YORKSHIRE BUILDING SOCIETY ANNUAL GENERAL MEETING 2020
CHIEF EXECUTIVE'S PRESENTATION

Thank you John and good afternoon everyone.

As John mentioned, we are here to provide Real Help with Real Life and that has become even more crucial to our members, our communities and our colleagues in these challenging times.

From the very beginning, our response to the impact of Covid-19 has been to focus on two key priorities: the health and wellbeing of our colleagues, and continuing to provide the very best service we can to our members and customers when they need us most. These priorities remain the same.

We were quick to implement social distancing and other precautionary measures to protect colleagues and customers; kept branches in as many communities as possible open to support members with essential financial transactions; kept our customers updated daily through our digital channels; and put in place new e-forms and online support to help those who need a mortgage payment holiday.

For our people, we've doubled our fully-paid dependents and carers leave, and confirmed to all colleagues that if they're self-isolating, shielding or unwell, they qualify for sick leave at full pay. We have no plans at this stage to furlough any of our teams, and, based on what we know today, we do not anticipate any redundancies as a direct result of Covid-19.

Our Remuneration Committee has agreed to a request from me and our other Chief Officers not to increase our basic salaries this year, as well as a request from our Non-Executive Directors not to increase their fees in 2020. All other colleagues remain eligible for the opportunity for a pay increase through their annual pay review. Their pay will not be reduced as a result of Covid-19.

For communities, the Yorkshire Building Society's Charitable Foundation has pledged £100,000 to support charities in our communities which have been impacted by Covid-19.
Looking to the future, we are a financially and operationally sound business with plenty of capital and liquidity to see us through.

As you can see from our 2019 performance, we delivered a strong level of profit before tax at £167m and our core operating profit, which we see as a consistent measure of performance, was £185m.

We cut our costs by 7%, managing to achieve this alongside investing in and launching our new mortgage application platform for brokers, as well as in our IT capabilities, operational resilience and our digital programme.

Our mortgage lending saw steady and sustained growth, helping people into homes. The quality of our loan book continued to be strong, with customers in arrears standing at just 0.56% on 31 December, significantly below the industry average.

We continued our community work to help people into homes. Our colleagues and customers raised £244,000, bringing the total figure raised for EYH throughout our partnership to £791,000, against our original target of £750,000. This has enabled us to house over 400 young people with 86 dependent children so far. Thank you to everyone who has contributed to this.

It was good to see our members continue to build financial resilience and wellbeing by saving with us, opening 243,000 new accounts and increasing our total savings balances to nearly £31bn. On the community side, we hit a huge milestone, announcing a few weeks ago that our colleagues had delivered our Money Minds financial education programme to over 25,000 children and young people since launching in 2015.

Turning to member value, we are proud to have achieved a Net Promoter Score of +51 in 2019. This score measures customer satisfaction and is up 10 points from +41 in 2018.

With extremely low interest rates we stepped up to help savers, pricing our rates as competitively as we could. Across our savings range, our average rates were 0.34% higher than the market average giving savers an additional £95m in interest in 2019.

We are strongly capitalised with enough money in reserve to shield us from financial shock and to protect our savers. We've been growing our capital ratios over the past five years, with our Common Equity Tier 1 ratio growing to 16.6% in 2019.

We also have enough liquidity – money held in cash or other accessible assets – to see us through. We monitor this carefully, as holding too much is inefficient. Our rates have been steady for the past five years, and are sensibly above both the regulatory thresholds and our own stress-testing models at 13.8% at the end of 2019. The new Bank of England Term Funding Scheme is also available to YBS and we expect to be drawing down on this scheme during this year. If we do so, we would have enough liquidity for at least the next 12 months without needing to raise more money from the wholesale markets.

This means that as a business, we entered this crisis from a position of strength. Our aim is to emerge stronger still.

Covid-19 has impacted every aspect of modern life, and the housing market has been no exception. Some of you may have been impacted personally, with the delay in the sale or purchase of a property. Many of our colleagues are busy supporting customers to find the best solution for them when it comes to supporting their ability to make repayments, or delays in their own house-buying process.

Whilst the slowdown in the housing market will undoubtedly reduce the number of new mortgage offers we and our network of brokers can make, I wholeheartedly believe this is a further opportunity for us to live up to our purpose of providing real help with real life.

We made the strategic decision as a business a while ago to focus on savings and mortgages. When normality resumes – and it will – the housing market will flow again, and we'll be here, continuing to provide excellent levels of service to existing members and cementing lifelong loyalty with new customers.

With a view to the longer term, we've deliberately continued with some of our investment projects – many of which could also further support our management of this crisis. We are investing in our IT and telephony network, which will make it easier for us to communicate with our customers, and enable even more colleagues to maximise the benefits of flexible working.

We will also continue to focus on our people and our communities by continuing to enhance and develop our culture and strategy to make sure we set ourselves up for future success.
On a final note, I just wanted to talk about our colleagues. I am hearing stories every day of colleagues going to extraordinary lengths to help our customers and one another, whilst staying safe and managing the uncertainty of this time. They are a credit to the Society and I want to say how incredibly grateful I am of each and every one of them. They should be rightly proud of the way they have reacted to this crisis.

I'll now hand back to John. Thank you.