Interim Results Presentation

For the half year ended **30 June 2021**

YORKSHIRE BUILDING SOCIETY

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Contents

YORKSHIRE BUILDING SOCIETY

Business Overview, Purpose & Strategy

YORKSHIRE BUILDING SOCIETY

Our business overview

- Yorkshire Building Society (YBS) is the 3rd largest UK Building Society with total assets of **£49.4bn**[1]
- Mutual organisation owned by circa **3m**[1] 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 **- £41.0bn**[1]
  - Large retail deposit base **- £35.2bn**[1]
- Strong capital position – CET 1, **16.6%**[1] (under a standardised approach for RWAs)
- UK Leverage ratio – **5.7%**[1]
- Liquidity ratio – **17.1%**[1][2]
- Liquidity Coverage ratio – **153.0%**

Agency	Short Term	Long Term	Outlook	Last change
Fitch	F1	A (Senior)	Negative	Upgrade April 2020[3]
Moody's	P-2	A3 (Senior)	Stable	Upgrade September 2017

Source: *(1) YBS 2021 Interim Results*
Source: *(2) 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*
(3) Upgrade due to a methodology change

Source: Fitch Ratings, Moody's Investors Service

Our purpose and strategy

YORKSHIRE BUILDING SOCIETY

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)

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

Highlights

YORKSHIRE
BUILDING SOCIETY

A purposeful start to the year

YORKSHIRE BUILDING SOCIETY

Real Help with Real Life

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

So far 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
£2.2bn	5.7%	3.1%
-£0.2bn 30 June 2020	-0.1% 30 June 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
£1.8bn	5.5%	1.92%
£0.2bn 30 June 2020	0.5% 30 June 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.

Performance at a glance

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

£147.7m

£67.3m 30 June 2020
£76.5m 30 June 2019

This is the profit we earned from our ongoing business operations, excluding taxes.

Core Operating Profit

£134.9m

£74.7m 30 June 2020
£97.5m 30 June 2019

This is the profit we earned, excluding taxes, fair value volatility and one-time charges.

Cost to core income ratio

50.4%

59.8% 30 June 2020
60.0% 30 June 2019

This ratio measures how efficiently we run our Society, by showing how much we are spending to generate every pound of our income.

Average savings rate paid

0.60%

0.78% 31 December 2020
1.09% 31 December 2019

This shows the benefit we are giving back to our members.

Common Equity Tier 1 ratio

16.6%

16.7% 31 December 2020
16.6% 31 December 2019

Maintaining this ratio above a certain minimum helps to protect ourselves against unexpected losses.

Liquidity ratio

17.1%

19.2% 31 December 2020
13.8% 31 December 2019

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

Leverage ratio

5.7%

5.8% 31 December 2020
5.8% 31 December 2019

This ratio highlights the capital we hold compared to our assets, showing our ability to cope with unexpected events.

Net Promoter Score (NPS™)

+54

+53 in 2020
+51 in 2019

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

Financial Performance

YORKSHIRE BUILDING SOCIETY

Strong profitability in an uncertain environment

YORKSHIRE BUILDING SOCIETY

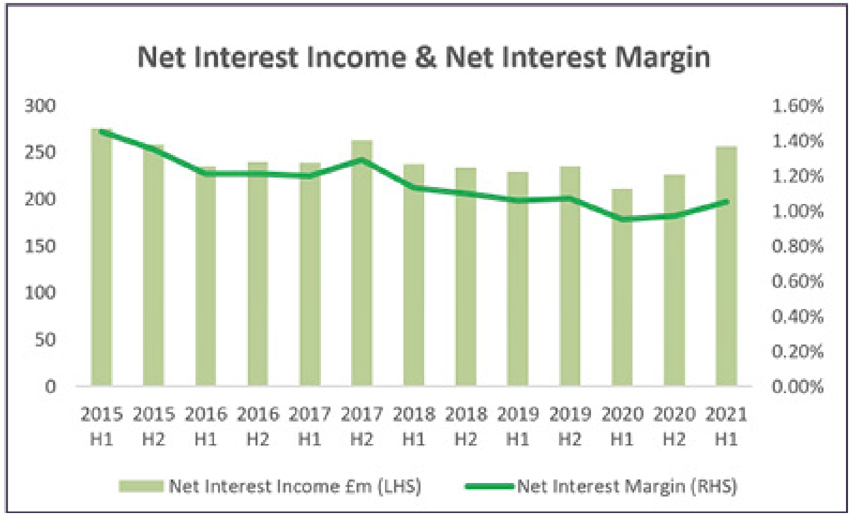
Income statement

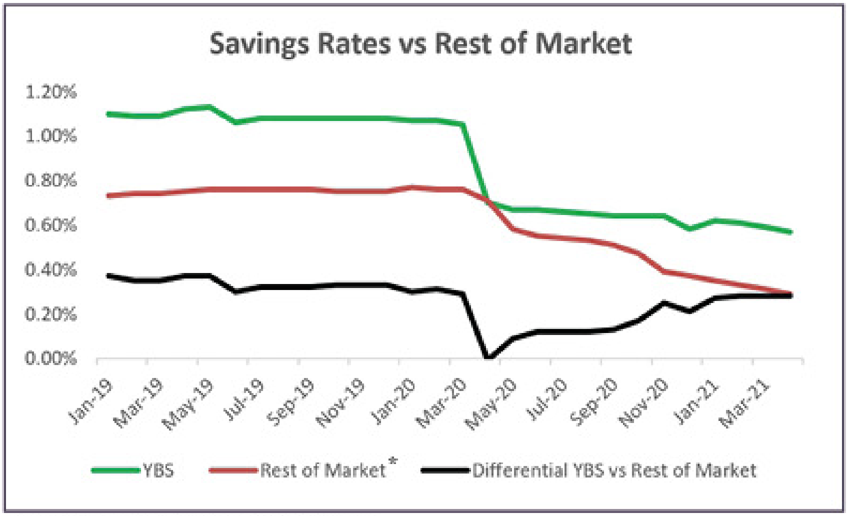
£m	2020	2020 H1	2021 H1
Net interest income	438	211	256
Fair value volatility	(11)	(8)	11
Net realised gains	13	7	0
Other income	14	6	7
Total income	**450**	**216**	**275**
Management expenses	276	134	133
	178	**82**	**142**
Loan loss provisions	(12)	(14)	6
Other provisions	(5)	(0)	0
Statutory profit before tax	**161**	**67**	**148**

£m	2020	2020 H1	2021 H1
Statutory profit before tax	**161**	**67**	**148**
Reverse out:			
FSCS levy	-	-	-
Non-core investments	-	(1)	-
Timing differences - fair value volatility	11	9	(15)
Credit day 1 fair value	(2)	(1)	(2)
Restructuring provision	4	0	1
Other non-core items	(3)	-	0
Core operating profit	**171**	**75**	**135**

- Core operating profit was £134.9m (2020 H1: £74.7m), with the improvement against 2020 largely influenced by net interest income performance, combined with the impacts that more positive economic outlooks (including house price index and unemployment) have on loan loss provisioning
- Net interest income for the year to June is £256.0m. This compares favourably to the same period last year (2020 H1: £211.4m) predominantly driven by the strength of our mortgage trading. The deadline for stamp duty relief precipitated increased market activity and we leveraged our mortgage origination platform and pricing capability to help us to meet this demand

Resilient income enables us to return value to members

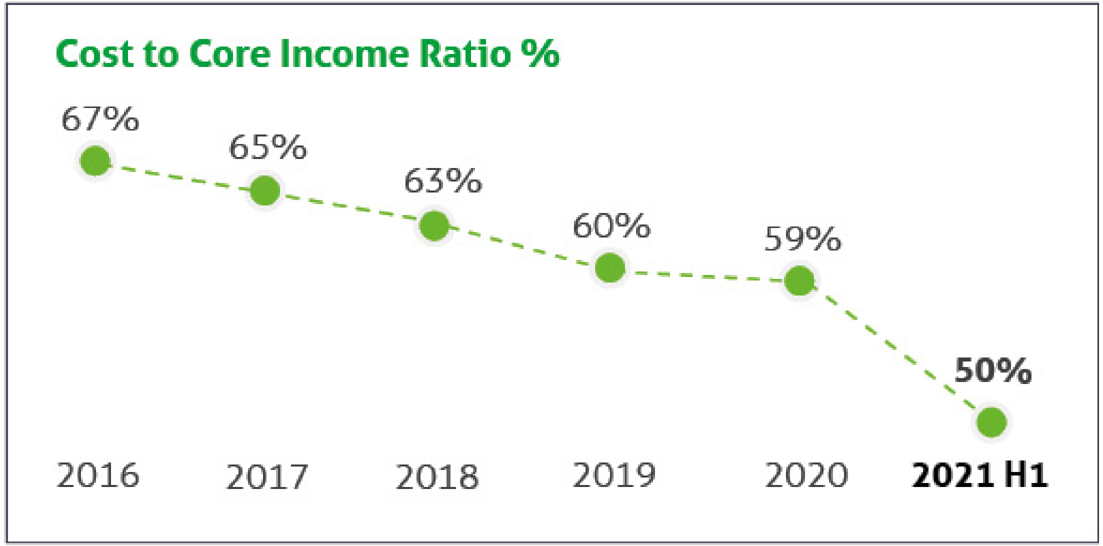


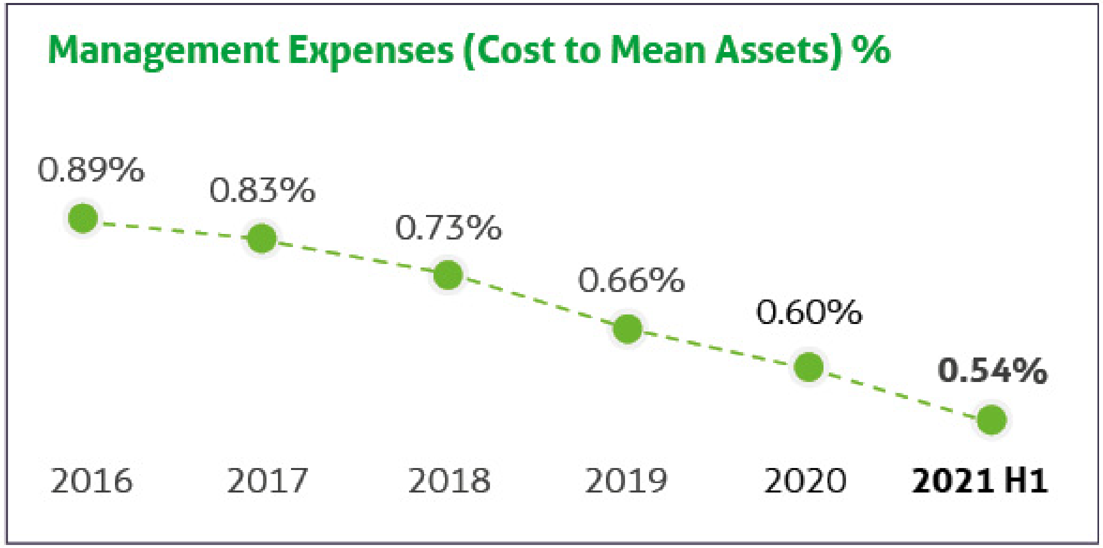


*Rest of Market data sourced from CACI

- Competitive pressures have compressed NIM in recent years, however an improvement was seen in H2 2020 which has continued into H1 2021, with NIM reaching 1.05%
- In line with previous guidance, variable rates to our most loyal backbook savings customers have been increased. Rates to acquisition customers have not been increased
- Inevitably, increasing rates has suppressed NIM, but it has also delivered on our purpose by providing value to members and materially increased resilience to the risk of negative interest rates

Further cost efficiency resulting from the successful delivery of transformational initiatives





- The increased income has supported the Cost to Core Income Ratio. Costs have continued to fall due to strategic initiatives to improve efficiency in recent years, including reductions to headcount, branch closures, closure of the current account, consolidation of direct brands and digitalisation which is helping to improve processes
- Our Cost:Income ratio benchmarks competitively against the UK Retail Banking sector
- The cost reduction over the past year has been achieved even with unplanned expenditure as a direct consequence of the COVID-19 pandemic.

We maintain a low risk, well capitalised balance sheet

YORKSHIRE BUILDING SOCIETY

Balance Sheet

£bn	2020	2020 H1	2021 H1
Liquid assets	8.4	6.2	7.7
Mortgage and other loans	38.8	38.0	41.0
Other assets	0.7	0.9	0.7
Total assets	**47.9**	**45.1**	**49.4**
Retail savings	33.4	30.8	35.2
Wholesale funding and other deposits	10.5	10.2	10.2
Other liabilities	0.6	0.7	0.5
Total liabilities	**44.5**	**41.7**	**45.9**
Remunerated capital	0.6	0.7	0.6
Reserves	2.8	2.7	2.9
Total members' interest, equity and liabilities	**47.9**	**45.1**	**49.4**

	2020	2020 H1	2021 H1
CET1 Ratio	16.7%	16.6%	16.6%
UK Leverage Ratio	5.9%	5.8%	5.7%
3 month arrears by value	0.43%	0.43%	0.40%

- Overall balance sheet growth of 3.0% was achieved in the first half of the year, with positive growth on both sides driven by strong retail performance
- Low risk balance sheet with the vast majority of lending secured against residential property
- Around 0.1% of the book is currently on a COVID-19 mortgage payment deferral (<150 accounts), with subsequent performance for the vast majority of customers remaining strong
- 3 month arrears by volume in 2021 H1 was 0.56% versus the UK Finance market average of 0.85%

Capital & Liquidity

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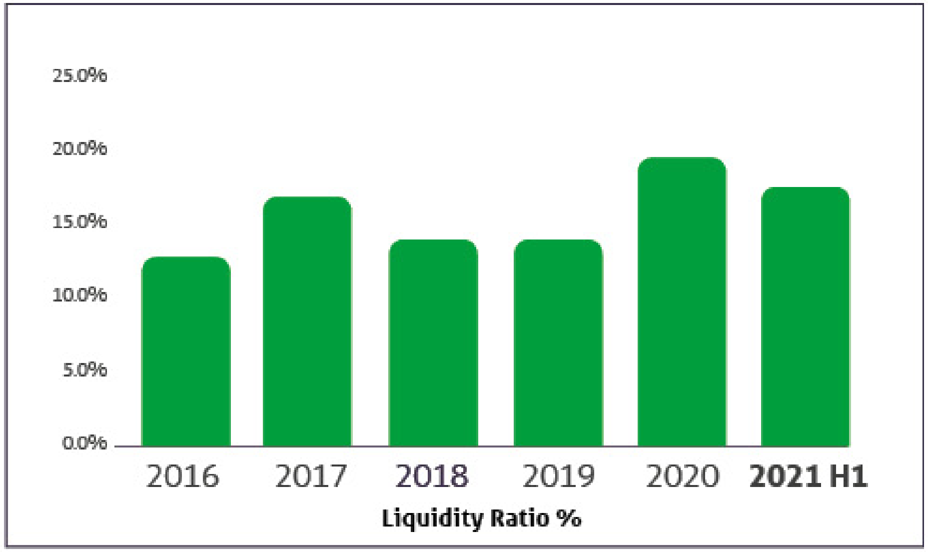
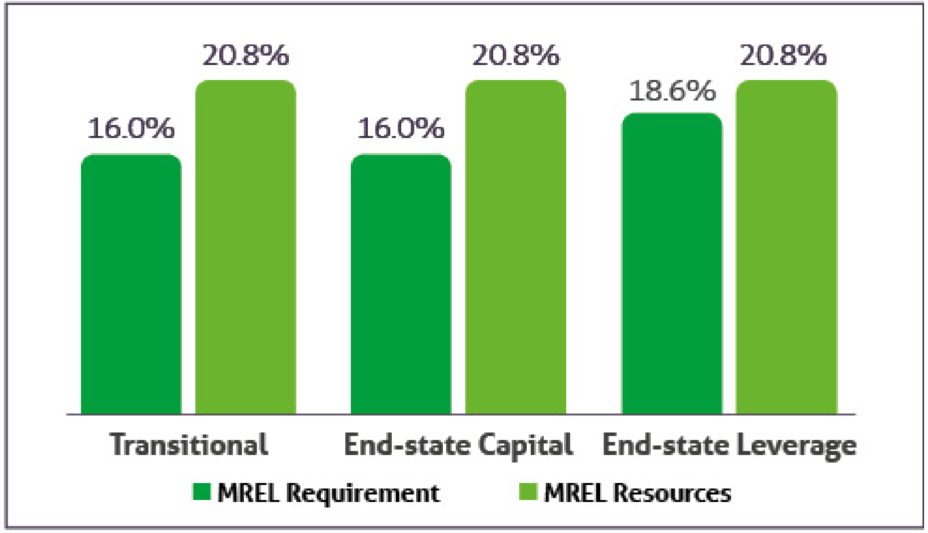
Strong capital and liquidity position underpins financial strength





- Our liquidity position remains strong, standing at 17.1% (2020: 19.2%), supported by growth in retail savings and comfortably above regulatory thresholds
- Liquidity has been supported by inflows from retail deposits and wholesale funding, reflected in a LCR ratio of 153.0%
- The Society is subject to end state MREL requirements (double pillar 1 and 2A) and comfortably meets these requirements
- Progress is being made with the application to use the advanced IRB approach to calculate capital requirements for credit risk.

Bank of England Stress Testing

Projected ratios in the 2019 BoE Annual Cyclical Scenario (ACS)	Start Point %	Worst Point %
IFRS 9 Transitional*		
CET1 Ratio	16.6%	16.6%
Tier 1 Ratio	16.6%	16.6%
Total Capital Ratio	18.8%	18.8%
Leverage Ratio	5.8%	5.8%

*this does not change under a non-transitional basis

- 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 2020 ACS, through its stress testing framework, as a worst-case severe but plausible scenario

- Amongst other severely adverse economics, the stress features deep simultaneous recessions both globally and in the UK combined with falling property prices. In the scenario, UK unemployment peaks at 9.2% and residential property prices in the UK fall by 36%, peak to trough

- 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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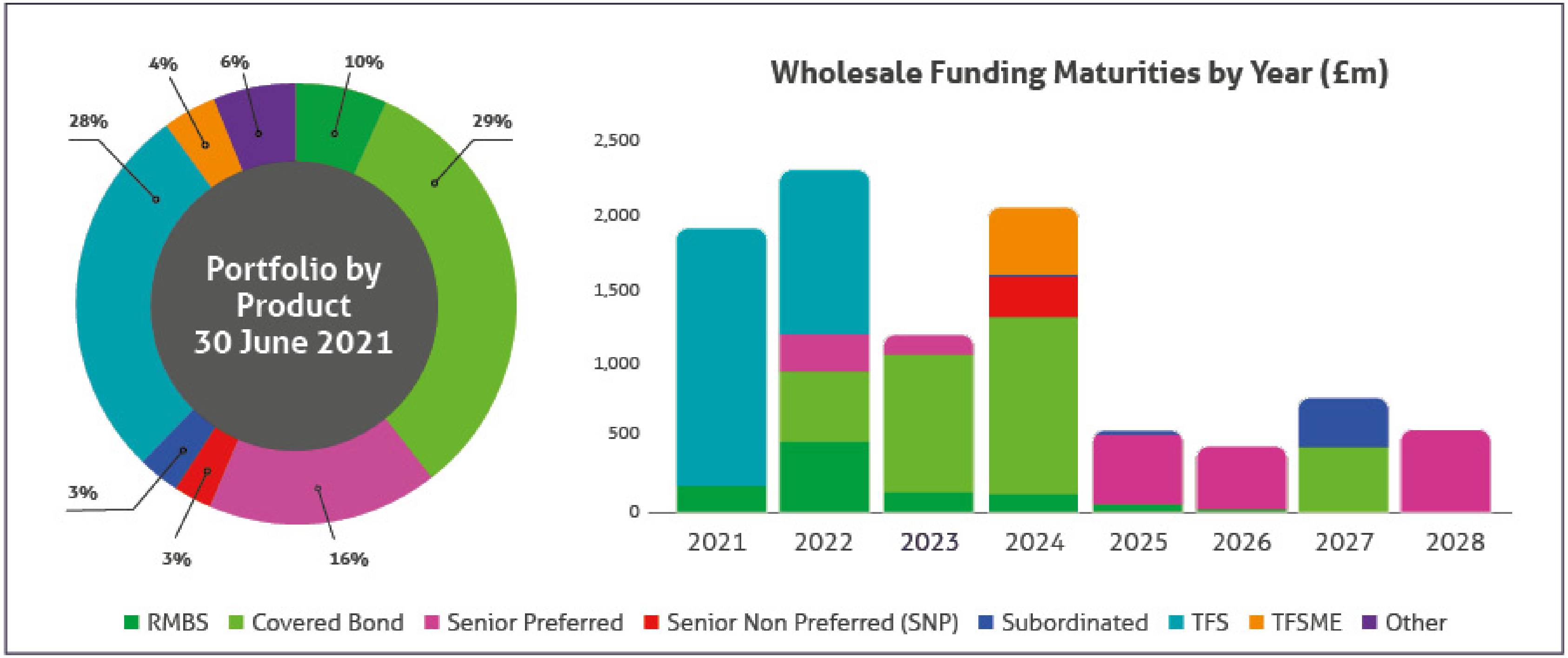
Wholesale Funding Strategy



- As a building society, our funding mix primarily comprises retail deposits, however we maintain access to core wholesale funding markets in a range of currencies to diversify our funding base
- The Society made successful issuances in the Medium Term Note and RMBS markets in the first half of 2021, the latter being a 'Social Bond' - the first of its 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 markets. The Society has drawn down £450m to date
- The Society expects to draw down additional funds through 2021 and roll the £2.9m TFS repayments into the new scheme.

Wholesale Funding Issuance History

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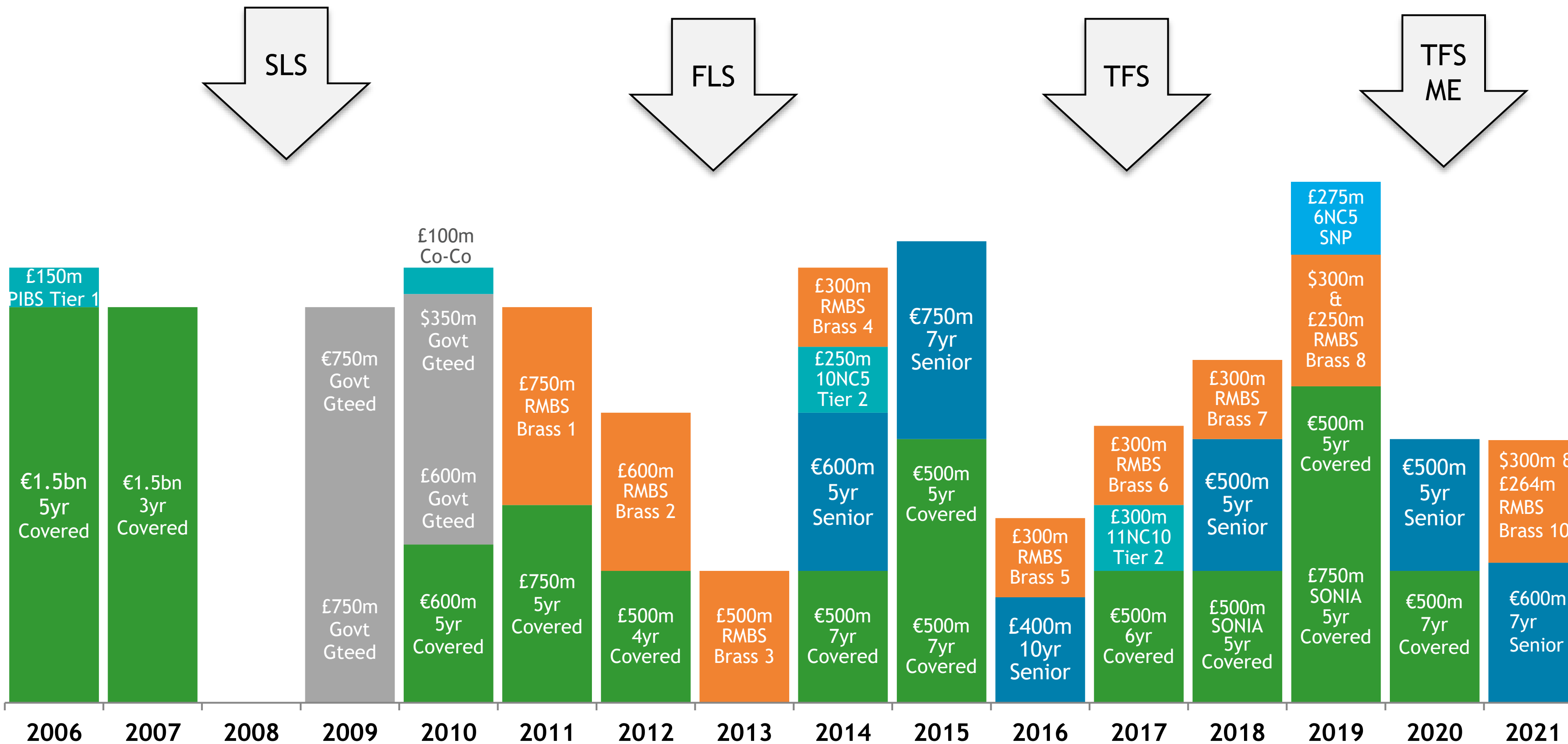
Regular issuance history having issued GBP & USD Prime RMBS and EUR Senior Preferred in H1 2021, demonstrating our commitment to core markets



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 Issuance (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 Second Party Opinion on YBS's Social Financing Framework, and to confirm alignment with the ICMA Social Bond Principles and the contribution to UN SDGs.

Purpose	**Access to Essential Services** ▪ Financing ▪ Financial services **Socioeconomic Advancement and Empowerment** ▪ Equitable access ▪ Control over assets ▪ Equitable participation ▪ Integration into market & society
Target 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
ICMA Social Principles	**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 SDG.

1. https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/
2. https://www.ybs.co.uk/treasurydata/Social_Bond_Framework_2021.pdf
3. https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Asset Quality

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Continued focus on purposeful lending

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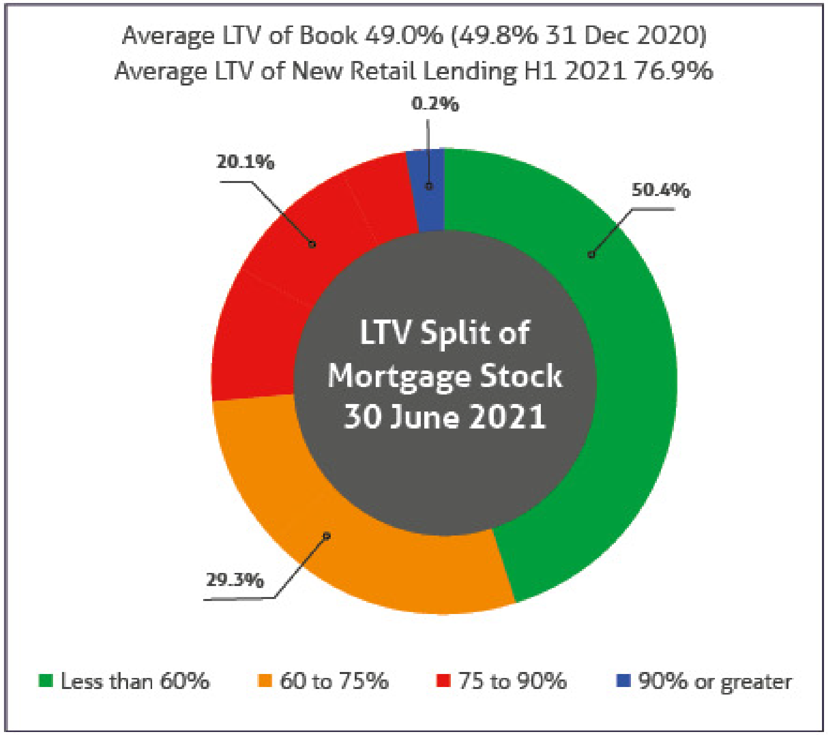

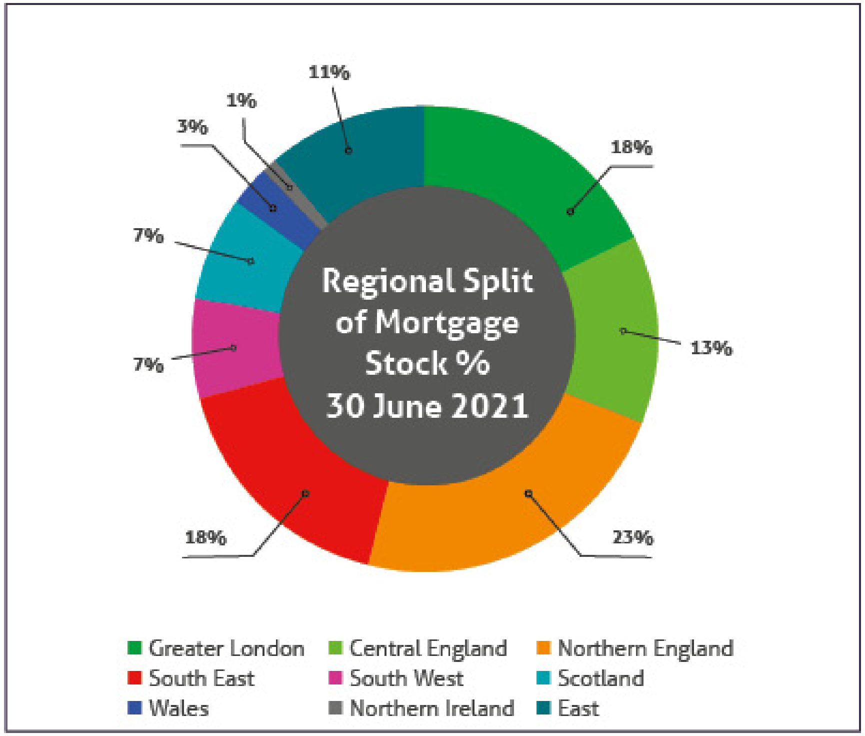

- The Society adopts a low risk strategy with all retail mortgages secured against residential property
- Mortgage balances grew by 5.7% in the year, which represents a market share of 3.1%
- Importantly, this growth was achieved in line with our purpose – nearly 10,000 loans were advanced to first time buyers in the first half of the year, helping them to find a place to call home

Our mortgage book continues to outperform the industry

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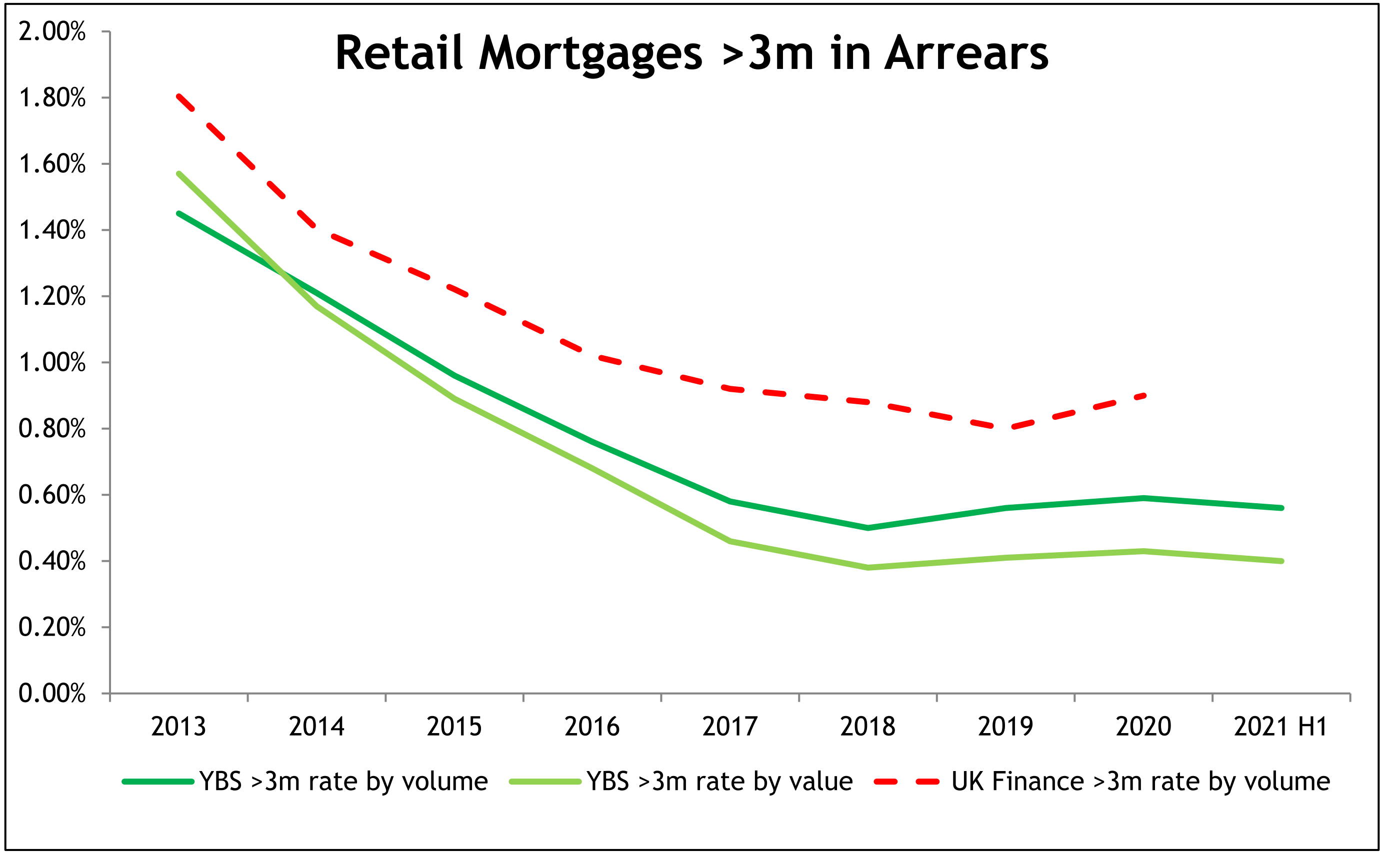
We have now seen the Covid-19 payment deferrals nearly run off the book completely (<150 accounts have an active payment deferral) and performance remains strong



Source - YBS & UK Finance Table AP1 - https://www.ukfinance.org.uk/data-and-research

Impairment of Financial Assets – Conservative Macroeconomic Assumptions

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	Upside		Core		Downturn		Stress	
	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021
5 Year Average								
GDP	2.3	**3.1**	2.0	**2.6**	(0.5)	**(1.5)**	(2.4)	**(1.8)**
HPI	3.4	**2.6**	0.4	**1.6**	(3.8)	**(4.0)**	(5.9)	**(6.0)**
Unemployment	4.4	**4.4**	6.5	**5.2**	7.8	**7.4**	9.5	**8.9**
Bank Rate	0.7	**0.7**	0.2	**0.5**	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 ECL.

	30 June 2021 (unaudited)		31 December 2020 (audited)	
	Weighted	ECL	Weighted	ECL
Scenario	**%**	**£m**	%	£m
Upside scenario	**5**	**37.8**	5	37.4
Core scenario	**50**	**42.8**	45	42.4
Downturn scenario	**30**	**93.0**	35	105.5
Stress scenario	**15**	**117.3**	15	120.7
Probability weighted ECL	**100**	**68.8**	100	76.0

Expected Credit Losses

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30Jun 21	Balances	% Balance	PMA	Total ECL	Coverage	Average LTV	2020 % Balance	2020 Coverage
Stage	£m	%	£m	£m	%	%	%	%
Stage 1	36,089.5	88	-0.4	2.6	-	51.3	89.3	-
Stage 2	4,060.2	9.9	1.6	16	0.4	36.1	8.6	0.8
Stage 3	380.5	0.9	2.1	15.6	4.1	45.3	0.8	5.0
POCI	482.7	1.2	-	19.5	4	48.1	1.3	5.1
Unstaged PMA	-	-	15.1	15.1	-	--	-	-
Total	41,012.9	100	18.4	68.8	0.2	49	100	0.2

- The Society has £482.7m of POCI loans. Of these, 87% are now considered performing loans but are not permitted to be classified as stage 1 or 2. "Problem loans" represent the total of the Group's stage 3 balances and non-performing portion of POCI loans
- The POCI book is considered to be low risk with 64.9% of loans being <60% LTV and only 2.3% of loans 90% LTV or greater

- The increase in staging is due to the adoption of a new ECB definition of the probability of default

Environmental, Social & Governance

YORKSHIRE BUILDING SOCIETY

ESG ratings – upward trajectory with more progress to come

YORKSHIRE BUILDING SOCIETY

Provider	Rating	Ranking	Commentary
Vigeo-Eiris	63 – Advanced	Ranked 3/97 in sector	We have worked very closely with the agency over the past few years to better understand their methodologies. Following this, we increased our transparency and disclosed more information to aid with assessment. As a result, and because of our low risk business model and good governance/ business practices, we have been able to increase our scores and are confident that they are now reflective of our performance.
MSCI	BBB – Medium	50% of banks are ranked lower	This year we have actively engaged with MSCI and brought to their attention a whole range of disclosures they had not considered in the past. We expect to see an increase in our scored when we are reviewed in September, which we anticipate will bring the rating closer to our practices.
ISS	C – Medium	Decile rank of 1 (highest performance against peers)	We are awaiting this year's review of our performance and will review ISS's analysis to make sure our score is reflective of our practices.

*Engagement is also ongoing with S&P Global and we expect further progress to be made throughout the second half of the year

- The Society actively engages with a number of specialist rating agencies that assess the quality of our Environmental, Social and Governance ('ESG') and sustainability performance and reporting
- Whilst rating agencies adopt different scoring methodologies, our trends show that we have made significant progress in recent years and rank highly among peers. We are continuing to enhance our disclosures, focusing on transparency and availability of information in line with ratings agencies' expectations.

ESG Highlights

YORKSHIRE BUILDING SOCIETY

In 2020 we continued to improve our ESG performance. This was also reflected in our Non-Financial Rating Agency scores, with some now positioning us as a top performer in our sector.

ENVIRONMENT

- Joined the **Leeds Climate Commission**, which was established to help one of our heartland cities make positive choices on issues relating to energy and climate
- Our Paper Reduction Scheme removed 4 million sheets of paper representing a 32% **paper usage reduction** on 2019
- We have **maintained our certificated Carbon Neutral® status** in line with the carbon neutral protocol for the 5th consecutive year
- At our Head Office in Bradford we have introduced programmes **to increase biodiversity, modernise air conditioning and cooling systems in our server rooms**, and we continue to generate electricity from our solar farm.

SOCIAL

- Donated just under **£1m in charitable giving and volunteering** programmes and launched a **new £1m partnership with Age UK** to help older people achieve financial resilience
- Delivered **financial education** sessions to more than 27,000 young people since Money Minds launched in 2015. New digital content in 2020 allowed us to continue this support through the pandemic
- Achieved **35th in the 50 Inclusive Employers List** (up from 47th)
- Secured **Best Charity Partnership** category at the Third Sector Business Charity Awards for our **£1.1m partnership with End Youth Homelessness**
- Increased the **number of women in the Senior Leadership Team to 46%** (up from 39% in 2019).

GOVERNANCE

- Published fifteen internal policies on our website to foster **greater transparency** about our approach to ESG. These include disclosures around Ethics, Financial Crime, Sales, Vulnerable Customers and Whistleblowing, amongst others
- Secured Board level support for an enhanced **commitment to social purpose activity directly linked to our strategic blueprint** and mandating an investment of over £1m in financial resilience and skills and employability programmes.

Q&A

YORKSHIRE BUILDING SOCIETY

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Appendix

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UK Housing Market Overview

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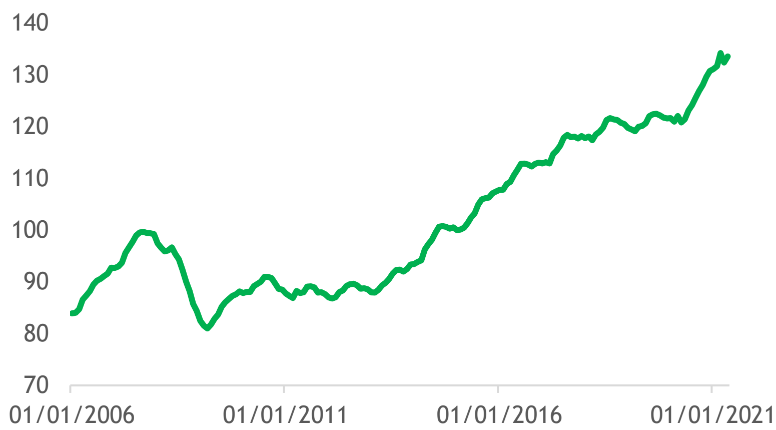
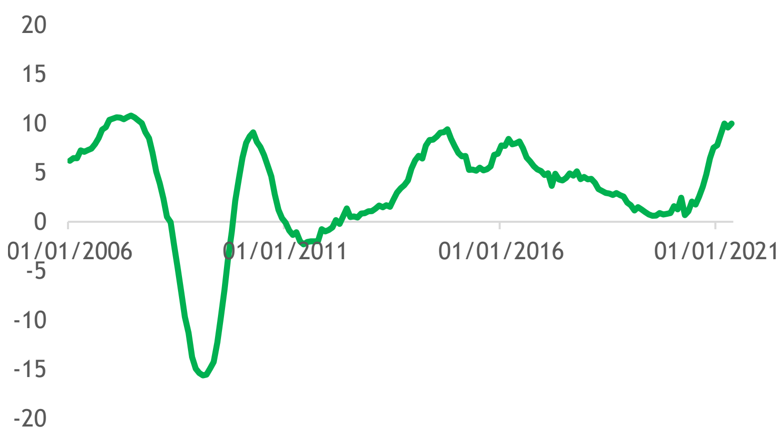
UK House Price Index[1]



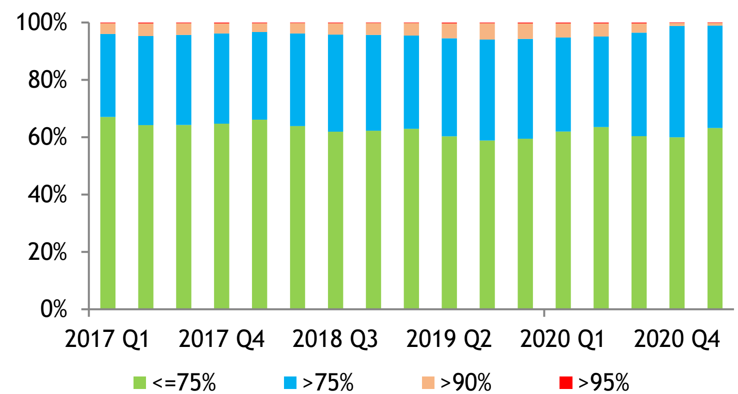
2021 Regional House Prices[1]

Region	Average Price May 2021	MoM Price Change	YoY Price Change
North East	143,128	1.4%	11.8%
North West	189,245	1.4%	15.2%
Yorkshire and The Humber	181,856	0.8%	10.2%
East Midlands	216,077	-0.2%	11.0%
West Midlands	204,259	0.0%	10.1%
East of England	310,200	-1.0%	6.9%
London	497,948	-0.7%	5.2%
South East	350,016	1.42%	9.1%
South West	277,603	-0.6%	8.4%
Scotland	171,448	5.4%	12.1%
Wales	184,297	0.8%	13.3%

YoY House Price Change %[1]



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 May 2021
(2) Source: Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA) - formerly FSA, via Haver Analytics