RNS Number : 5881Y
Yorkshire Building Society
27 February 2025

YORKSHIRE BUILDING SOCIETY

FULL YEAR RESULTS 2024

"Yorkshire Building Society has delivered a solid performance for the year ending December 2024, successfully and sustainably growing our mortgage and savings balances in pursuit of our purpose of providing *Real Help with Real Life*.

In 2024 we celebrated our 160th year and we are proud of the help that we have been able to provide our members and customers over this period. Whilst there are signs in the broader economy that some of the cost-of-living challenges may be beginning to ease, we recognise that many people continue to face financial challenges. This year we have launched targeted, innovative products to help address some of these challenges and continue to provide our members with savings rates that were consistently above the market average. We have further improved our customer advocacy and are proud of our mutual status. These results strengthen our financial position and place us well in the continuing pursuit of our purpose."

Susan Allen, OBE
Chief Executive

The Society's 2024 Annual Report and Accounts will be published on 6 March 2025. Key highlights from 2024 performance are below:

- The Society continued to support its members through favourable savings rates. In 2024, we paid 0.90 percentage points higher than the Rest of Market on our savings accounts (2023: 1.01 percentage points higher); equivalent to £430.2m of additional interest for our savers[1].
- Shares balances increased £4.9bn year on year to £52.0bn (2023: £47.1bn), supported by our loyalty products and new propositions.
- Our mortgage balances grew this year to £49.7bn (2023: £46.8bn), driven by both higher levels of gross lending and improved levels of retention. We delivered net lending of £2.9bn (2023: £1.6bn).
- Net interest income has reduced to more normalised levels. Net interest income was £736.5m in 2024, decreasing £49.5m year on year (2023: £786.0m). Net interest margin decreased 15 basis points to 1.16% (2023: 1.31%). The anticipated reduction in 2024 was driven by margin compression in both mortgages and savings and the non-repeated benefit of a rising Bank Rate in 2023, coupled with interest rates falling in the second half of 2024.
- We increased strategic investment in our transformation activities this year, which in addition to the impacts of inflation and increased scale, contributed to an increase in management expenses to £366.6m (2023: £332.7m). A change to the Bank of England Levy Framework which replaces the previous Cash Ratio Deposit scheme has also contributed £8.0m toward a greater level of costs. As a proportion of mean assets, management expenses were 0.58% (2023: 0.56%).
- On a statutory reporting basis, profit before tax was £383.7m (2023: £450.3m). Core Operating Profit[2] was £345.7m (2023: £449.9m). 2024 includes a fair value gain of £36.2m (2023: £5.5m loss) driven by the reduction in rates seen in the second half of the year.
- Our liquidity and capital positions remain comfortably in excess of regulatory minimums. Liquidity coverage was 202.7% (2023: 158.2%). Common Equity Tier 1 (CET1) ratio was 18.1% (2023: 16.7%).
- Retail deposit performance and active wholesale programmes allowed for the final £1.0bn of TFSME to be repaid in 2024.
- Asset quality of the loan book remains strong. As at December 2024, the number of retail mortgage accounts more than three months in arrears, including possessions,

was 0.50% (2023: 0.50%) which compares favourably to the industry average of 0.97% (2023: 0.87%)[3]. We expect the cost of risk to trend upwards reflecting the nature of our more purposeful lending and the absence of expected credit loss write-backs recognised in 2024.

Progress against Our Strategy

In addition to our robust financial and trading performance, we have made some important strides in the delivery of Our Strategy.

In 2024, we focused on simplifying processes, investing in digital, and further enhancing our governance and controls. We recognise the importance of building stable foundations from which to further build our ambitious plans.

We also developed new targeted mortgage and savings propositions this year, aimed at those aspiring to take their first step toward home ownership. We are particularly proud of the success of these purposeful products and will continue to seek opportunities to better meet the real-life challenges faced by our members and customers.

Strong links to our communities

As a building society, we have been making a difference to the people in our communities for 160 years. Our achievements this year include:

- Our ongoing partnership with FareShare, helped 660 people to build skills for the future and find work.
- Our Money Minds sessions helped 20,000 people across various age ranges to build financial resilience.
- Our award-winning partnership with Citizens Advice provided 5,600 people with free, impartial advice, covering anything from financial to legal issues, to help them find a way forward.
- We have taken action to improve our financed and operational emissions reporting and continue to work toward reducing our operational emissions.

Looking ahead

Overall, the broad consensus is that the UK economic environment will be relatively benign in the near-term and modest levels of growth are expected.

The market expectation is that the Bank of England will continue to reduce the Bank Rate gradually throughout 2025. In this environment we expect to see steady growth in our core markets of mortgages and savings in the near term.

The broader global outlook remains uncertain. Broader considerations include the ongoing conflict in Ukraine, the resolution of the situation in the Middle East and the impact of potential US tariff increases on international trade.

These developments could result in significant impacts on inflation, supply chains and the cybersecurity threat environment, in turn influencing monetary policy and the dynamics of our core markets. We will continue to monitor these threats and opportunities closely and adapt our participation strategies accordingly. Our strong capital and liquidity position means we are well positioned to continue to invest in the Society's future and deliver our strategy.

Summary Financial Statements

Consolidated Income Statement

	2024	2023
	£m	£m
Net interest income	736.5	786.0
Fair value gains/(losses)	36.2	(5.5)
Net realised gains	0.2	1.6

Other income and expenses	(21.1)	4.3
Total income	**751.8**	**786.4**
Management expenses	(366.6)	(332.7)
Operating profit before provisions	**385.2**	**453.7**
Impairment of financial assets	(0.2)	(4.0)
Movement in provisions	(1.3)	0.6
Profit before tax	**383.7**	**450.3**
Tax expense	(102.0)	(118.6)
Net profit	**281.7**	**331.7**

Statutory profit before tax was £383.7m (2023: £450.3m), and Core Operating Profit decreased to £345.7m (2023: £449.9m). Core Operating Profit excludes items such as fair value volatility and material one-time charges that do not reflect the Group's day-to-day activities. The Board considers Core Operating Profit to be an appropriate measure of the underlying performance of the business.

Net interest income decreased £49.5m year on year, with a net interest margin of 1.16% in 2024 (2023: 1.31%). The falling rate environment and margin tightening on both mortgage and savings books contributed to this reduction.

A £36.2m gain on fair value recorded in 2024 compares to a £5.5m loss in 2023. The movement is primarily driven by interest rate swaps not designated in to accounting hedge relationships and contributes to an overall increase in income.

Management expenses increased £33.9m to £366.6m. This reflects increased purposeful investment in change activities, the impact of cost inflation, and increases to staff costs reflecting increased operational scale. The change to the Bank of England Levy Framework also contributed £8.0m toward a greater level of costs.

Reconciliation of Core Operating Profit

The table below shows a reconciliation between core and statutory profit measures.

Reconciliation of Core Operating Profit	**2024**	**2023**
	£m	**£m**
Statutory profit before tax	383.7	450.3
Reverse out the following items:		
Fair value gains and losses	(36.2)	2.2
Historic fair value credit adjustments on acquired loans	(2.4)	(2.4)
Movement in restructuring provision	0.8	(0.2)
Other non-core items	(0.2)	-
Core operating profit	**345.7**	**449.9**

Consolidated Statement of Comprehensive Income

	2024	**2023**
	£m	**£m**
Net profit	**281.7**	**331.7**
Items that may be subsequently reclassified through profit or loss:		
Cash flow hedges:		
Fair value movements taken to equity	5.7	-
Amounts transferred to income statement	3.5	(13.2)
Tax on amounts recognised in equity	(2.6)	3.7
Effect of change in corporation tax rate	-	-
Financial assets measured through other comprehensive income:		

Fair value movements taken to equity	(13.8)	(18.0)
Amounts transferred to income statement	1.2	1.2
Tax on amounts recognised in equity	3.5	4.7
Effect of change in corporation tax rate	-	-
Items that will not be reclassified through profit or loss:		
Remeasurement of retirement benefit obligations	(4.2)	(11.2)
Tax on remeasurement of retirement benefit obligations	1.2	3.1
Effect of change in corporation tax rate	-	-
Total comprehensive income for the year	**276.2**	**302.0**

Consolidated Statement of Financial Position

	2024	**2023**
	£m	**£m**
Liquid assets	14,621.0	12,798.4
Loans and advances to customers	49,705.5	46,815.9
Fair value adjustment for hedged risk on loans and advances to customers	(454.7)	(615.5)
Other assets	1,672.6	1,969.9
Total assets	**65,544.4**	**60,968.7**
Shares	52,044.4	47,056.7
Fair value adjustment for hedged risk on shares	1.0	-
Wholesale funding and other deposits	7,385.0	7,789.3
Subordinated liabilities	1,453.3	1,621.7
Other liabilities	686.0	802.5
Total liabilities	**61,569.7**	**57,270.2**
Members' interest and equity	3,974.7	3,698.5
Total members' interest, equity and liabilities	**65,544.4**	**60,968.7**

The balance sheet increased to £65.5bn as at December 2024, which represents a growth rate of 7.5% against 2023.

Liquidity levels remain strong, with a liquidity balance sheet ratio standing at 24.6% (2023: 23.3%), and a Liquidity Coverage Ratio at 202.7% (2023: 158.2%). Sufficient headroom to regulatory requirements for liquidity was maintained throughout 2024.

Net lending was £2.9bn (2023: £1.6bn), owing to a higher level of gross lending and improved retention. Mortgage book growth, excluding fair value adjustments for hedged risk, was 6.2% (2023: 3.6%). Asset quality remains strong, comparing favourably to the latest industry average (as measured by the number of accounts in arrears by three months or more, including possessions).

Shares balances increased to £52.0bn, increasing by £4.9bn on 2023, or 10.6%. Growing our savings balances, coupled with our higher than market rates, allowed the amount of value returned to members to remain significant, despite falling interest rates.

The Society continued to maintain a presence in key wholesale issuance markets, successfully issuing within the RMBS and covered bond markets in 2024. Strong savings inflows in the year supported a final £1.0bn paydown of TFSME funding.

Key ratios	**2024**	**2023**
	%	**%**
Net Interest Margin	1.16	1.31
Management expense ratio	0.58	0.56
Asset growth	7.5	3.8
Loans and advances growth	6.2	3.6

Shares balance growth	10.6	12.0
Liquidity ratio	24.6	23.3
Total Capital Ratio	19.0	18.0
Common Equity Tier 1 ratio	18.1	16.7
UK Leverage Ratio	6.6	6.2
Cost to core income ratio	51	42

About Yorkshire Building Society

Yorkshire Building Society was founded in 1864.

As at December 2024, the Society has assets of £65.5 billion.

Chelsea Building Society and Norwich & Peterborough Building Society are part of Yorkshire Building Society. Its subsidiary companies include Accord Mortgages Limited. For more information on Yorkshire Building Society visit www.ybs.co.uk.

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 - December 2024.
2. Core operating profit is an alternative performance measure which excludes items such as fair value volatility and material one-time charges that do not reflect the Group's day-to-day activities.
3. Industry average sourced from UK Finance.
4. Net Promoter Score and NPS are trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc. Data period January - December 2024, based on 22,873 responses.

This document contains certain forward-looking statements, which are made in good faith based on the information available up to the time of the approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

References to 'YBS Group' or 'Yorkshire Group' refer to Yorkshire Building Society, the trading names under which it operates (Barnsley Building Society, Barnsley, Chelsea Building Society, Chelsea, Norwich & Peterborough Building Society and N&P) and its subsidiary companies.

END

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END