

SUMMARY FINANCIAL STATEMENT

Details of our financial performance in 2022.

This financial statement is a summary of information in the audited 2022 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, from 30 March 2023. The information is also available online at ybs.co.uk/annualreport.

Summary Directors' Report

The information contained in the Chair of the Board'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 1 March 2023:

John Heaps - Chair of the Board

Guy Bainbridge - Chair of Audit Committee

Alasdair Lenman - Interim Chief Executive

Group Income Statement	2022 £m	2021 £m
Net interest income	724.1	537.4
Fair value gains and losses	75.6	26.7
Net realised gains	2.9	0.8
Other income ¹	8.8	12.7
Total income	811.4	577.6
Management expenses ²	(298.7)	(274.5)
Impairment of loans and advances to customers	(6.0)	19.2
Movement in provisions	(4.2)	(2.3)
Profit before tax	502.5	320.0
Tax expense	(123.2)	(62.9)
Profit for the year	379.3	257.1

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

² Includes administration expenses, depreciation and amortisation.

Group Statement of Financial Position

	2022 £m	2021 £m
Assets		
Liquid assets	12,482.3	9,996.7
Loans and advances to customers	43,695.4	41,922.4
Other assets	2,576.4	804.6
Total assets	58,754.1	52,723.7
Liabilities		
Shares - retail savings	42,008.2	35,506.4
Wholesale funding and other deposits	11,558.3	12,854.2
Subordinated liabilities	1,035.1	857.7
Other liabilities	756.0	416.8
Total liabilities	55,357.6	49,635.1
Members' interest and equity	3,396.5	3,088.6
Total members' interest, equity and liabilities	58,754.1	52,723.7

Summary of key financial ratios

	2022 %	2021 %
Gross capital as a percentage of shares and borrowings	8.27	8.16
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)	23.30	20.67
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	0.68	0.51
Management expenses as a percentage of mean total assets	0.54	0.55
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 and 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 Review 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 2022 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.
1 March 2023.

A WELCOME FROM the Chair of the Board

Providing Real Help with Real Life when our members need it the most

I'm pleased to report your Society performed strongly in 2022 against our long-term objectives, despite the backdrop of uncertain market conditions.

Whilst some of the pre-existing challenges continued, such as the UK's exit from the EU and disruption from the Covid pandemic, new challenges also emerged. The degree of change the economic and political environments have been subjected to has been significant, including the devastating consequences of the conflict in Ukraine, changes to political leadership in the UK and inflation rising to the highest rate for several decades.

The increasing cost of living is a concern for many and these pressures show little sign of declining. With the Bank of England increasing the base rate multiple times in 2022, we led with a strategy that saw our members benefit from this environment, offering greater returns at a time when it could make all the difference.

Increased savings rates are just one example of how we have remained true to our purpose of providing Real Help with Real Life - which is just as relevant today as it was when we were founded over 150 years ago. Our purpose underpins every decision and is expressed through our three main priorities: to help people have a place to call home, to support people towards greater financial wellbeing, and to deliver lasting value to our members over the long term.

Changes to your Board

In August 2022, the Society was pleased to announce the appointment of Susan Allen OBE as our new Chief Executive Officer, subject to regulatory approval. I'm looking forward to welcoming and working with Susan. This concludes our recruitment process and my thanks go to Stephen White who served as Interim Chief Executive until his departure in June 2022 and for everything he did for the Society during his time here. My thanks also go to Alasdair Lenman, our Chief Finance Officer, for acting as Interim Chief Executive during this recruitment process.

After several years Guy Parsons and Neeta Atkar stepped down from the Board in 2022 and I'd like to thank them both for their outstanding contributions to the Society's success. I'd also like to welcome Angela Dartington who joined the Board in April 2022. Our Chief Commercial Officer, David Morris, was welcomed to the Board in January 2022. David has been with the Society since 2018.

You can find more details on your directors who make up the Board and who you can vote for at the AGM on pages 20 to 24.

“OUR DUTY IS
TO OPERATE A
FINANCIALLY SECURE
BUSINESS”



We're in good shape to face the challenges ahead

As a building society owned by our members, you entrust us with your savings and mortgages, and it's our duty to operate a financially secure, sustainable business with robust controls and risk management processes in place. This will enable us to continue serving our members for many years to come.

Whilst there are signs to indicate that the economic environment will continue to be challenging, we face into these new challenges with the backing of a strong financial position, dedicated colleagues, and a clear roadmap for the future.

I would like to thank you for your continued trust and support.

John Heaps, Chair of the Board

1 March 2023

A REVIEW OF 2022

By Alasdair Lenman,
Interim Chief Executive



I'd like to start this review by thanking all of my colleagues for their commitment, skill and hard work throughout what has been a year of challenge and change.

Our commitment to serving our members in our branches across the UK and by phone remains as strong as ever. We're now improving our digital service capability, truly enhancing the support we offer through our traditional channels. Our investment in digital is building greater efficiency, resilience and agility into the Society. Most importantly enabling us to support members through their channel of choice.

Our ambitious transformation programme has already delivered a number of improvements

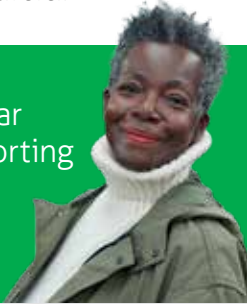
This includes the range of savings services that are available online and through our app. Customer feedback has helped us to prioritise improvements to processes including account opening, online login, password reset, change of address and many others. We have invested strongly in reducing operational risks with programmes of work that are helping us to better manage cyber security, data protection and the risk of financial crime. We have also upgraded some of the core systems that we rely on.

This investment will continue as we enter the next phase of our transformation programme.

We have made this progress despite the disruption of the pandemic and the many additional challenges

2022 brought disruption and uncertainty to politics, financial markets and the economy. The conflict in Ukraine has brought greater challenges as inflation in energy and commodity prices added to the supply chain disruption caused by the pandemic and the ongoing impacts of the UK's exit from the EU. Many people are now facing difficulties managing their finances as the cost of living rises. In this environment providing long-term value to our members is more important than ever.

Our performance demonstrates our clear commitment to supporting our members and delivering against our purpose.



The Society always carefully considers how best to balance changing customer rates with long-term organisational sustainability

This is particularly pressing during times of change in interest rates. As our funding costs increased we increased our borrower standard variable rates to remain in step with the market. We made sure that our savers benefitted by raising interest rates across almost all of our variable rate savings accounts, which reached a minimum of 2.55% in response to the Bank Rate increases made up to December 2022.

As part of our member loyalty programme we launched four new loyalty products

These featured some of our highest rates and were available to members who had been with us for 12 months or more.

The difference...

between the savings rates we offer, and the average rate offered by the rest of the market has widened

In 2022 we delivered rates which were on average 0.56¹ percentage points higher than the market average (2021: 0.32 percentage points higher), which meant we paid £198.6m additional interest to our savers².

Over 537,000 members opened savings accounts in 2022 (2021: 203,000).

Another key part of our purpose is to support people to have a place to call home

In 2022, we've helped 55,000 people reach this goal (2021: 85,000) and though this total is lower than last year, this has been achieved without any government incentives for house purchases as seen in 2021.

For much of the year, the mortgage market experienced strong buyer demand and continued growth in house prices

We received high numbers of mortgage applications over these periods, the peak in May was our highest ever monthly volume.



As the cost of borrowing climbed alongside Bank Rate, demand began to show signs of slowing and towards the end of September, the period of turmoil experienced in the financial markets also had an acute impact on the mortgage market.

During this period we continued our responsible approach to lending, carefully managing pricing and affordability risks. Given the level of uncertainty, we temporarily withdrew our mortgage products for new customers. Though this period was short-lived and by the end of 2022 relative stability had returned to the market, as a business we stay alert to the possibility of future disruptions.

**WE PAID
£198.6 MILLION
additional interest
to our savers²**

Over the last two years we've sustained a high rate of growth in our mortgage book

When setting these targets we were clear our standard of customer service should not fall as a result. A key measure we use to track customer satisfaction is our overall Net Promoter Score (NPS), which shows how willing our customers are to recommend us. This improved to +54 from +51 in 2021³. Being able to process these larger numbers of applications whilst maintaining a high-quality service was made possible by the efforts and teamwork of our colleagues, who once again featured highly in customer feedback.

We're doing what we can to encourage more people to save

We've been looking after our colleagues' wellbeing and development

It has been a pleasure to see the great work undertaken by our colleagues and the positive impacts this has had on our organisation in 2022. Having demonstrated strong levels of effectiveness and collaboration as an organisation since moving to flexible working during the pandemic, we've continued this approach for greater convenience and work-life balance for colleagues.

Recruiting and keeping colleagues was sometimes challenging in 2022, especially for roles in technology, change and data, with higher demand for these skill sets. As such, reward and value had greater focus. We know that the rising cost of living is a concern shared by many. In September we made a one-off payment of £1,200 to each of our colleagues, to go some way towards supporting them through the challenges they face.

We were delighted to receive external recognition from the organisation Inclusive Companies, placing us at number 10 in their list of the Top 50 Inclusive Employers for 2022.

Embracing a broad range of perspectives and the talents of people of differing backgrounds and characteristics will only help to support the creativity and innovation of the Society. The diversity of our workforce is monitored regularly and shows continued strength of our performance in this area.

The promotion of financial wellbeing and resilience are more relevant than ever

We're doing what we can to encourage more people to save, with initiatives which promote financial and digital education, and employability skills.

Through donations and fundraising we continue to support our current charity partner, Age UK, and their important work to help older people with matters relating to financial resilience.



In 2023, we're expanding our award-winning partnership with Citizens Advice, who offer free, impartial advice covering a wide range of issues including financial wellbeing. The Society funds Citizens Advice advisers in a number of our branches. From March 2023 we're increasing investment to extend the number of appointments available. Branch colleagues say it is making a real difference to people's lives, particularly with the rising cost of living.

¹ YBS Group average savings rate compared to rest of market average rates. Source: Based on CACI's Current Account and Savings Database, Stock, Jan - Dec 2022.

² Calculated on the differential on YBS Group average savings rate compared to rest of market average rates.

³ Net Promoter Score and NPS are trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc. Data period January - December 2022, based on 41,703 responses.



“We achieved good levels of growth”

The security of the Society's financial position has been further strengthened by our performance in 2022

Our savings growth was particularly strong, driven by the value we offer members, the impact of our transformation programme, and the remarkable support of colleagues. Savings balances increased by £6.5bn in 2022 compared to £2.1bn growth in 2021. Much of this growth came through our online channel, demonstrating the progress made improving our digital capabilities.

Net lending in 2022 remained at a similar level at £3.0bn (2021: £3.6bn). The growth in our mortgage book, combined with the rising interest rate environment, contributed to improved profitability, with core operating profit, which is a good guide to how profitable

we are day to day, increasing to £425.6m from £279.3m and a net interest margin of 1.30% (2021: 1.07%).

Our capital and liquidity positions comfortably exceed regulatory minimums. Profit before tax was £502.5m in 2022 (2021: £320.0m), which will further strengthen our capital reserves and aid our future sustainability.

Despite higher costs as a result of inflationary pressures and increased investment in our ongoing transformation programme, our cost to core income ratio has continued to reduce from 50% in 2021 to 41% in 2022.

You can find detailed information on the Society's performance in the Annual Report and Accounts 2022. ybs.co.uk/annualreport

Looking forward

The current environment may be different to that seen before, however our business model is robust and we have demonstrated our ability to continue delivering value for members.

A key uncertainty is how long inflationary pressures will continue and what this will mean for the cost of living and the normal functioning of markets.

The UK housing market is likely to be constrained as the cost of living pressures remain, demand reduces, and affordability criteria restricts borrowers.

A decrease in house prices would increase the risk of negative equity, and some borrowers may struggle to meet their monthly mortgage payments. With a responsible lending policy and the low-risk profile of our mortgage book, our current level of arrears is much lower than the market average. We'll continue to monitor this and support and work with borrowers who are facing difficulties.

The continued progress we make each year reflects our clear purpose and strategy, organisational resilience, and the hard work and dedication of our colleagues.

In 2023 we will continue to invest in transforming customer experience and building greater operational resilience and agility, so that we can continue to deliver our purpose of Real Help with Real Life.

Alasdair Lenman,
Interim Chief Executive
1 March 2023



“SAVINGS BALANCES INCREASED BY £6.5 BILLION”

