves, subordinated liabilities and subscribed capital.		
Liquid assets as a percentage of shares and borrowings (liquidity ratio)	23.34	23.30
The liquid asset ratio measures those assets available to meet requests by savers to withdraw their money, to fund mortgage advances and to fund general business activities. It expresses cash and assets easily converted into cash as a percentage of the Group's liabilities to investors.		
Profit for the year as a percentage of mean total assets	0.55	0.68
Management expenses as a percentage of mean total assets	0.56	0.54
The management expense ratio measures how cost effective the Group is. It is calculated by comparing the management expenses (administrative expenses opposite) for the year with average total assets.		

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

We have examined the Summary Financial Statement of Yorkshire Building Society (the 'Society') set out on pages 12 to 13, which comprises the Group Income Statement, Group Statement of Financial position as at 31 December 2023 and a summary of key financial ratios.

Respective responsibilities of directors and auditors

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

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

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

This statement, including the opinion, has been prepared for and only for the Society's members as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

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

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Yorkshire Building Society for the year ended 31 December 2023 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors Leeds.
28 February 2024.

WELCOME FROM the Chair of the Board

I'm pleased to report that the Society has delivered another strong set of results.

This will be my last AGM as, after nine years as Chair, I am stepping down in accordance with good corporate governance. I will be succeeded by Annemarie Durbin who joined the Board as Chair of the Board Designate in December 2023 and whom I am delighted to welcome to the Society.

Whilst a great deal has changed during my time as Chair, we are still guided by the same priorities that have been in place for 160 years. We exist to help people have a place to call home, to support the development of financial wellbeing, and to deliver lasting value for our members. We also seek to have a positive effect more broadly on society. We have active community programmes and I am proud of all the contributions made by our volunteers and partners.

2023 was a year of challenge for many, due mainly to the increase in the cost of living. Price inflation began rising sharply in 2022, and remains a concern, also for much of 2023 the Bank Rate continued to increase.

These interest rate increases have brought some good news for savers. The difference between the savings rates we provided and the average rate provided by the rest of the market widened during the year and as we also continued to grow our savings balances, we have been able to return more value to members than ever before.

At the same time, higher interest rates do mean an increase in the cost of borrowing. We are very conscious of the impact this can have and it will remain our priority to help as much as we can any of our borrowers who experience difficulties meeting their commitments.

We also know that many face challenges as higher rates and pressures on household incomes can make it difficult to save for a deposit or meet affordability criteria.

We continue to focus on supporting those most impacted, particularly first time buyers.

Changes to your Board

Amongst my key responsibilities is ensuring that the Board comprises members with a diverse combination of skills and experience. During the year we continued to focus on succession planning.

As well as the appointment of Annemarie Durbin as Chair of the Board Designate, the Society's Chief Executive, Susan Allen commenced her role in March 2023 taking over from Alasdair Lenman, who returned to his role as Chief Finance Officer. Alasdair has announced his intention to retire in June this year and I would like to thank him for his outstanding contribution to the Society not least for his role as Interim Chief Executive.

During the year we also welcomed Debra Davies to the Board as a Non-Executive and the Chair of the Remuneration Committee.

You can find out more about the directors that represent you and who you can vote for at the AGM on pages 22 to 27.



Facing the years ahead

The current forecast is that we will see the ongoing effects of the rising cost of living and limited economic growth for some time to come. These conditions are likely to continue to place constraints on the size of the mortgage market because of lower customer demand and reinforces our need to lend in a way consistent with the principles of our purpose. In the next 12 months we anticipate an increase in competition in the savings market that we have already witnessed in the last few months.

Against this potentially challenging market environment, it is important that we responsibly manage our costs. We will continue to invest in our transformation programme which is essential to ensuring we continue to meet customer needs and expectations now and in the future.

Thank you

It has been a great pleasure to have served our members and colleagues for the last nine years. May I say how grateful I am to you all for your trust and support.

John Heaps, Chair of the Board
28 February 2024



A REVIEW OF 2023

by Susan Allen, Chief Executive

At the conclusion of my first year as Chief Executive, I am delighted to lead such a strong and sustainable organisation.

As a mutual, we're owned by and run for the benefit of our members. Our rich heritage spans 160 years and we have demonstrated a successful track record of providing *Real Help with Real Life* for our members over that time.

Our commitment to delivering for our members is demonstrated through the passion and enthusiasm shown by our colleagues, and a culture that places members at the centre of all we do. The challenging backdrop of recent years has reinforced the importance of our approach to supporting members.

We've all had to adapt to a changing environment in the past few years

The rate of inflation emerged as a global concern in 2022 and the Bank of England continues to monitor developments, aiming to bring inflation down to 2%. Over 2023, the Bank Rate increased from 3.50% to 5.25%. This environment has created challenges for people wanting to buy their own home and to save.

Here to support our members

Among our core priorities is supporting and promoting *Financial Wellbeing*. Savings can help with financial resilience and having some to fall back on can make all the difference. Although savings rates are much higher than a couple of years ago, saving is not easy for everyone, especially with increases in the cost of day to day essentials.

Our research, published in our Saving the Nation report¹ shows a gap between those who are able to save regularly and those who can't. It also highlighted the need to raise awareness of the benefits of products like Individual Savings Accounts (ISAs) and suggested ways to establish good habits and resources to support customers.

As a mutual, we are proud to provide value to our members by paying higher interest rates on our savings. Over 2023, the rates we offered were on average 1.01 percentage points higher than the market average². This meant we paid £441.1m additional interest to our savers (2022: 0.56 percentage points higher; £198.6m in additional interest).

Our proactive strategy of passing on Bank Rate rises, as well as investing in four new member loyalty products in 2023, supported the widening of this differential year on year.

Supporting borrowers

Research in our Home Truths report³ highlighted how owning a home is moving further out of reach for many. Product innovation is one way we support new borrowers, including options which allow family members to support younger generations.

We're also here for the challenges faced by our existing borrowers. In 2023 we proactively contacted borrowers who may be most impacted by sudden rate increases, to see how we could support them, as well as signing up to the government-led Mortgage Charter.

¹ Saving the Nation report available on our website.

² YBS Group average savings rate compared to rest of market average rates. Source: CACI's Current Account and Savings Database (CSDDB), Stock. Data period January – December 2023.

³ Home Truths report available on our website.

A positive impact on our communities

Our support for financial wellbeing extends beyond the savings products we offer into our community activities, like our award-winning partnership with Citizens Advice. In selected branches, representatives from Citizens Advice offer free, confidential advice on matters including financial wellbeing to members and non-members. Feedback shows that this is making a real difference in local communities.

Money Minds, our flagship volunteering program, provides valuable resources on financial education and helps people prepare for work.

I am also pleased that the Society's latest charity partner is FareShare. FareShare are a national network of charitable food redistributors who strive to alleviate the impact, and root causes, of food poverty in the UK. The Society will fund FareShare's Building Skills for the Future programme which will provide valuable support for matters relating to financial hardship and employability. Together, we aim to lift over 2,500 people out of financial hardship.



WE HAVE DELIVERED ANOTHER STRONG SET OF RESULTS IN 2023

You can hear from some of our colleagues who have volunteered and made a real impact in their communities on pages 18 to 19.

A strong and sustainable organisation

We have delivered another strong set of results in 2023, further supporting our financial position, and our long-term sustainability.

Our targeted growth in retail savings drove an increase of £5.1bn in shares or savings deposits from members year on year and saw our members benefit from above average savings rates.

2023 gross lending volumes were £9.2bn (2022: £10.3bn) and net lending was £1.6bn (2022: £3.0bn). This is a good level of growth given the disruptions to the mortgage market in late 2022, the larger population of maturities, and the reduced market size.

Our net interest margin increased to 1.31% over 2023 (2022: 1.30%). The rate of balance sheet growth achieved, along with the impacts of the rising interest rates, has supported higher levels of profit in 2023. This is also in the context of continually increasing our savings rates, the cost impacts of the inflationary environment and accelerated transformation activity. Core operating profit for 2023 was £449.9m, an increase of £24.3m on last year, and profit before tax was £450.3m (2022: £502.5m). Our capital generation remains sufficient to support our financial position, both now and under our growth aspirations.

You can find detailed information on the Society's performance in the Annual Report and Accounts 2023.
ybs.co.uk/annualreport



COMMITTED TO OUR BRANCHES



Many of our members value the personal touch they receive in our branches, especially when dealing with more complex problems. Our research⁴ shows that local branches and passbooks remain in demand with more than a quarter of people surveyed visiting a branch once a month, and over half a million of our members using passbooks. Branches also provide an important link with our local communities, as our Citizens Advice partnership demonstrates.

⁴ The research was carried out online by Opinium. All surveys were conducted between 24th and 27th October 2023 and the sample comprised of 2,000 UK adults.

We have built strong foundations

In 2020, we set out a plan to transform our capabilities and enhance our customer experience by the end of 2023. We called this our *Strategic Blueprint*. We are pleased that we have accomplished much of what we set out to achieve.

We developed and launched new, better ways to support our *Place to Call Home* priority. Supported by improved capabilities and data analytics, we broadened our mortgage offering, making it accessible to a wider range of customers. A deeper understanding of risks and their management means we are able to help more borrowers than ever. We've launched targeted products to support people who may need more help, such as people with lower credit scores.

The growth in our savings balances, and the continued improvement in our customer satisfaction scores, demonstrate the progress

we've made. The Society's overall Net Promoter Score (NPS)⁵, which is a measure of how willing our customers are to recommend us to others, increased to +61 in 2023. This is an increase of +7 on our score in 2022 and +10 on the score in 2021.

We must always focus on achieving the standards that our customers deserve. At the start of 2023, we concentrated on ensuring customers receive good outcomes within the complaint handling process and this improved over the second half of 2023.

We are ambitious about the future

The Society has evolved over the last three years and the outside world looks very different too, more fast paced, challenging, and customer expectations have continued to accelerate.

⁵ Net Promoter Score and NPS are trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc. Data period January – December 2023, based on 58,586 responses.

We have refreshed our Strategy for 2024 and beyond and it remains firmly centred on our purpose of providing Real Help with Real Life. Our vision is ambitious, building an agile organisation that can respond to market conditions quickly and respond to changing customer needs. It will see us reach and support more new and existing customers while prioritising the experience they receive from us as well as simplifying our internal processes.

Our next phase will see us grow even further. We commissioned a review of our processes around governance, risk, and controls to ensure we're well prepared. This work builds on our investments in security improvements, data protection and IT risk ensuring our capabilities remain resilient.

The determination of our colleagues to reach for better, for themselves, for each other, and for our members gives me confidence that we can achieve our ambitious goals. I am thankful for the hard work and genuine care for our members that they demonstrate every day.

STRONGLY POSITIONED FOR THE FUTURE

With world events driving continued economic volatility and increasing competition compressing net interest margin across the industry, future challenges continue.

Much will depend on interest rates and if inflation levels are able to return to the levels targeted by the Bank of England. The current sentiment of the market indicates that we may have reached the end of increases to Bank Rate, though this view could change.

It is increasingly important that we invest our resources purposefully, in order to maximise the benefit to our membership in the long term. Profits in 2022 and 2023 were higher than typical and this will help to protect the long-term interests of our membership, and allow us to reinvest in products and services to remain competitive.

It is a privilege to be leading this organisation into its next phase. I look forward to collaborating with our members, our Board and colleagues to evolve the Society into a future-ready organisation, fit to provide even more Real Help with Real Life for generations to come.

Thank you for your continued support for the Society.

Susan Allen, OBE
Chief Executive

28 February 2024

The Society's overall
Net Promoter Score
(NPS) increased to

+61

an increase of **+7**
on last year