

# Summary Financial Statement

## Details of your Society's financial performance in 2019.

This financial statement is a summary of information in the audited Annual Report and Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to members and depositors free of charge at every office of Yorkshire Building Society, from 23 March 2020. The information is also available online at [ybs.co.uk/annualreport](https://ybs.co.uk/annualreport). The auditors' report in relation to the full financial statements was not qualified in any respect.

### Summary Directors' Report

The information contained in the Chairman's welcome and Chief Executive's review on pages 2 to 13 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 26 February 2020:

John Heaps - Chairman

Mark Pain - Vice Chairman

Mike Regnier - Chief Executive

Group results for the year	2019 £m	2018 £m
Net interest income	464.6	471.7
Net gain/(loss) from financial instruments held at fair value	(22.0)	20.1
Net realised profits	6.3	8.0
Other income and charges	8.5	10.4
<b>Total income</b>	<b>457.4</b>	<b>510.2</b>
Administrative expenses <sup>1</sup>	(289.6)	(311.2)
Provisions <sup>2</sup>	(0.6)	(6.5)
<b>Profit before taxation</b>	<b>167.2</b>	<b>192.5</b>
Taxation	(38.3)	(42.7)
<b>Profit for the year</b>	<b>128.9</b>	<b>149.8</b>

<sup>1</sup> Includes administration expenses, depreciation and amortisation.

<sup>2</sup> 'Provisions' encompasses provisions for impairment of loans and advances, restructuring costs, onerous lease costs and customer redress.

### Group financial position at end of year

	2019 £m	2018 £m
<b>Assets</b>		
Liquid assets	5,602	5,505
Loans to customers	37,984	36,702
Derivative financial instruments	368	564
Fixed and other assets	324	284
<b>Total assets</b>	<b>44,278</b>	<b>43,055</b>
<b>Liabilities</b>		
Shares	30,677	29,559
Borrowings	9,924	10,140
Derivative financial instruments	231	98
Other liabilities	153	139
Subscribed capital	-	6
Subordinated liabilities	626	585
Reserves	2,667	2,528
<b>Total members' interests, equity and liabilities</b>	<b>44,278</b>	<b>43,055</b>

### Summary of key financial ratios

	2019 %	2018 %
<b>Gross capital as a percentage of shares and borrowings</b>	<b>8.11</b>	7.86
The gross capital ratio is the relationship between the Group's capital and its liabilities to investors. Gross capital represents the aggregate of general reserve, cash flow hedge reserve, fair value through comprehensive income reserve, subordinated liabilities and subscribed capital.		
<b>Liquid assets as a percentage of shares and borrowings (liquidity ratio)</b>	<b>13.8</b>	13.9
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.		
<b>Profit for the year as a percentage of mean total assets</b>	<b>0.30</b>	0.35
This ratio expresses profit or loss, after tax, as a percentage of average total assets.		
<b>Management expenses as a percentage of mean total assets</b>	<b>0.66</b>	0.73
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 14 to 15, which comprises the Group results for the year, the Group financial position as at 31 December 2019 and the 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 this 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 Chairman'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 2019 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.

26 February 2020.



Victoria Gate, Leeds

# “ A WELCOME FROM YOUR CHAIRMAN ”

## You're a member - not just a customer

Whether you're a saver or a borrower, you're a member of Yorkshire Building Society. We're owned by you, which means we act in your interests. We'll continue to help you through challenging and uncertain environments and support you to achieve your life goals.

## The world is changing but our purpose is the same

For the past 155 years our purpose has been to make a real difference to people's lives, by helping them with the financial tools they need to secure a home, supporting their financial resilience through savings and creating value for our members. This is our purpose at Yorkshire Building Society and we call it Real Help with Real Life. You can see how we're doing so far on the following pages.

As a building society we put our members at the centre of what we do. It's important that our objectives serve your interests. Which is why we focus on offering consistently competitive mortgage and savings rates, products that meet your needs and maintaining a high level of service.

## I'm pleased to let you know 2019 was a good year for your Society

In a competitive market place we're in a strong financial position despite the uncertainty in the wider economy, and made excellent progress against our plan. This puts us in a good position going forwards. On pages 6 to 11, your Chief Executive, Mike Regnier, reviews how your Society has done in 2019.

## Looking to the future

The UK's exit from the European Union has created political and economic uncertainty since the 2016 vote to leave. As we operate

“ I make sure we're a well run organisation which acts in your best interests. ”

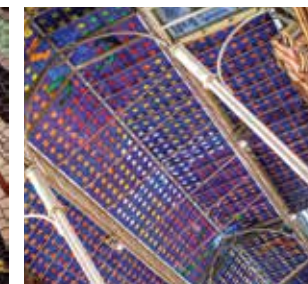
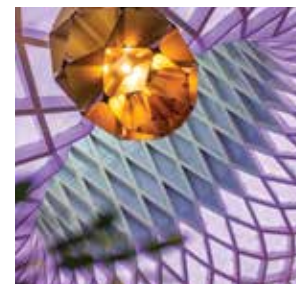
almost entirely in the UK we expect the direct impact on the Society is likely to be low. Your Society is in good shape, we've got capital behind us and we're always ready to protect ourselves from any unexpected changes.

## Your Board represents you

One of my responsibilities is ensuring your Society's safety and soundness. I make sure we're a well-run organisation, which acts in your interests. Your Board combines a mixture of skills and experience needed to successfully run a major financial organisation. You can find out about who your Board members are on pages 20-24.

We work to the highest standards of corporate governance and will continue to do so. This supports the long-term success of the Society and ensures we're always doing the best for you – our members.

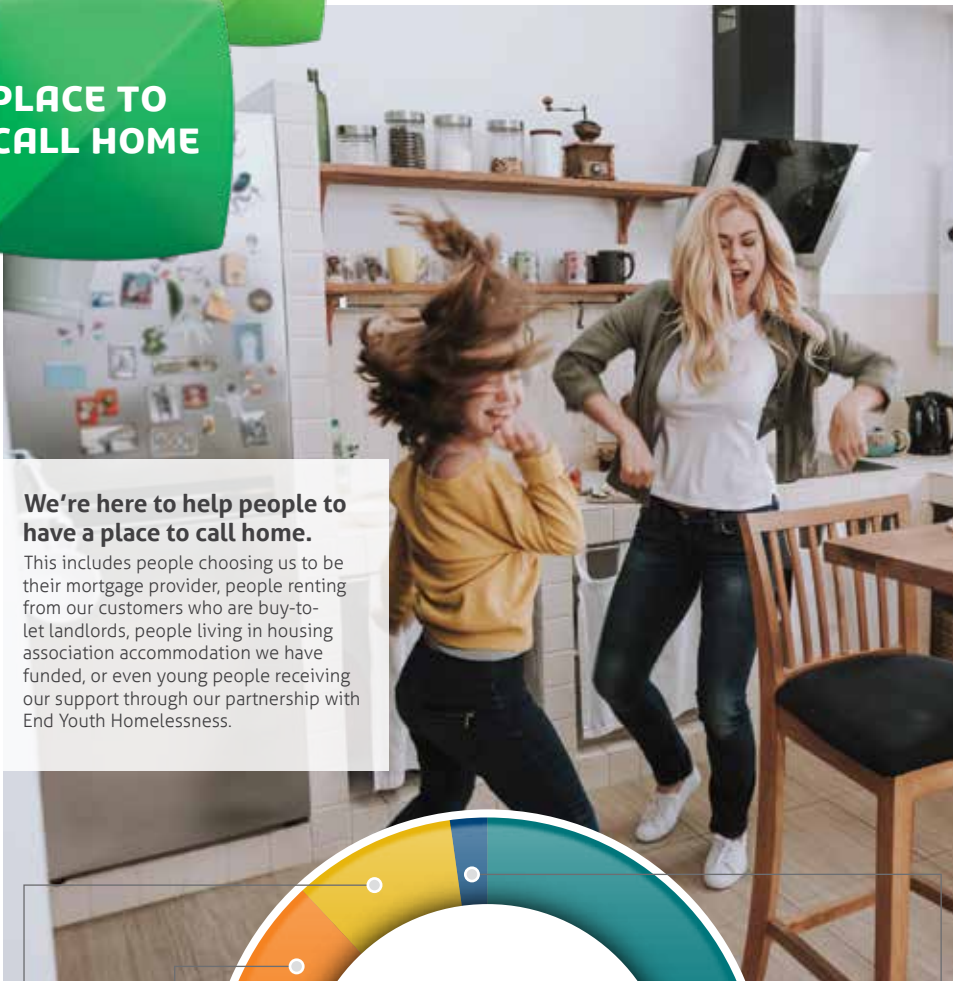
**John Heaps, Chairman**  
26 February 2020



**PLACE TO CALL HOME**

**We're here to help people to have a place to call home.**

This includes people choosing us to be their mortgage provider, people renting from our customers who are buy-to-let landlords, people living in housing association accommodation we have funded, or even young people receiving our support through our partnership with End Youth Homelessness.



**2,005**  
People in social housing

**3,271**  
Renters

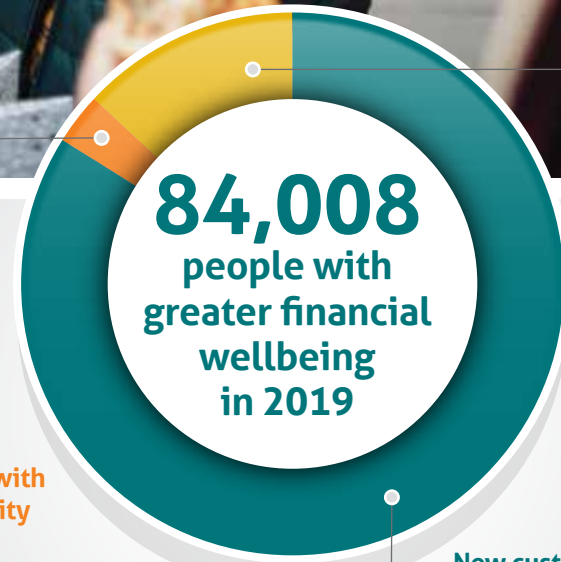
**206**  
Homeless young people

**44,294**  
Homeowners

**FINANCIAL WELLBEING**

**We're here to help people towards greater financial wellbeing.**

Whether they're customers choosing to build their savings pot with us, directly or through our partners, or people who have benefited from financial literacy and employability support via our Money Minds and Career Minds community programmes.



**1,254**  
People supported with employability skills

**7,322**  
People supported with financial literacy

**75,432<sup>1</sup>**  
New customers building their savings pot

<sup>1</sup> Includes all new savers who have opened instant and limited access accounts, or have started saving directly from their salary in 2019. Excludes fixed-term accounts.



## MIKE REGNIER — YOUR CHIEF EXECUTIVE, REVIEWS 2019

Victoria Quarter, Leeds

“I’m happy to report that we’ve had a good year, making excellent progress on delivering on our purpose of providing Real Help with Real Life for our members.”

In 2019 we generated £185m in core profit, similar to 2018, and £167m in profit before tax, £193m in 2018. This helps to support your Society’s long-term financial sustainability. Alongside this we’ve continued to create value for members, giving £95m back to members through the difference in our savings rates, compared to the lower market average.

In 2019 we also donated £1m to local communities through charitable giving and colleague volunteering, and worked hard to reduce our environmental impact.

I’m particularly pleased this is all against a backdrop of positive external feedback. Our Net Promoter Score™ which measures how satisfied our customers are with the services we provide and how likely they’d be to recommend us, has risen 10 points to +51<sup>2</sup>. I’m proud of this as it shows that members really value the service our colleagues provide.

We’re delighted that our members and industry professionals continue to recognise our hard work, as shown by the number and calibre of awards we won in 2019, including Best Overall Mortgage Provider and Best Building Society Savings Provider in the MoneyNet Personal Finance Awards.

### We were set up to help members achieve the things they want in life

We continue to do this today to help our members with the challenges they face. With the Bank Rate set by the Bank of England at a near record low this has meant low rates for savers, which has been the case for several years. Average house prices in England and Wales climbed from three and a half times the average full time workers salary in 1997, to over seven times the average earnings in 2018<sup>3</sup>, which means buying a first home, or a larger home for a growing family, has become increasingly difficult.

### The way people live and work is changing

Busy lives and advances in technology mean greater demand and opportunity to transact in a more accessible way, but we also know that many of our members still value face-to-face services.

We want to help you with these very real difficulties and to achieve your financial goals. This is why our purpose is to provide Real Help with Real Life, by delivering three strategic ambitions – helping people to have a place to call home, helping them towards greater financial wellbeing and delivering value to our members.

<sup>2</sup> KPMG Nunwood Customer Voice Programme. January-December 2019. Based on 14,566 completed interviews with customers. Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc Bains & Company Inc., and Fred Reichheld.

<sup>3</sup> Office for National Statistics. Housing affordability in England and Wales 2018 (2019).

## WE KEPT OUR FOCUS

on our five strategic priorities, which enable us to deliver our purpose

### HELP

**Help** ensures we focus on providing targeted help for more members with the real financial challenges they face.

### DIGITALISE

We're also ensuring we **Digitalise** our business to become more agile, efficient and effective.

### UNLEASH

Through our **Unleash** priority, we're working to support every one of our colleagues to maximise their full potential.

### EXPAND

**Expand** our reach, physically and digitally, so we can help more people.

### PROTECT

To make sure we're able to serve existing and future members for years to come, we **Protect** your Society and our stakeholders by making sure the organisation is financially and environmentally sustainable, with robust controls to minimise and mitigate against risk.

## We've been helping more people have a place to call home

We introduced a number of changes to help first time buyers, including extending our maximum mortgage term to 40 years. We also supported older borrowers who may be looking to downsize or remortgage to help younger generations, by raising our maximum lending age to 80.

In 2019 we launched an overpayments calculator to support those wanting to pay off their mortgage quicker, changed our mortgage switching policy to make it faster and easier and introduced a 15 year fixed-rate mortgage to give greater future certainty for borrowers. We also raised £244,000 for End Youth Homelessness, enabling 206 vulnerable young homeless people to have a safe place to call home.



“Best First Time Buyer Mortgage Provider at the MoneyNet Awards”

## And helping towards greater financial wellbeing

To help our savers, we paid rates on average 0.34%<sup>4</sup> higher than the market average. We launched a competitive child's regular saver account and a tiered easy access account to help savers withdraw their money in an emergency,

whilst rewarding them for saving with us. We helped 135,000 employees in over 100 organisations to save direct from their salary.

In the community, our colleagues volunteered to deliver financial education to 7,000 young people around the UK through our Money Minds programme. I was proud to work with colleagues at our Strand branch in London to give a session to pupils at Grafton Primary School in Islington, where I saw first hand the difference an introduction to financial literacy makes to young people.

## Best Building Society Savings Provider at the MoneyNet Awards

<sup>4</sup> YBS Group average savings rate compared to rest of market average rates based on savings stock from CACI's Current Account and Savings Database (CSDB). Data period January - November 2019.

## Investing in our digital capabilities is an essential part of our future

As well as supporting members who want to use our online services, it will make our business more effective and speed up our processes. This will give our colleagues more time to help you, whether you choose to interact with us online, in our contact centre or face-to-face in our branches or agencies.

We've made some solid progress on this priority in 2019, including investing in robotics and automation to increase the efficiency of some of our processes. We also introduced a new online platform for brokers through

our intermediary lender, Accord Mortgages Ltd. This has reduced mortgage application to offer times to as little as 24 hours and vastly reduced the amount of paper we use.

We're focusing on our digital agenda in 2020 and acknowledge we still have a lot more to do, especially given the speed of change in the wider market.



## We're expanding to make the most of new opportunities and potential partnerships

We want to reach more people and make sure we're supporting both new and existing members and customers.

“We're committed to continuing to offer a national network of face-to-face service in a cost-effective way.”

We've been expanding our network where we believe a new agency could provide good opportunities and we've turned eight of our existing branches into agencies in 2019. This has enabled us to continue to provide face-to-face service in a more cost-effective way.

For the last 60 years, we've been doing this by partnering with agency proprietors – trusted local business owners who work with us to provide our services from their business premises.



### Our people are our greatest asset, they play a vital role in everything we do

In return, we make sure that they feel respected, valued and proud to work for Yorkshire Building Society. Our ambition is to be a leading employer and unleash the potential of every colleague. That's why we're developing a culture of supporting and engaging all colleagues as well as prioritising their wellbeing and promoting diversity and inclusion.

We've continued to develop programmes to support our colleagues' physical, mental and financial wellbeing. We also launched an online portal for colleagues to choose flexible benefits that support their personal needs.

Included in the 2019 Working Families Top 30 UK employers for the third year running

### Playing our part in local communities

A key part of our role in society is to provide careers and development for our colleagues and financial services to our members, but we believe we can achieve much more by also being active in our local communities.

Our branch and agency network in 243 cities, towns and villages, alongside our office sites in Bradford, Leeds and Peterborough give us the opportunity and scale to make a significant impact.

“We're really proud of the positive impact we're making thanks to our members and colleagues who are passionate about helping their communities to thrive.”

In 2019, 51% of colleagues took part in volunteering opportunities, donating over 14,500 hours.

### Three million customers trust us to finance their homes and look after their savings

We want to help as many people as we can for years to come, and to do this, we must be financially sustainable. In 2020, we'll be continuing to keep costs down and maintain our financial strength. This will enable us to carry on delivering value for money for our members, whilst investing in better products and services.

Like all organisations, we have a duty to make sure we are minimising our impact on the planet. We've worked hard to reduce our carbon emissions, the waste produced by our office sites and face-to-face network and the amount of paper we use. We'll continue with these initiatives in the coming year to make sure we remain sustainable and responsible. You can find out more about how you can help the environment and save money on pages 16-17.

### We remain financially strong

Our financial performance is closely monitored by your Board.

Our Common Equity Tier 1 ratio of 16.6% is well above the minimum requirement and ensures we're protected from losses. Our liquidity ratio, which measures our ability to lend mortgages, return savers' money when

they need it and pay our bills, was 13.8%, also above the minimum requirement. Our leverage ratio, which demonstrates our ability to cope with unexpected events, was 5.8%.

We continued to keep a close eye on costs, reducing management expenses – the money which we use to run your Society – to £290m from £311m in 2018, and resulting in a cost to core income ratio of 60% in 2019. All of our profit is retained for financial strength or reinvested in your Society to provide better products, rates and services for our members.

“Controlling our costs will remain a focus, to ensure we're able to deliver value for money for you.”

We don't just consider the financial figures, we look at a number of key performance indicators to give an overall and wider measure of how we're doing. Some of these are summarised on the following pages and should provide you with reassurance that your Society is in safe hands.

Finally I'd like to thank all of our colleagues and business partners for the role they played in delivering such a strong performance in 2019.

Mike Regnier | Chief Executive  
26 February 2020

Savings Accounts Opened

**243,000**

197,000 in 2018

Helping thousands of members save for their future.

Average Savings Rate<sup>5</sup>

**1.09%**

0.34% above the market average of 0.75%

This equates to more than £95m of benefit given back to members.



Statutory Profit

**£167M**

£193M in 2018

Profit we earned from our ongoing business operations, excluding taxes.

Core Operating Profit

**£185M**

£181M in 2018

The profit we earned excluding taxes, one-time charges and infrequent events.

Cost to Core Income Ratio

**60%**

63% in 2018

The lower this ratio the less we're spending to generate every pound of our income.

Liquidity Ratio

**13.8%**

13.9% in 2018

Measures our ability to lend to borrowers, give money back to savers when they want it and to pay our bills.



Colleague Engagement Score<sup>7</sup>

**7.4**

OUT OF 10

Compared to industry average score of 7.6.

Reflects how engaged our colleagues feel working here.

Colleague Volunteering

**14,535<sup>HRS</sup>**

16,923 in 2018

Hours volunteered by our colleagues.



Net Promoter Score<sup>TM</sup>

**+51<sup>6</sup>**

+41 in 2018

This measures how willing our customers are to recommend us to others.

Mortgage Balances

Grown by

**3.5%**

4.7% in 2018

We use the interest from our mortgages to give back to savers and invest for the future.

Community Investment Contribution

**£1M**

£1.4M in 2018

Our contribution to local communities through charitable giving and volunteering.

Carbon Footprint Reduction<sup>8</sup>

Reduced by

**17% IN 2019**

Reduced by 16% in 2018

How much we've reduced our carbon emissions year on year.



<sup>5</sup> YBS Group average savings rate compared to rest of market average rates based on savings stock from CACI's Current Account and Savings Database (CSDB). Data period January - November 2019.

<sup>6</sup> KPMG Nunwood Customer Voice Programme. January - December 2019. Based on 14,566 completed interviews with customers. Net Promoter Score and NPS are trademarks of Satmetrix Systems, Inc Bains & Company Inc., and Fred Reichheld.

<sup>7</sup> Peakon colleague survey conducted October 2019. Score calculated from four separate questions.

<sup>8</sup> All YBS Carbon Emission data has been verified by Ricardo AEA limited.