YORKSHIRE BUILDING SOCIETY - 2021 ANNUAL RESULTS PRESENTATION

March 2022

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BUSINESS OVERVIEW, PURPOSE & STRATEGY

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OUR BUSINESS OVERVIEW

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- Yorkshire Building Society (YBS) is the 3rd largest UK Building Society with total assets of **£52.7bn**
- Mutual organisation owned by circa **3m** members
- Operating under a dual-brand strategy
  - Direct lending via YBS branches and the internet
  - Intermediary lending via Accord Mortgages
- Traditional building society model with a predominantly retail balance sheet. One of only three building societies operating under the highest regulatory status for both lending and treasury activities under SS20/15 (i.e. 'Mitigated' and 'Comprehensive')
- UK mortgage balances - **£41.9bn**
- Large retail deposit base - **£35.5bn**
- Strong capital position – CET 1, **16.8%** (under a standardised approach for RWAs)
- UK Leverage ratio – **5.9%**
- Liquidity ratio – **20.7%**[1]
- Liquidity Coverage ratio – **198.9%**

Agency	Short Term	Long Term	Outlook	Last change
Fitch	F1	A (Senior)	Stable	Upgrade Apr 2020[2]
Moody's	P-2	A3 (Senior)	Stable	Upgrade Sep 2017
MSCI	-	MSCI ESG RATINGS AAA	-	Upgrade Oct 2021

Source: Fitch Ratings, Moody's Investors Service, MSCI

1) Liquidity Ratio defined as - The total of cash and balances with the Bank of England, loans and advances to credit institutions, debt securities and other liquid assets as a percentage of shares and borrowings
(2) Upgrade due to a methodology change

OUR PURPOSE AND STRATEGY

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Our purpose

Our purpose is to provide Real Help with Real Life and we do this by:

- Helping people to find a place called home
- Improving financial wellbeing
- Delivering long-term member value

These then combine with our purpose, priorities and behaviours to form the 'Strategic Blueprint'.

New strategic blueprint

Stakeholder engagement and feedback tells us that clear ambitions and well defined outcomes are key to delivering our purpose. During the first half of 2020 we redefined our strategy with this in mind. 'The Blueprint' outlines four clear priorities that underpin our strategy, to be delivered over the next three years, and also sets out four required behaviours – articulating the cultural change required to deliver our purpose real help with real lives.

OUR PURPOSE AND STRATEGY (continued)

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Four strategic priorities

Savings rebooted

Help more people build financial resilience by redefining and re-engineering our savings business by:

- Optimising the basics
- Offering more than just price
- Reimagining savings

Properly Personal Experience

Building a service proposition that tailors experiences in line with individual customer needs through:

- A face to face channel fit for the future
- Providing an exceptional personal experience
- Being digital ready and always making it personal

Purposeful Analytics

Building analytics capability to better understand the needs of both existing and prospective customers by:

- Understanding our customer journeys
- Building insight for risk management
- Increasing trading capability

Unbelievably Easy & Efficient

Making customers' lives easier and becoming unbelievably efficient through:

- Delivering a digitally capable and connected business
- Reshaping the organisation for the future
- Making a step change in our organisational culture

Our behaviours

Our four new, simple clear behaviours to all of our colleagues are business by:

WE CARE ABOUT PEOPLE

WE MAKE IT HAPPEN

WE REACH FOR BETTER

WE SAY IT STRAIGHT

RESULTS HIGHLIGHTS

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Real Help with Real Life

Succeeding in providing Real Help with Real Life means helping people to find a place to call home, promoting financial well-being and delivering long term value to members.

This year we have delivered strong results across these areas:

Place to call home

Net lending increase	Growth in mortgage balances	Gross mortgage market share
£3.6bn	8.1%	3.2%
£0.6bn 31 December 2020	2.1% 31 December 2020	2.8% 31 December 2020
This represents the net change in mortgage balances	This represents the growth in our overall mortgage balance over the period.	This represents our share of all mortgage lending in the UK housing market.

Financial wellbeing

Net savings increase	Growth in savings balances	Savings market share
£2.1bn	6.4%	1.92%
£2.7bn 31 December 2020	8.8% 31 December 2020	1.88% 31 December 2020
This represents the net change in savings balances	This represents the growth in our overall savings balance over the period.	This reflects our share of the UK savings market.

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Member value

We are here to deliver long-term value to our members.

This includes offering flexible products with attractive rates and providing the friendly, practical and efficient customer service they expect from us. In order to deliver value over the long term it is important for our Society to operate in a sustainable way.

Statutory Profit before tax	Core Operating Profit	Cost to core income ratio	Average savings rate paid
£320.0m	£297.3m	50%	0.60%
£161.3m 31 December 2020	£170.5m 31 December 2020	59% 31 Decemeber 2020	0.78% 31 December 2020
This is the profit we earned from our ongoing business operations, excluding taxes.	This is the profit we earned, excluding taxes, fair value volatility and one-time charges.	This ratio measures how efficiently we run our Society, by showing how much we are spending to generate every pound of our income.	This shows the benefit we are giving back to our members.

Common Equity Tier 1 ratio	Liquidity ratio	Leverage ratio	Net Promoter Score (NPS™)
16.8%	20.7%	5.9%	+54
16.7% 31 December 2020	19.2% 31 December 2020	5.9% 31 December 2020	+53 31 December 2020
Maintaining this ratio above a certain minimum helps to protect ourselves against unexpected losses.	This ratio measures our ability to lend to borrowers, give money back to savers when they want it and pay our bills.	This ratio highlights the capital we hold compared to our assets, showing our ability to cope with unexpected events.	This measures how willing our customers are to recommend us to others.

FINANCIAL PERFORMANCE

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STRONG PROFITABILITY IN AN UNCERTAIN ENVIRONMENT

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Income statement

£m	2019	2020	2021
Net interest income	464.6	438.0	537.4
Fair value volatility	(22.0)	(10.7)	26.7
Net realised gains	6.3	12.9	0.8
Other income	8.5	13.8	12.7
Total income	**457.4**	**454.0**	**577.6**
Management expenses	(289.6)	(275.8)	(274.5)
	167.8	178.2	303.1
Impairments of loans and advances to customers	(0.2)	(12.2)	19.2
Movements in provisions	(0.4)	(4.7)	(2.3)
Statutory profit before tax	**167.2**	**161.3**	**320.0**

£m	2019	2020	2021
Statutory profit before tax	**167.2**	**161.3**	**320.0**
Reverse out:			
FSCS levy	0.1	-	-
Non-core investments	(1.5)	-	-
Fair value volatility	23.6	10.7	(19.1)
Historical fair value credit adjustments on acquired loans	(2.2)	(1.2)	(3.2)
Non-core elements of restructuring provision	0.5	2.8	2.1
Other non-core items	(3.1)	(3.1)	(2.5)
Core operating profit	**184.6**	**170.5**	**297.3**

- Core operating profit was £297.3m (2020: £170.5), with the improvement against 2020 largely influenced by robust mortgage margins improving net interest income
- A fair value gain of £26.7m was recorded in 2021 (2020: £10.7m loss), mainly as a result of the effects of the interest rate environment on our mortgage pipeline swaps which do not qualify for hedge accounting
- A net release of £19.2m has been recorded in respect of expected credit losses (ECL) as the extent of the economic fallout from the COVID-19 pandemic, and the associated impact on people's ability to service their debt, has proven less severe than anticipated (2020: £12.2m charge)
- Other income received in the year was £12.7m (2020: £13.8m) and includes income from our secondary lines of business

RESILIENT INCOME ENABLES US TO DELIVER VALUE TO MEMBERS

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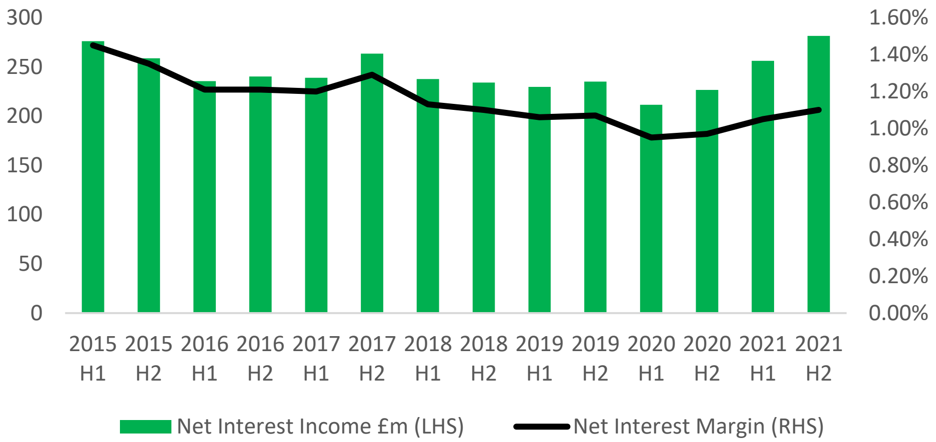
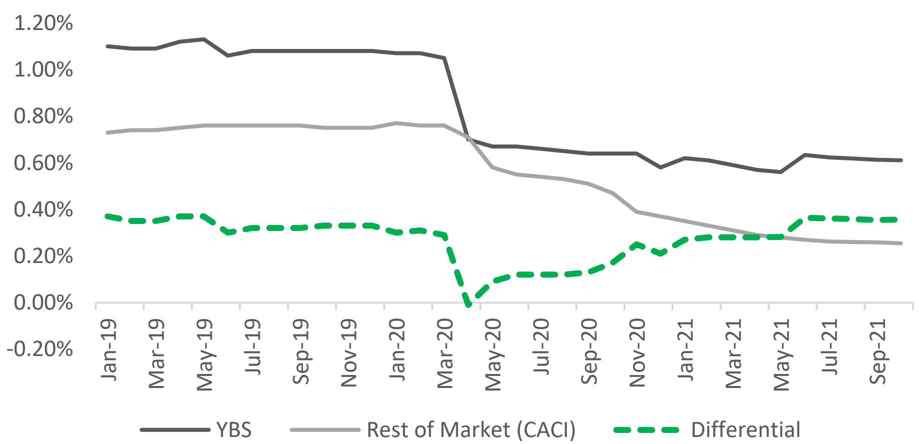
Net Interest Income & Net Interest Margin



YBS Savings Rates vs Rest of Market



- Net interest income for 2021 was £537.4m, an increase of £99.4m from last year (2020: £438.0m), representing a net interest margin of 1.07% (2020: 0.95%). The increase is a result of strong new lending margins and the growth in our mortgage book
- We have improved the savings rates paid to our existing loyal savings members, paying on average 0.32% above the market average (2020: 0.17%)[(1)]. This equates to an additional £107 million of interest paid to our savers over the course of 2021
- We were also among the first savings providers to pass on a benefit following the increase to Bank Base Rate in December 2021
- Inevitably, increasing rates has suppressed net interest margin, but it has also delivered on our purpose by providing value to members and materially increased resilience to the risk of negative rates

Note (1): YBS Group average savings rate compared to rest of market average rates. Source: CACI's Current Account and Savings Database (CSDB), Stock. Data period January – October 2021.

CONTINUED COST DISCIPLINE

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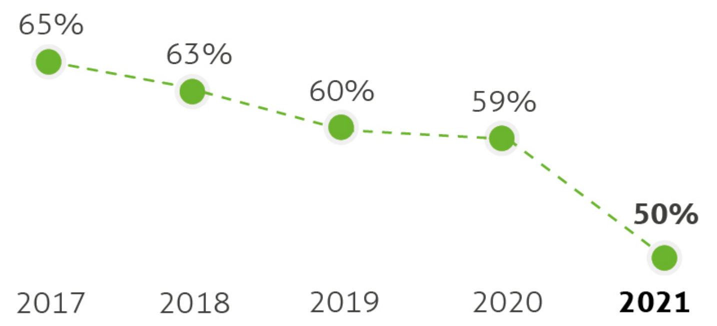
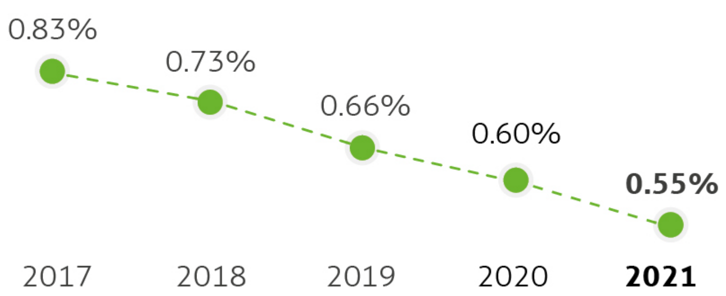
Cost to Core Income Ratio %



Management Expenses (Cost to Mean Assets) %



- Overall management expenses remain at a similar level to last year at £274.5m (2020: £275.8m) despite increased investment in both our operational risk agenda and our Transformation Roadmap
- Alongside our improved income performance, this results in a Cost to Core Income ratio of 50%, a decrease from 59% in 2020
- Our Cost to Core Income ratio benchmarks competitively against the UK Retail Banking sector

OUR MORTGAGE BOOK CREDIT QUALITY CONTINUES TO OUTPERFORM THE INDUSTRY

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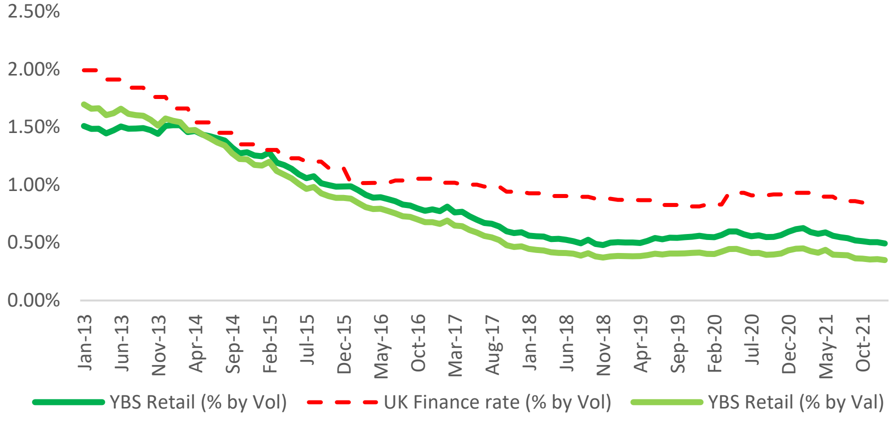
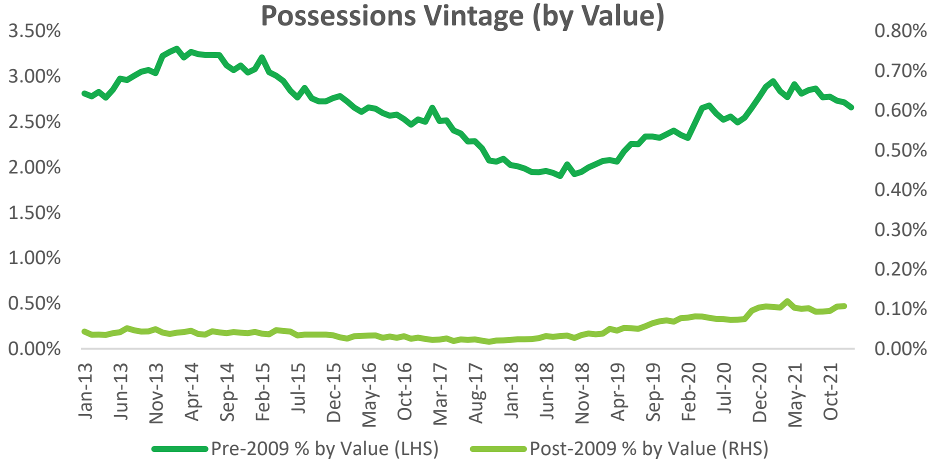
Retail Lending Book >3m Arrears Rate Including Possessions vs Market

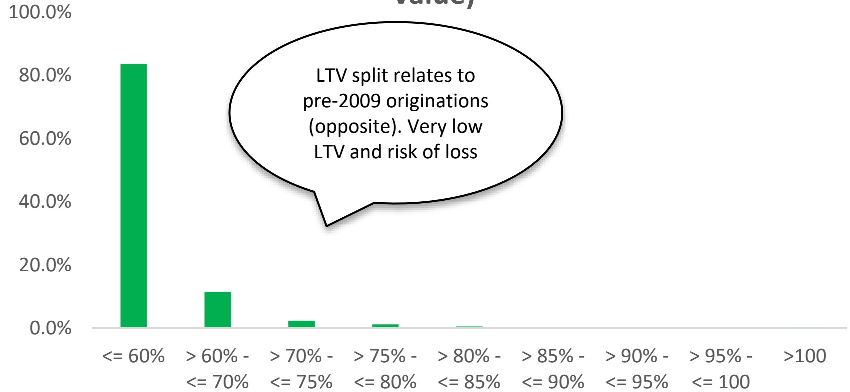


- The Society's mortgage book continues to perform extremely well despite a period of unprecedented uncertainty
- The >3m Arrears Rate Including Possessions (by Value) was 0.36% at 31 Dec 2021 (0.43% 31 Dec 2020)
- Problem loans are made up almost exclusively of pre-2009 originations - >3m Arrears Rate Including Possessions (by Value) pre-2009 of 2.71%, far higher than post-2009 rate of 0.11%
- Post-2009 originations, subject to enhanced affordability checks and stress testing continue to be very resilient

Retail Lending Book >3m Arrears Rate Including Possessions Vintage (by Value)



Pre-2009 Retail Lending Booked by Indexed LTV (by Value)



WE MAINTAIN A LOW RISK, WELL CAPITALISED BALANCE SHEET

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Balance Sheet

£bn	2019	2020	2021
Liquid assets	5.6	8.4	10.0
Loan and advances to customers	38.0	38.8	41.9
Other assets	0.7	0.7	0.8
Total assets	**44.3**	**47.9**	**52.7**
Shares- retail savings	30.7	33.4	35.5
Wholesale funding and other deposits	9.9	10.5	12.9
Subordinated liabilities	0.4	0.6	0.9
Other liabilities	0.6	0.6	0.4
Total liabilities	**41.6**	**45.1**	**49.6**
Member's interest and equity	2.7	2.8	3.1
Total members' interest, equity and liabilities	**44.3**	**47.9**	**52.7**

	2019	2020	2021
CET1 Ratio	16.6%	16.7%	16.8%
UK Leverage Ratio	5.8%	5.9%	5.9%
Liquidity Ratio	13.8%	19.2%	20.7%

- Overall balance sheet growth of 10.0% was achieved in 2021. This is higher than our traditional level of growth, however the external economic environment provided an opportunity in which growth could be achieved in a way that was value additive
- Asset growth was funded by a 6.4% growth in retail deposits in addition to increased drawings from the TFSME scheme
- Our administered rate savings book grew to £24.8bn (2020: £21.5bn, 2019: £19.1bn), providing considerable balance sheet resilience in a rising interest rate environment
- Our liquidity levels remain robust at 20.7% (2020: 19.2%) largely supported by higher levels of retention within our savings book as well as increased balances in the wider market as a result of the COVID-19 pandemic

CAPITAL

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STRONG CAPITAL POSITION UNDERPINS FINANCIAL STRENGTH

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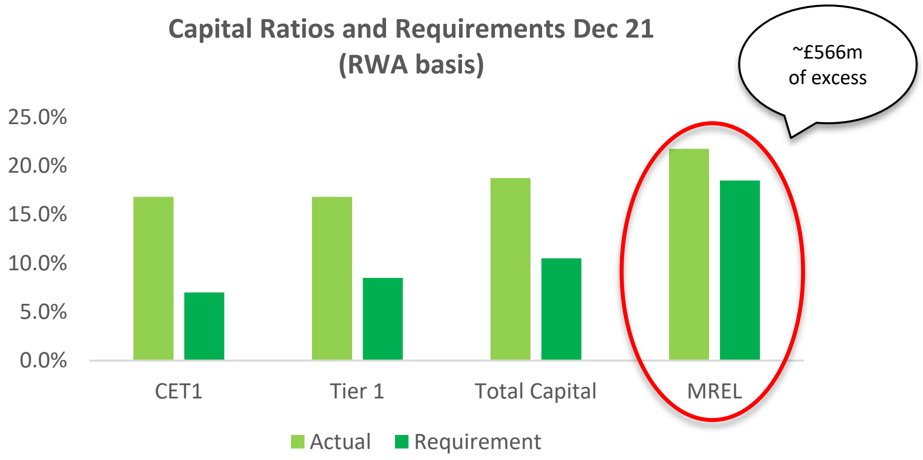

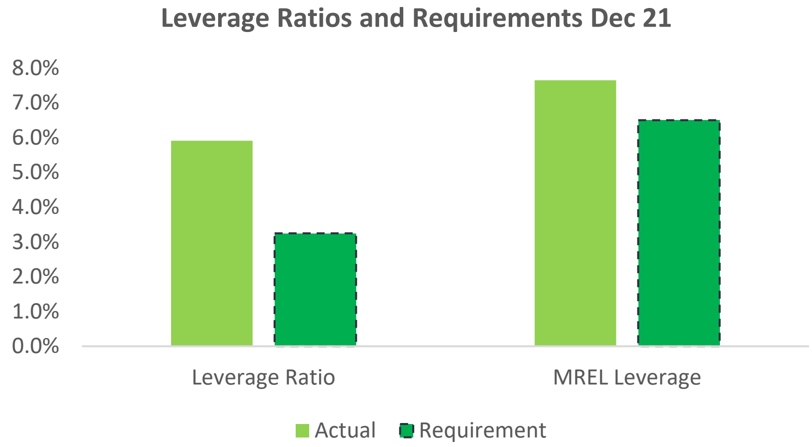

- The Society comfortably met all of its capital and MREL requirements in 2021 (including Capital Conservation Buffer) and projects this strong capital position to be maintained even when accounting for future increases to the countercyclical buffer
- While the Society is not subject to a formal leverage ratio, under the terms of PRA Supervisory Statement (SS45/15), it would comply with the expectation that all firms should ordinarily meet the requirement, even though not in scope
- The Society is in the application process for IRB status, having submitted models under the 'Hybrid' Probability of Default approach. This is expected to increase ratios versus the current standardised approach
- IFRS9 transitional benefits and the partial non-deduction of intangible assets under the CRR 'quick fix' do not materially affect ratios, without these measures capital ratios would be circa 0.1% lower
- The Society's capital position will not be materially adversely affected by upcoming changes to mortgage risk weights. The finalisation of Basel III rules (often called Basel 3.1 or Basel IV) would lead to higher capital ratios under the current standardised approach. Floors under these rules will limit the capital ratio benefit of IRB, though a benefit is still expected compared to standardised

BANK OF ENGLAND STRESS TESTING

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Projected Ratios under the 2021 BoE ACS scenario (standardised basis)	Start Point %	Worst Point %
IFRS 9 Transitional(1)		
CET1 Ratio	16.7%	14.4%
Tier 1 Ratio	16.7%	14.4%
Total Capital Ratio	18.9%	16.2%
Leverage Ratio (UK)	5.9%	5.9%

(1) Under the non-transitional basis, the worst point CET1/Tier 1 and Total Capital Ratio are all 0.1% lower.

- Stress Testing is fundamental to the Society's risk management framework and is used to quantify and understand immediate risks and identify emerging risks on an ongoing basis. The Society performs stress testing on a regular and frequent basis which capture idiosyncratic, market wide and combined stress scenarios. Scenarios are guided and approved by senior management at the Asset & Liability Committee with results discussed at all levels including Group Risk Committee & Board

- The Society does not participate in the Bank of England's Concurrent Stress Testing regime (CST); however the Society has sufficient risk management capability to capture all material risks outlined in the Bank of England's Annual Cyclical Scenario (ACS). For that reason, the Society has modelled the 2021 ACS, through its stress testing framework, as a worst-case severe but plausible scenario

- Amongst other severely adverse economics, the stress features a severe path for the economy in 2021–25 on top of the economic shock associated with the COVID-19 pandemic that occurred in 2020. When combined with the economic shocks already seen in 2020 it implies a cumulative three-year loss (with respect to the pre-COVID-19 baseline) of 37% of 2019 UK GDP. On a start-to-trough basis, UK residential property prices fall by 33% in the stress scenario and UK unemployment rises by 5.6% to peak at 11.9%

- At all times throughout the stress, the Society's capital ratios remain within risk appetite and minimum regulatory requirements. No strategic management actions are required and no conversion triggers are reached on capital instruments.

WHOLESALE FUNDING

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WHOLESALE FUNDING PROFILE

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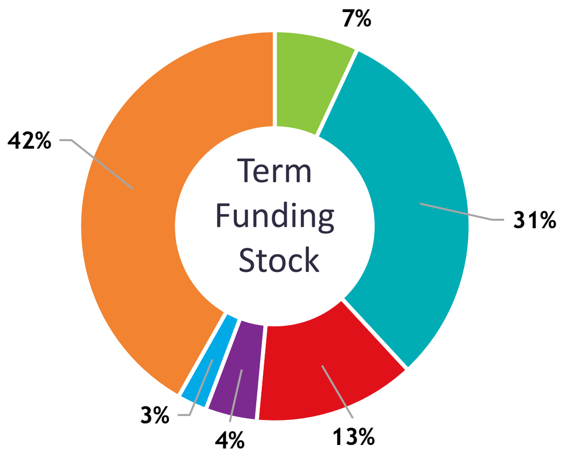

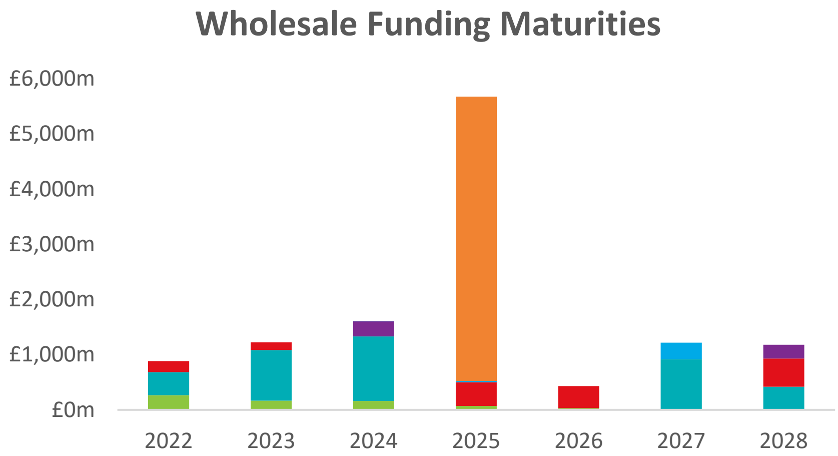

RMBS · Covered Bond · Senior Preferred · Senior Non Preferred (SNP) · Tier 2 Capital · TFSME

- As a Building Society, our funding mix primarily comprises retail deposits, however we maintain access to our core wholesale funding markets in a range of currencies to diversify our funding base
- The Society made successful issuances in the RMBS, Senior Preferred, Senior Non-Preferred and Covered Bond markets in 2021, three of which were in 'Social Bond' format, the first of their kind from a UK Building Society
- In 2020, the Bank of England announced a new Term Funding Scheme (TFSME) to provide low-cost liquidity to the market. The Society drew £6.15bn in total with £1bn having now been repaid (£5.15bn outstanding)

WHOLESALE FUNDING ISSUANCE HISTORY

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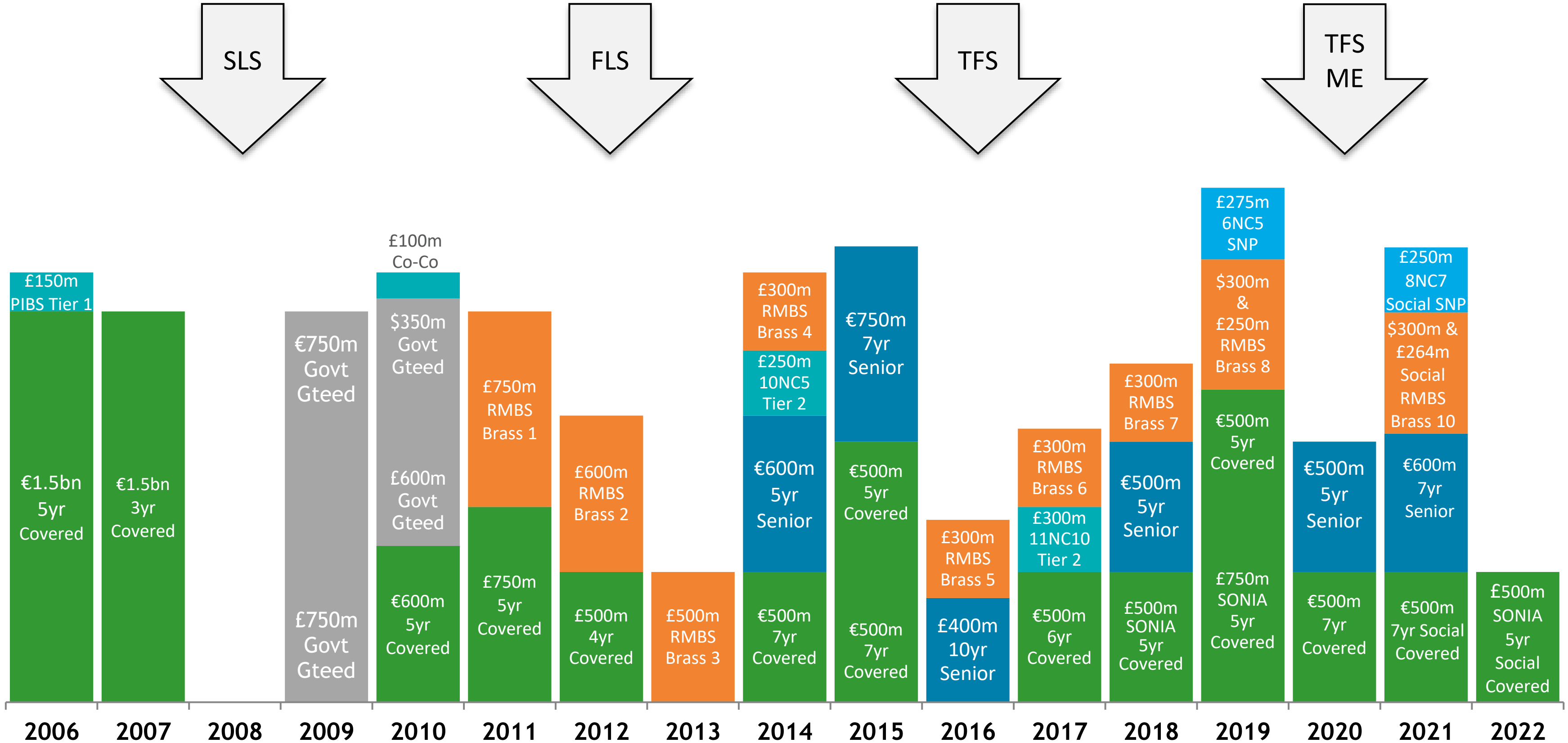
Regular issuance history demonstrating our commitment to core wholesale funding markets in GBP, EUR and USD, which we expect to continue in 2022



SOCIAL FINANCING FRAMEWORK

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Delivering on our purpose: YBS's business model is simple: to provide a secure home for members' savings and use these to enable mortgage customers to buy a home of their own.

Financing Eligible Social Projects: The net proceeds of each Social Debt Instruments (SDI) will be used to finance and/or refinance Eligible Social Projects, which should provide clear social benefits for a target population.

SPO Evaluation: S&P Global was appointed to provide an external review in the form of a SPO and has concluded that the YBS Social Financing Framework is aligned with the ICMA Social Bond Principles 2021.

PURPOSE	**Access to Essential Services** ▪ Financing ▪ Financial services **Socioeconomic Advancement and Empowerment** ▪ Equitable access ▪ Control over assets ▪ Equitable participation ▪ Integration into market & society
ELIGIBLE SOCIAL PROJECTS	**Niche segments underserved by High Street lenders due to borrower or property complexity** ▪ First time buyers ▪ Self employed ▪ Contractors ▪ Later Life Loans and lending into retirement ▪ Social Housing
SPO EVALUATION	**Alignment with the four core components of the ICMA Principles** ▪ Use of Proceeds ▪ Process for Project Evaluation and Selection ▪ Management of Proceeds ▪ Reporting Funding for projects that will bring a positive social impact will contribute towards meeting the United Nations Sustainable Development Goals, namely; no poverty, reduced inequalities and sustainable cities and communities

https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/
https://www.ybs.co.uk/treasurydata/Social_Financing_Framework_2021.pdf
https://www.un.org/sustainabledevelopment/sustainable-development-goals/

ASSET QUALITY

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CONTINUED FOCUS ON PURPOSEFUL LENDING

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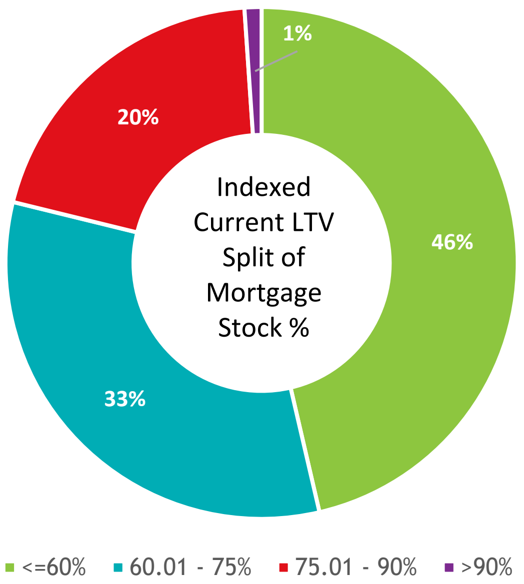

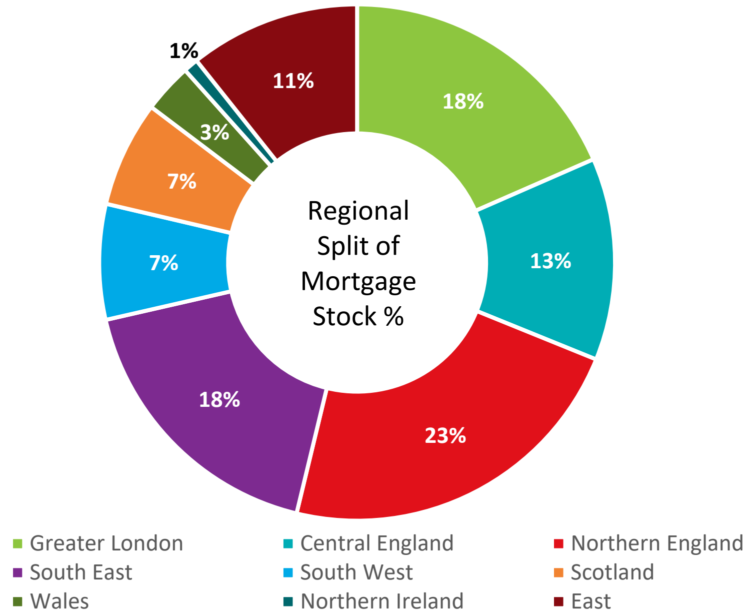

- The Society adopts a low risk strategy with all retail mortgages secured against residential property
- The average LTV of the retail mortgage book is 49.6% and the average LTV of new retail lending in 2021 was 77.1%
- In 2021, we have been able to help 85,000 people to have a place to call home, whether this is their first step onto the housing ladder (42,000), moving home or renting a property
- The mortgage portfolio consists of Residential Prime (86.0%), Residential Sub-Prime/Self-Cert (0.6%), Retail Buy-To-Let (11.3%), Social Housing (0.5%) and Commercial Lending (1.6%)

IMPAIRMENT OF FINANCIAL ASSETS – CONSERVATIVE MACROECONOMIC ASSUMPTIONS

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	Upside		Core		Downturn		Stress	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
5 year average								
GDP	**2.1**	2.3	**1.8**	2.0	**(1.6)**	(0.5)	**(2.2)**	(2.4)
HPI	**2.8**	3.4	**1.8**	0.4	**(3.0)**	(3.8)	**(5.7)**	(5.9)
Unemployment	**4.2**	4.4	**4.6**	6.5	**7.5**	7.8	**9.1**	9.5
Bank base rate	**0.7**	0.7	**0.6**	0.2	**-**	0.1	**-**	-

Weightings

The following table shows the expected credit loss under each of our four economic scenarios along with the weightings that have been applied to arrive at the weighted average ed to ECL.

Group	2021		2020	
	Weighting	**ECL**	Weighting	ECL
Scenario	**%**	**£m**	%	£m
Upside scenario	**5**	**29.7**	5	37.4
Core scenario	**50**	**30.9**	45	42.4
Downturn scenario	**30**	**74.9**	35	105.5
Stress scenario	**15**	**100.5**	15	120.7
Weighted scenario	**100**	**54.5**	100	76.0

EXPECTED CREDIT LOSSES

	2021						2020	
	Gross Exposure		PMA	Total ECL	Coverage	Average LTV	Exposure	Coverage
	£m	%	£m	£m	%	%	%	%
Stage 1	**37,614.0**	**89.1**	**2.0**	**5.6**	**-**	**51.7**	89.3	-
Stage 2	**3,791.2**	**9.0**	**8.3**	**17.5**	**0.5**	**357**	8.6	0.8
Stage 3	**366.2**	**0.9**	**4.6**	**15.4**	**4.2**	**43.9**	0.8	5.0
POCI	**440.1**	**1.0**	**-**	**16.0**	**3.6**	**45.9**	1.3	5.1
Total	**42,211.5**	**100.0**	**14.9**	**54.5**	**0.1**	**49.5**	100.0	0.2

- The Group has £440.1 million of POCI loans (2020: £515.4 million). Of these, 87% (2020: 87%) are now considered performing loans but are not permitted to be reclassified to Stage 1 or 2
- 70.4% of POCI balances have been fully up to date for the last 24 months and only 13.1% of balances would be classified as in default
- The POCI book is deemed to be low risk, with 73.4% of balances below 60% LTV

ENVIRONMENTAL SOCIAL & GOVERNANCE

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ESG HIGHLIGHTS

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Environment

- Committed to reach Net-Zero on Scope 1 and 2 by 2025 and Net-Zero on the operational part of Scope 3 by 2050
- In 2021, we reduced our 2021 carbon footprint by 6% across scope 1 & 2 and parts of scope 3, this totals to an 80% reduction over the last decade
- We are committed to disclosing our Financed Emissions in 2023, followed by our Supply Chain emissions in 2024. In 2025 we will release cloud based emissions thereby completing Scope 3 disclosures
- Committed to moving towards 100% renewable energy consumption. The Society secured a renewable gas contract
- YBS is compliant with TCFD and PRA SS3/19 requirements. Overall climate risk is deemed to be low and our book is in line with the market average. We have no direct exposure to the most environmentally harmful sectors i.e. Oil & Gas
- Landfill diversion represented 99.6% of waste in 2021 (99.0% in 2020)

Social

- Raised over £500,000 for our charity partner Age UK, helping 1,555 older people address financial concerns, including accessing over £2.7m in unclaimed benefits
- We've invested more than £1.8m in 2021/22 in our community programmes to support our Purpose ambition to improve people's financial wellbeing
- Introduced five new 'Colleague Networks' for topics relating to women; disability; ethnicity; parents and carers; and LGBTQIA+
- Developed our apprentice campaign to attract a diverse range of talent from a gender, ethnicity and social mobility perspective
- Achieved a number of accolades including Top 10 Employer for Working Families and 11th in the National Centre for Diversity Top 100 Most Inclusive Workplace
- Our employee engagement score has increased to 8.5 (+0.2) in 2021, maintaining our place in the top 25% of financial services organisations

Governance

- Created an ExCo sub-committee to drive and monitor progress on our ESG strategy
- Strengthened colleague engagement with our employee NPS placing us in the top 5% of financial organisations
- Created and implemented our Political and Public Policy Engagement Policy, a new Board-owned policy covering lobbying conducted by the Society, accompanied by Political Engagement Log.
- Executive remuneration policy includes ESG KPIs, in line with our ESG strategy
- Achieved some significant milestones in improving Data Privacy maturity, strengthening our commitment to protecting and safeguarding personal information

NON-FINANCIAL RATING PROGRESS

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	Scale	2021 Rating	Trend v 2020
S&P Global	0 to 100	50	First Submission
ISS[1]	D- to A+	C	n/a
MSCI[2]	CCC to AAA	MSCI ESG RATINGS AAA	↑
Carbon Disclosure Project	F to A	B-	First submission

(1) This is the 2020 score as we were not reviewed in 2021. Our next review is due July 2022.

(2) The use by Yorkshire Building Society of any MSCI ESG RESEARCH LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Yorkshire Building Society by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI

- The Society actively engages with a number of specialist rating agencies to assess our ESG and sustainability performance and reporting
- MSCI increased our rating to AAA, the highest possible available
- Non-financial ratings agencies consistently rate our ESG performance amongst top performers in our industry, and we have made significant progress in 2021 reflecting the increased level of engagement and disclosures

Q&A

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APPENDIX

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UK HOUSING MARKET OVERVIEW

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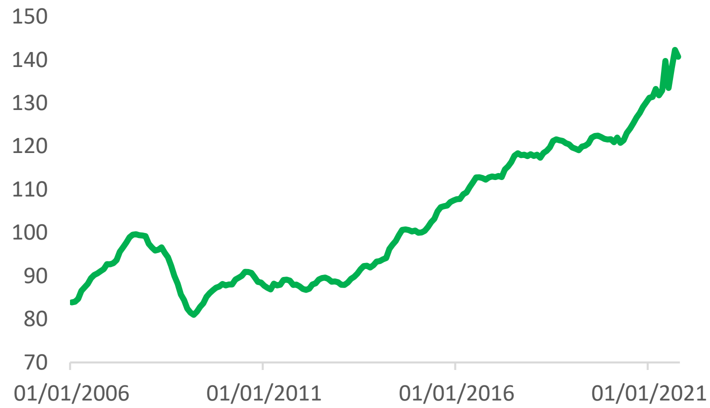
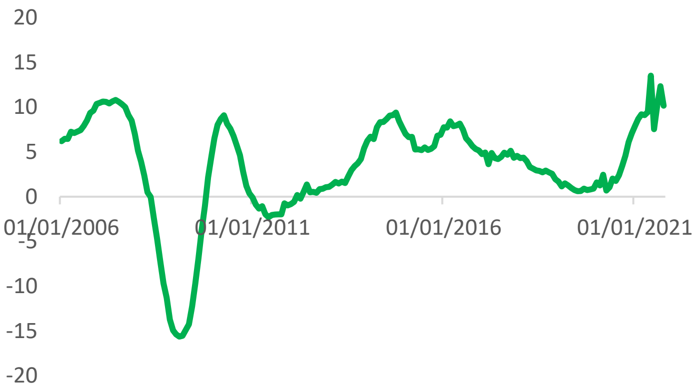
UK House Price Index[1]\



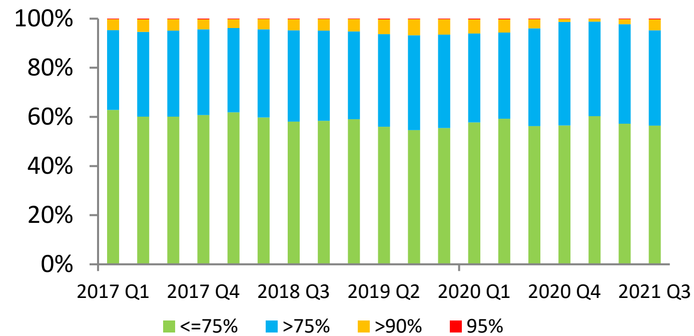
YoY House Price Change %[1]



2021 Regional House Prices[1]

Region	Average Price Oct 2021	MoM Price Change	YoY Price Change
North East	147,719	-4.8%	9.7%
North West	195,325	-4.8%	9.8%
Yorkshire and The Humber	193,675	-1.7%	11.1%
East Midlands	228,290	-0.9%	11.7%
West Midlands	226,279	-3.3%	8.4%
East of England	332,216	-0.1%	11.2%
London	516,285	1.9%	6.2%
South East	366,883	-0.7%	10.3%
South West	298,600	-0.7%	9.9%
Scotland	181,391	0.4%	11.3%
Wales	203,224	2.5%	15.5%

UK New Mortgage Lending LTVs (% total)[2]



(1) Source: HM Land Registry data © Crown copyright and database right 2020 This data is licensed under the Open Government Licence v3.0. Data as at Oct 2021
(2) Source: Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA)