

YORKSHIRE BUILDING SOCIETY ANNUAL GENERAL MEETING 2018 CHIEF EXECUTIVE'S PRESENTATION

Thank you John and good afternoon ladies and gentlemen.

Our aim at Yorkshire Building Society is to provide help to people with the financial moments in their life that matter – we call it 'Real Help with Real Life' and it's what Yorkshire Building Society has been doing for over 150 years. As John mentioned, this approach has never been more relevant than it is today when markets are evolving and our customers' needs are changing, arguably more rapidly than they have ever done in the past.

With customers at our heart, we continue to focus on being simply brilliant at savings and mortgages, providing simple, flexible solutions to help people achieve their goals of buying a home, saving for the future or leaving a legacy for the next generation. This means being brilliant at what we do, but also making things simple for both our customers and ourselves, so we can do this efficiently and effectively.

Despite competitive market conditions, in 2017 we increased our mortgage lending to a record £8.1bn, providing more than 36,000 mortgages, of which over 7,000 were to those taking their first step into home ownership. We were also delighted that our members continue to save for their futures with us, with 193,000 new account openings and our total savings balances increasing to £28.9bn.

The clear focus on our core mortgage and savings business has led to some adjustments in how we operate. As I mentioned at this meeting last year, we have made changes to our brands and high street locations and are withdrawing from the current account market. We believe these changes, which will be completed this year, are vital to ensuring your Society continues to provide good long-term value to our members and just as importantly, remains relevant for future generations.

To achieve this we are focusing on four strategic priorities:

1. **Customer experience:** which means providing a market-leading experience built on empathy, simplicity and trust. In other words, providing the kind of brilliant service we'd expect to receive ourselves.
2. **Easy & simple:** making our business simpler, more efficient and effective.
3. **Business sustainability:** which is important to ensure we're here for the long term, providing a safe home for people's savings and making a lasting, positive impact on society. And finally,
4. **People experience:** our colleagues make us who we are, so building an internal culture where our people feel respected, valued and proud to work for us helps us to attract and retain the best talent.

I'd now like to share a few examples of how we are bringing this strategy to life, starting with our **customer experience**.

As you have heard, and seen in the video, our member ownership structure really does allow us to put customers right at the heart of our Society.

In 2017 we continued to improve the speed, efficiency and service we provide across our mortgage processing. We also recognise that in modern Britain change permeates all aspects of life at an escalating pace. For example, we are seeing a growing number of people working for themselves, which means their financial needs are changing. To respond to this we have extended our range of mortgages and introduced greater flexibility to reflect these customers' individual circumstances.

For our savers, we maintained the six pledges which are our commitment to the way we think all savings providers should operate for their customers. They include ensuring members get to know about new savings products as soon as we launch them, and a 14 day pledge on ISAs and bonds which means that if we launch new versions paying higher rates within two weeks of a customer opening an account, we honour the higher rate. These commitments run alongside our interest rates, where we continue to offer rates on savings that are higher than the average in rest of the market – 0.28% higher on average for 2017. And when the Bank of England increased the Bank Rate in November for the first time in a decade, we were one of the first financial providers to pass on the full quarter per cent rise to all our variable rate savers.

For our customers whose vulnerable circumstances may affect their ability to manage their finances, we have a specialist team whose role is to ensure their needs are considered fully. I'm pleased to report that in 2017 almost 40,000 members benefited from the adapted support we can provide.

Actions like the ones I have outlined, together with our passion to provide the best possible customer service, have led to a further increase in our Net Promoter Score. This score measures the proportion of customers who would definitely promote us to their friends and family less those who definitely wouldn't, and is one of the strongest measures of customer satisfaction. Our score of +41 is exceptionally high and around eight times better than the industry average.

And it's not just our customers who approve of the way we do business. In 2017 we were very proud to receive 25 industry awards, with accolades for mortgages, our digital experience, customer service, process improvements, employment practices and our charitable activities.

Our second strategic priority is **easy and simple**.

The pace of change in financial services continues to grow and we don't expect it to diminish in the coming years. There is undoubtedly a consumer drive towards digital services for day-to-day transactions, which is why we have continued to invest in growing our capability in this area, including improving online access for our savers and simplifying our online mortgage processes.

In 2018 our investment in digital will continue, with a focus on preventing, detecting and managing financial crime and fraud and improving our processes making it simpler and easier for customers to do business with us.

However, research shows – and our customers tell us – that there is still a strong demand for the face-to-face service that I'm sure many of you value.

It's against this backdrop, and our strategic choice to focus on our core business of mortgages and savings, that we took the decision to withdraw from the current account market and

review our brands and high street locations. The review highlighted both the opportunity to expand into some new towns and cities where we don't currently have a physical presence, and to consolidate in locations where we have a high concentration of branches relative to customer demand.

As a consequence from the summer we will operate just the Yorkshire Building Society brand on the high street, and we are looking to expand over the next few years into around 50 new towns. We have also closed 61 branches in 2017 and 2018, the majority of which were within five miles of another branch or agency, and a quarter were in the same town. As the map shows we are maintaining a strong presence across the UK, with considerably more high street locations relative to our size than other major banks and building societies.

Of course some of our colleagues have been impacted by these organisational changes and we have been mindful to ensure we have acted with thought and respect for each one of them. We have provided specialist internal and external support to help individuals transition into different roles, either within our Society or externally, and where possible we have minimised redundancies by giving impacted colleagues priority for our internal vacancies - this has so far led to 82 branch colleagues being re-deployed elsewhere in the Group. We also worked closely with other employers to match vacancies with the skills of colleagues leaving the Society.

Moving on to our third strategic priority, **business sustainability** - there are two key components;

1. Being financially secure, so our members can rely on us being here for the long term, and
2. Having a positive and meaningful impact on society.

On financial sustainability I'm pleased to confirm that we have again reported a strong financial performance, but I'll leave Alasdair to give you the details shortly.

Turning to society, we have a fantastic opportunity to use our expertise, passion and scale to maximise the impact we can have on a range of social, ethical and environmental issues. We do this in many ways, which we outline in our Society Matters Report, and some of which are summarised in this short video ...

[A short Society Matters Video was played at this point]

We believe everyone deserves a safe place to call home, so I'm very proud that in 2017, as you have just seen, we raised over £290,000 for our new charity partner, End Youth Homelessness, and I would like to thank everyone who contributed to this. I was proud to sleep rough for a night in aid of End Youth Homelessness last year, and our aim is to raise £780,000 over the three year partnership to help 700 homeless young people get their lives on track and into a home of their own.

In our ambition to give future generations the best possible start, we've been encouraging and supporting colleagues to work with schools across the UK to provide financial literacy education through our Money Minds programme. I recently led a class with year 5 pupils at Southmere Primary School in Bradford on budgeting and I was hugely impressed by the enthusiasm these nine year olds had for it. In 2017 overall we delivered 251 Money Minds lessons like this to more than 7,000 pupils and I'm delighted that 94 per cent of them said

they had learnt something new. We're planning to expand this programme in 2018, focusing on schools where developing this vital life skill can make the greatest impact.

Of course nothing we do is possible without our amazing colleagues – they are the key to delivering exceptional service, award winning products and for supporting customers and communities with their expertise and passion.

Through our fourth strategic priority, **people experience**, we work hard at being a brilliant employer. We were therefore delighted that in our first year of entering we were recognised as one of the UK's Best Large Workplaces, with special mention made of our charitable and volunteering work and the welcoming and friendly attitude of our colleagues.

Another accolade we're incredibly proud of was in the National Apprenticeship Awards, where we were named Best Newcomer. In the last two years we have employed 36 young apprentices who are truly inspiring. Each is working towards a formal qualification and all are paid above the real living wage and are guaranteed a permanent job at the end of their apprenticeship.

We have also made progress on our Diversity & Inclusion agenda, receiving a national award, and we have improved our flexible working policy. We've also beefed up our family-friendly policies to give more support to new parents and those with caring responsibilities.

Looking ahead, the uncertainty caused by the UK's exit from the European Union will no doubt be a factor long after the date currently set for withdrawal. As we are a UK-centric business we anticipate the direct impact of this on the Society will be low, with the key threat being the more general impact on consumer confidence and the UK economy. During this time I do not expect market competition to get any less but we are well placed to take advantage of the opportunities and face into any challenges.

In 2018 and beyond, it's important that we continue to strive to be ever more efficient, delivering a continued reduction in operating costs. However, above all else we will always prioritise acting in the best interests of our members, improving customer service, delivering the best long-term value we can and maintaining our financial strength and security for our current and future members.

Which leads me nicely on to handing over to Alasdair, who will explain more about last year's financial performance.

Thank you.

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