

**YORKSHIRE
BUILDING SOCIETY**

Social Financing Annual Report

January 2023

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Summary of Social Financing Framework

Use of Proceeds

Through the Social Financing Framework, Yorkshire Building Society (YBS) will use an amount equivalent to the net proceeds from SDI issuance finance and/or refinance new and/or existing Eligible Social Projects originated by the Society.

Eligible Social Projects

Eligible Social Projects are categorized to the SBP social project category of Access to Essential Services (financing and financial services), and in turn are aligned to UN SDG targets 1.4, 10.2, 10.3, 11.1 and 11.33.



Target Population

The target population for these Eligible Social Projects are customers who are underserved, owing to a lack of quality access to essential goods and services, and Social Housing. These include lending to borrowers that are (i) first-time buyers that have a low to medium annual income (vs national level); (ii) self-employed; (iii) individual contractors; and/or (iv) later life loans / lending into retirement, and Lending to Registered Providers/Social Housing Companies.

Process for Project Evaluation and Selection

YBS has formed a Social Financing Working Group to carry out the evaluation and selection process of the Eligible Social Projects, and the allocation of an amount equivalent to the net proceeds from SDI issuance.

The Social Financing Working Group meets bi-annually and includes senior representatives from the Finance, Trading, Risk and People functions of the Society.

Management of Proceeds

YBS has implemented internal accounting and financial management and information systems to track and report on the Eligible Social Projects and verify whether the net proceeds of each SDI have been fully allocated.

Reporting

On an annual basis while the SDIs are outstanding or in the case of material changes, Yorkshire Building Society will prepare and publish a Social Financing Annual Report which will be made available on the YBS website (<https://www.ybs.co.uk/your-society/treasury/financial-performance>).

The report will include Allocation Reporting, detailing SDIs issued, and aggregated reporting of loans (re)financed by SDIs' net proceeds, and Impact Reporting, detailing where possible, qualitative and/or quantitative social impacts resulting from loans (re)financed by the SDIs' net proceeds.

External Review

S&P Global were appointed to provide an external review in the form of a Second Party Opinion on this Framework, and to confirm alignment with the SBP and the UN SDGs. The Second Party Opinion is publicly available on the YBS website (<https://www.ybs.co.uk/your-society/treasury/financial-performance>).

Social Bond Issuance

	ISIN	Issue Date	Final Maturity Date	Currency	Notional (£m)	Coupon
Social RMBS (Brass 10)	XS2297660156 / XS2297660586	30/03/2021	16/04/2069	USD / GBP	309.2 ⁽¹⁾	0.669% (Fixed) / Sonia +0.33%
Social SNP	XS2385755835	15/09/2021	15/09/2029	GBP	250.0	1.500% (Fixed)
Social Covered Bond	XS2385755835	16/11/2021	16/11/2028	EUR	427.6 ⁽¹⁾	0.010% (Fixed)
Social Covered Bond	XS2432612526	18/01/2022	18/01/2027	GBP	500.0	Sonia +0.27%
Social SNP	XS2467494774	11/04/2022	11/10/2030	GBP	300.0	3.511% (Fixed)

2022 Social Bond Issuance

Inaugural Social SONIA Covered Bond (XS2432612526)

On Tuesday 11 January 2022, YBS successfully priced a £500m 5yr Social SONIA Covered Bond at SONIA+27bps, tightening from initial guidance of SONIA+30a. The final book was in excess of £1.1bn, with orders from over 50 accounts, resulting in an oversubscription of 2.2x.

The deal represented the first ever Social SONIA Covered Bond and the first Green, Social and Sustainability (GSS) labelled SONIA product across asset classes. The final spread of SONIA+27bps also represented the tightest ever spread for a UK SONIA Covered Bond.

Second Social Senior Non-Preferred (XS2467494774)

On 4th April 2022, YBS priced a highly successful £300m 8.5NC7.5 social senior non-preferred transaction. The orderbook was heavily oversubscribed, with final orders totaling £2.35bn, the society's largest ever sterling order book. This allowed for pricing at G+205bps, paying only a 3bps new issue premium over fair value and tightening from G+230bps IPTs.

Note: ⁽¹⁾ Non-GBP amounts converted to GBP at swap FX rate

Allocation Reporting

Eligible Social Asset Portfolio

Social Bond proceeds have been fully allocated since issuance to a portfolio of Eligible Social Projects (ESP), based on the target populations specified in the Social Financing Framework last published in September 2021. The definitions of the target populations are detailed below:

First-Time Buyer

At least one borrower on the mortgage has never owned an interest in a residential property in the United Kingdom or anywhere else in the world and intends to occupy the property as their main residence. The average borrower income must be classified as low to medium, which is defined as being less than or equal to £33,371 based on the median full-time employee pay from the Office for National Statistics ⁽¹⁾ or be on a specific Help-to-Buy product.

Self-Employed

At least one borrower on the mortgage does not work for a specific employer who pays them a consistent salary or wage, but instead works for themselves.

Contractor

At least one borrower on the mortgage undertakes work, often on a fixed term contract basis, to provide a skill or service to other companies.

Later Life Lending

At least one borrower on the mortgage will be over the age of 70 at the end of their mortgage term.

Note: ⁽¹⁾ Calculated based on annualising the median weekly full time income of £640 from the ONS 'Employee Earnings in the UK: 2022' October 22 bulletin <https://www.ons.gov.uk/employmentandlabourmarket/>

Allocation of Social Bond Proceeds

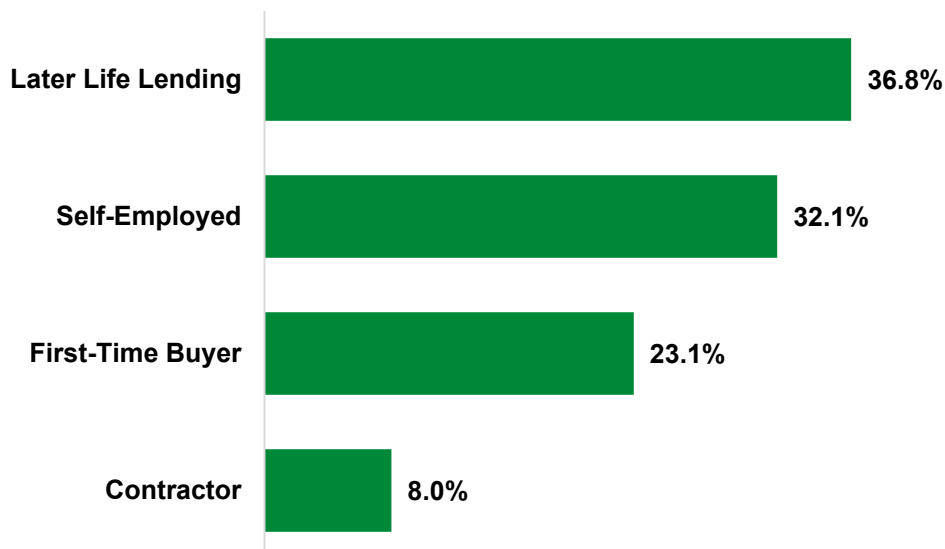
Social Bond proceeds have been fully allocated since issuance to a portfolio of ESP. Allocations to each target population have been based on the proportionate share of gross lending to each segment within the two-year look-back period ⁽²⁾ as outlined in the Social Financing Framework.

Sterling Equivalent Social Bond Proceeds

Social Bond	Balance	%
Social Notes ⁽¹⁾	£1,477,600,000	82.7%
Social RMBS	£309,181,280	17.3%
Total	£1,786,781,280	100.0%

Allocation to Target Populations

Target Population	Balance	%
First-Time Buyer	£413,588,435	23.1%
Self-Employed	£574,171,319	32.1%
Contractor	£142,128,231	8.0%
Later Life Lending	£656,893,295	36.8%
Total	£1,786,781,280	100.0%



Notes: ⁽¹⁾ Social notes include both Social Senior Non-Preferred and Social Covered Bond proceeds; ⁽²⁾ Lookback period defined as up to 24 months prior to the time of the respective SDI issuance (this ranges from Nov-19 to Oct-22)

Impact Reporting

The impact reporting is designed to provide further detail on the characteristics of the loans that have been financed by the Social Bond proceeds, as outlined above.

Key Characteristics

Characteristic	First-Time Buyer	Self Employed	Contractors	Later Life Lending	Total Social Asset Portfolio
Aggregate Balance (£)	413,588,436	574,171,319	142,128,231	656,893,295	1,786,781,280
Number of Loans	3,215	2,579	514	2,798	9,106
Number of Beneficiaries	5,109	4,597	868	4,670	15,244
Average Loan (£)	128,643	222,633	276,514	234,772	196,220
Largest Loan (£)	434,072	5,001,829	1,832,003	3,416,376	5,001,829
Average Property Value (£)	201,771	460,045	452,273	431,693	359,707
Weighted Average LTV	66.95%	58.30%	65.67%	61.99%	62.24%
Weighted Average Interest Rate	2.62%	2.35%	2.39%	2.30%	2.40%
Average Borrower Income (£) ⁽¹⁾	24,342	40,697	65,326	43,345	37,429

Detailed Analysis

Principal Amount Outstanding	First-Time Buyer		Self Employed		Contractors		Later Life Lending	
	Balance	%	Balance	%	Balance	%	Balance	%
≤£100k	93,086,073	22.5%	39,178,036	6.8%	3,476,946	2.4%	37,081,502	5.6%
>£100k ≤£250k	279,341,621	67.5%	198,414,774	34.6%	39,144,798	27.5%	213,980,306	32.6%
>£250k ≤£500k	41,160,741	10.0%	215,440,493	37.5%	68,509,911	48.2%	283,775,024	43.2%
>£500k ≤£750k	0	0.0%	51,567,398	9.0%	22,669,174	15.9%	78,133,391	11.9%
>£750k ≤£1,000k	0	0.0%	21,978,354	3.8%	3,659,175	2.6%	16,334,737	2.5%
>£1,000k	0	0.0%	47,592,264	8.3%	4,668,226	3.3%	27,588,335	4.2%
Total	413,588,436	100.0%	574,171,319	100.0%	142,128,231	100.0%	656,893,295	100.0%

Note: ⁽¹⁾ Calculated based on the average annual borrower income per loan

Region	First-Time Buyer		Self Employed		Contractors		Later Life Lending	
	Balance	%	Balance	%	Balance	%	Balance	%
East Anglia	17,563,838	4.2%	25,517,263	4.4%	6,071,485	4.3%	28,010,769	4.3%
East Midlands	36,251,717	8.8%	28,887,384	5.0%	7,034,324	4.9%	38,077,571	5.8%
Greater London	14,201,213	3.4%	88,269,643	15.4%	32,475,387	22.8%	112,610,425	17.1%
North	33,279,261	8.0%	17,540,570	3.1%	4,711,678	3.3%	19,736,858	3.0%
North West	67,898,275	16.4%	56,355,350	9.8%	8,182,835	5.8%	55,462,229	8.4%
Northern Ireland	4,999,727	1.2%	7,475,172	1.3%	950,987	0.7%	5,734,837	0.9%
Scotland	37,263,890	9.0%	29,401,322	5.1%	10,600,480	7.5%	27,876,523	4.2%
South East	53,265,767	12.9%	169,789,341	29.6%	37,407,032	26.3%	210,544,493	32.1%
South West	27,442,313	6.6%	47,408,550	8.3%	12,963,146	9.1%	57,357,967	8.7%
Wales	23,257,755	5.6%	19,341,784	3.4%	3,814,624	2.7%	22,493,495	3.4%
West Midlands	29,357,408	7.1%	38,586,177	6.7%	8,522,585	6.0%	35,762,299	5.4%
Yorks & Humber	68,807,273	16.6%	45,598,763	7.9%	9,393,668	6.6%	43,225,828	6.6%
Total	413,588,436	100.0%	574,171,319	100.0%	142,128,231	100.0%	656,893,295	100.0%

Average Borrower Income	First-Time Buyer ⁽¹⁾		Self Employed		Contractors		Later Life Lending	
	Balance	%	Balance	%	Balance	%	Balance	%
≤£20k	70,008,921	16.9%	41,857,274	7.3%	2,007,784	1.4%	17,205,023	2.6%
>£20k ≤£40k	323,609,095	78.2%	233,968,892	40.7%	32,569,091	22.9%	225,449,622	34.3%
>£40k ≤£60k	14,696,814	3.6%	131,878,746	23.0%	39,909,467	28.1%	202,537,527	30.8%
>£60k ≤£100k	4,898,351	1.2%	82,794,180	14.4%	35,214,955	24.8%	134,363,947	20.5%
>£100k	375,254	0.1%	83,672,227	14.6%	32,426,933	22.8%	77,337,176	11.8%
Total	413,588,436	100.0%	574,171,319	100.0%	142,128,231	100.0%	656,893,295	100.0%

Note: ⁽¹⁾ As defined within the First-Time Buyer definition, all balances within this banding have an average borrower income that is classified as low or medium (below £33,371) or are on a specific Help-to-Buy product

Indexed LTV Banding	First-Time Buyer		Self Employed		Contractors		Later Life Lending	
	Balance	%	Balance	%	Balance	%	Balance	%
≤65%	143,470,685	34.7%	335,290,503	58.4%	60,796,273	42.8%	342,043,124	52.1%
>65% ≤75%	175,522,130	42.4%	151,024,207	26.3%	48,437,875	34.1%	182,448,064	27.8%
>75% ≤85%	77,618,719	18.8%	69,503,161	12.1%	27,369,494	19.3%	104,916,402	16.0%
>85% ≤95%	16,491,389	4.0%	18,205,649	3.2%	5,395,844	3.8%	27,084,372	4.1%
>95%	485,513	0.1%	147,800	0.0%	128,745	0.1%	401,333	0.1%
Total	413,588,436	100.0%	574,171,319	100.0%	142,128,231	100.0%	656,893,295	100.0%

Average Age ⁽¹⁾	First-Time Buyer		Self Employed		Contractors		Later Life Lending	
	Balance	%	Balance	%	Balance	%	Balance	%
18 - 30	194,480,338	47.0%	33,170,404	5.8%	22,721,598	16.0%	3,504,255	0.5%
31 - 50	203,777,168	49.3%	436,504,801	76.0%	106,760,574	75.1%	451,240,303	68.7%
51 - 70	15,330,929	3.7%	104,496,114	18.2%	12,646,060	8.9%	201,383,998	30.7%
Over 70	0	0.0%	0	0.0%	0	0.0%	764,739	0.1%
Total	413,588,436	100.0%	574,171,319	100.0%	142,128,231	100.0%	656,893,295	100.0%

Note: ⁽¹⁾ Calculated based on the average borrower age per loan

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