SUMMARY FINANCIAL STATEMENT

This financial statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to members and depositors free of charge at every office of Yorkshire Building Society, (including Chelsea, Barnsley and N&P branches) from 14 March 2016. The information is also available online at ybs.co.uk/annualreport

Summary Directors' Report

The information contained in the Chairman's welcome and Chief Executive's review on pages 3 to 11 addresses the requirements of the Summary Directors' Report.

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has continued to be adopted in preparing the Annual Report and Accounts.

Approved by the Board of Directors on 24 February 2016:

John Heaps - Chairman

Mark Pain - Vice Chairman

Chris Pilling - Chief Executive

Group results for the year	2015 £m	2014 £m
Net interest income	**534.6**	549.2
Net losses from fair value volatility	**(6.5)**	(10.9)
Net realised profits	**2.1**	1.3
Other income and charges	**18.0**	25.6
Total income	**548.2**	565.2
Administrative expenses	**(346.1)**	(331.0)
Provisions[1]	**(28.8)**	(46.0)
Profit before taxation	**173.3**	188.2
Taxation	**(34.8)**	(40.8)
Profit for the year	**138.5**	147.4

[1] 'Provisions' encompasses provisions for impairment of loans and advances, Financial Services Compensation Scheme (FSCS) levy and other liabilities.

Group financial position at end of year	2015 £m	2014 £m
Assets		
Liquid assets	**4,404.7**	4,794.7
Loans to customers	**33,321.7**	32,234.1
Derivative financial instruments	**180.1**	214.3
Fixed and other assets	**312.1**	328.9
Total assets	**38,218.6**	**37,572.0**
Liabilities		
Shares	**27,396.4**	27,241.4
Borrowings	**7,955.5**	7,502.5
Derivative financial instruments	**340.9**	413.6
Other liabilities	**128.1**	147.8
Subordinated liabilities	**286.1**	299.5
Subscribed capital	**6.7**	6.9
Reserves	**2,104.9**	1,960.3
Total liabilities	**38,218.6**	**37,572.0**

Summary of key financial ratios	2015 %	2014 %
Gross capital as a percentage of shares and borrowings The gross capital ratio is the relationship between the Group's capital and its liabilities to investors. Capital comprises general reserves (i.e. accumulated profits), hedging and revaluation reserves, subordinated liabilities and subscribed capital (Permanent Interest Bearing Shares).	**6.78**	6.52
Liquid assets as a percentage of shares and borrowings (liquidity ratio) The liquid asset ratio measures those assets available to meet requests by savers to withdraw their money, to fund mortgage advances and to fund general business activities. It expresses cash and assets easily converted into cash as a percentage of the Group's liabilities to investors.	**12.46**	13.80
Profit for the year as a percentage of mean total assets This ratio expresses profit or loss, after tax, as a percentage of average total assets.	**0.37**	0.41
Management expenses as a percentage of mean total assets The management expense ratio measures how cost effective the Group is. It is calculated by comparing the management expenses (administrative expenses opposite) for the year with average total assets.	**0.91**	0.92

Independent auditor's statement to the members and depositors of Yorkshire Building Society

We have examined the summary financial statement for the year ended 31 December 2015 which comprises the summary Group results for the year and Group financial position at end of year together with the Summary Directors' Report.

This report is made solely to the Society's members, as a body, in accordance with section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the summary financial statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within this booklet with the full Annual Report and Accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

We also read the other information contained in this booklet and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 "The auditor's statement on the summary financial statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the Group and Society's Annual Report and Accounts describes the basis of our audit opinion on those financial statements.

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the Annual Report and Accounts, the Annual Business Statement and Directors' Report of Yorkshire Building Society for the year ended 31 December 2015 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Deloitte LLP, Chartered Accountants and Statutory Auditor, Leeds.
24 February 2016

A WORD FROM YOUR CHAIRMAN

In my first year as your Chairman, I am delighted to report that the Society has had another successful year in what's been a challenging environment.

This Annual Review is designed to show you, our members, how we're performing on our key priorities of keeping your money safe, delivering improvements to our products and services, and investing in the future.

At the time of writing, whilst the UK economy is still growing with consumers benefiting from record low levels of inflation and falling unemployment, recent signs are that growth is slowing as the global markets are experiencing the most volatile period for some time. These uncertainties mean that interest rates are likely to remain at record low levels for some time.

In this environment and throughout 2015, I have seen how the professionalism, skill and vigilance of our colleagues and our executive team have ensured that timely decisions have been made to maintain our strong financial security, while continuing to progress our investment programme.

You'll find highlights of our performance on the following pages where Chris Pilling, your Chief Executive, answers questions on our achievements in 2015. He also outlines where we've delivered long-term value to you through our competitive range of products and services.

I have no doubt that being a building society where our mutual business model puts members' interests at the heart of everything we do, is a key factor in our continuing success. This year we have re-stated our commitment to this fundamental aim in our Group Purpose, which is "to deliver a greater sense of financial security, allowing as many people as possible to enjoy life's choices". You can read more about what it means to be a member in the enclosed leaflet.

I hope you'll enjoy spending a few moments reading about how we're providing a safe place for your savings and supporting more people to buy their own home, while continuing to invest for the current and future generations of members.

With best wishes
John Heaps, Chairman

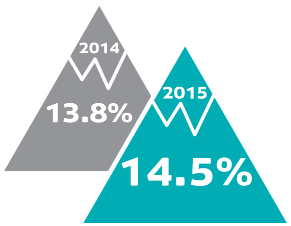
GROUP PERFORMANCE AT A GLANCE – 2015

Overall mortgage balances grew by 3.4% to £33.3bn

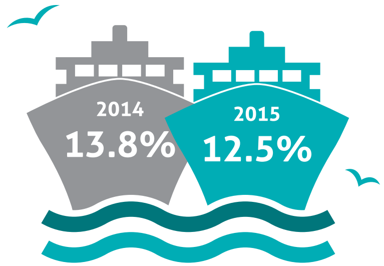
More money was withdrawn by savers than was paid in, which meant a 'retail outflow' of £0.2bn. Despite this, savings balances grew by 0.5% to £27.9bn, due to the interest we paid to savers

Core operating profit was up 4% from £179m in 2014

Statutory profit before tax was down 8% from £188m in 2014



Common Equity Tier 1 (CET1) capital ratio was 14.5%, increasing from 13.8% in 2014

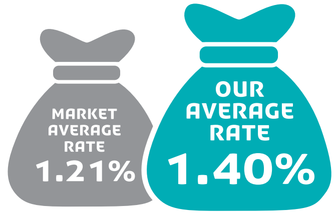


Liquidity ratio has fallen slightly

HEALTHY LEVELS OF LIQUIDITY

Liquid assets ensure we have sufficient cash to run the business and to meet customers' needs.

Our levels remain well above regulatory requirements.



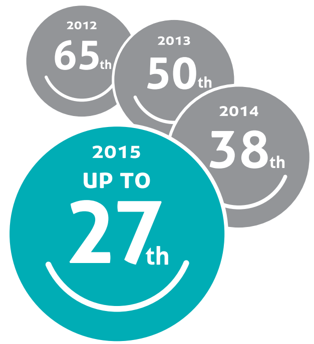
BETTER SAVINGS RATES

Our average savings rate across the Group was 0.19% above the market average[1]

Across YBS Group, we are proud to have won 16 industry awards

EVEN BETTER CUSTOMER EXPERIENCE

We're now 27th for customer experience out of 272 well-known UK brands in the prestigious KPMG Nunwood Customer Experience Excellence study[2]



Sources: [1]Average savings rates based on savings stock from CACI's Current Account and Savings Database (CSDB) currently covering 85% of retail savings market (based on stock value). Data as at 31 October 2015. [2]Nunwood Consulting – Nunwood Customer Experience Excellence Centre Top 100 UK Brands 2015, 272 companies were subject to the study but only the top 100 is published.

YOUR CHIEF EXECUTIVE INTERVIEWED

Chris Pilling answers important questions about the Group's performance in the last year.

How was 2015?

There's no denying 2015 was a productive but challenging year. This was for a number of reasons, but primarily because interest rates remained low, which in turn affected our approach to lending.

Very aggressive pricing, in an attempt to attract those buying a home for the first time and those wanting to move their mortgage, saw mortgage rates at record lows.

2015 has been a challenging year but the Group's financial performance has remained strong

This level of competition for mortgages puts downward pressure on our savings rates, so our focus has been on maintaining a careful balance between attracting new mortgage customers and protecting the rates we pay our savers. In the face of such competition, we deliberately reduced our funding and lending targets, reflecting our commitment to being financially sustainable for the long term.

The good news is that even in this challenging market, the Group's financial position has remained strong.

What stands out for you from the year?

One of the things I'm most proud of is that we've recently been ranked 27th in the UK in the prestigious KPMG Nunwood Customer Experience Excellence study. This is fantastic when you consider that we were compared to 271 UK brands from all sectors, and we outperformed many famous household names.

We were 65th in 2012, so we've climbed 38 places since then. This means our members are noticing just how much we're placing them at the heart of everything we do.

Whilst the most important thing to us is that our customers are happy with our service, it's also great to earn respect from industry bodies. So it's pleasing that our achievements have been recognised with 16 award wins across the Group.

How did the Group perform financially in 2015?

Despite the challenging market which I touched on earlier, we recorded another year of strong financial performance. This is evidenced by our healthy profit for the year, which was underpinned by our stable capital position.

Statutory profit before tax remained strong, although it decreased to £173m (£188m in 2014). We believe core operating profit is a more meaningful measure of underlying performance and in 2015 it grew to £185m (£179m in 2014).

Our aim is to offer consistently good long-term value to our members

Achieving the right level of profit to ensure our financial strength and sustainability is crucially important. It also supports our ability to invest for the future and our aim to offer consistently good long-term value to our members.

What other financial measures do you look at?

There are multiple sources of insight that we continually watch to give us an indication of how we are doing.

Key measures we use to look at our financial strength are the Common Equity Tier 1 (CET1) capital ratio and the leverage ratio. CET1 has remained strong at 14.5% (13.8% in 2014) and our leverage ratio is 5.0% (4.8% in 2014). These ratios are a good measure of our ability to deal with any unforeseen circumstances and demonstrate that our financial strength has improved.

£173M
Statutory profit before tax

£188m in 2014, down 8%

£185M
Core operating profit

£179m in 2014, up 4%

5.0%
Leverage ratio

An increase from 4.8% in 2014

Another key measure is the cost to income ratio, which is the relationship between the income we generate and our costs. The lower the ratio, the less we are spending to generate every pound of income.

In 2015, a small decrease in our income and an increase in costs led to an expected rise in the ratio, from 59% to 63%. Income has been impacted by lower levels of interest paid to us by our borrowers. Costs have increased mainly due to regulatory pressures, wage inflation and continued commitment to our ongoing investment programme.

We also closely monitor our liquidity, as holding too much drives up interest cost. Liquidity levels dropped slightly, from 13.8% in 2014 to 12.5% in 2015, but are still very healthy and remain well above regulatory requirements.

How was 2015 for savers?

Even though interest rates remained low in 2015, we continue to do everything we can to protect the rates we pay. This means offering savings rates that are attractive but also financially sustainable, because we have to make sure that any savings money we bring in can be safely and sensibly lent onwards to borrowers.

Although we saw net outflow of £0.2bn (£0.3bn of inflow in 2014), our overall savings balances grew due to the interest we paid to savers. At the end of 2015, 90% of mortgages were funded by a combination of members' savings and profit previously generated. This proportion is broadly where we were in 2014, and in line with our expectations.

I am also proud that our average savings rates across the Group were 0.19%[4] above the market average. This reflects our commitment to offering savers a fair deal, which is also demonstrated in the introduction of our Savings Pledges.

You can read more about our Savings Pledges on page 12

£27.9BN
Overall savings balances

An increase from £27.8bn in 2014

166,000
New savings accounts opened in 2015

A decline from 200,000 in 2014

3,300
Group savings and mortgage Best Buy mentions in 2015[3]

3,000 in 2014[3]

Sources: [3]Presswatch Financial from Kantar Media. [4]Average savings rates based on savings stock from CACI's Current Account and Savings Database (CSDB) currently covering 85% of retail savings market (based on stock value). Data as at 31 October 2015.

What has 2015 been like for lending?

Intense competition in the mortgage market made 2015 a challenging year, as this drove rates ever lower. We've seen steady growth in our mortgage balances throughout the year, even though there has been an increase in customers paying off their loans and remortgaging (up from £5.0bn in 2014 to £5.8bn in 2015).

We've increased our share of lending in the Buy-to-Let market (up from £0.5bn in 2014 compared to £0.8bn in 2015). While this type of lending is not our main focus, there has been significant market growth in this area and participating helps ensure our overall mix of lending is diversified.

We're also really happy to have continued to support people buying their first home in 2015, and this accounted for 37% of our house purchase loans.

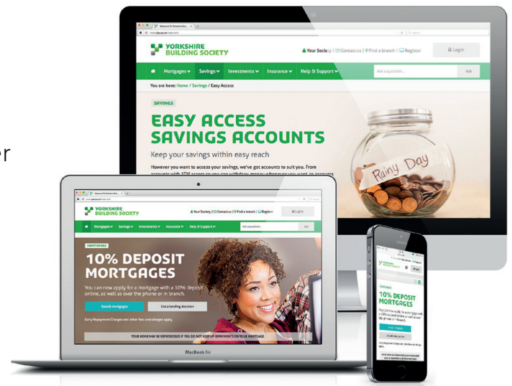
What improvements did customers see during 2015?

We've been investing in new and better systems and processes to improve our customers' experience.

In 2015, we introduced an online mortgage appointment booking service, meaning customers can directly check mortgage advisers' diaries and book an appointment either face-to-face in branch or over the phone, at a time and place that's most convenient for them.

As more customers want to manage their money online, we've continued the development of our web and mobile channels, offering customers even more choice and better service. In future, customers will be able to access a wider selection of savings accounts online, so they can find the right account for their needs more easily.

To learn more about how we're improving your online experience, turn to page 23



£6.9BN
Total gross lending

A slight decline from £7.6bn in 2014

£1.1BN
Net lending

A decline from £2.6bn in 2014

3.1%
Share of gross mortgage market

A decline from 3.7% in 2014

We've also reviewed our ID and customer verification process, putting ourselves in our customers' shoes to understand the outcomes of our actions and how they make customers feel. Similarly, we have improved our bereavement process so we can be more supportive at what is very difficult time. We've trained all our customer-facing colleagues so they are better able to help, and now have a dedicated office team with all the skills and knowledge to make the process as easy as possible. The changes we've made have been really well received by our customers.

How has 2015 been for people who work for the YBS Group?

I see every single one of our colleagues as integral to our business and we all play a vital part in ensuring that customers are at the very heart of what we do.

A big part of making sure we're doing everything we can to give colleagues a great experience is our annual research into how they are feeling. This allows us to see where we're doing well, and to track any concerns so we're able to put them right.

In 2015 we made a number of internal alterations to support our change programme and we also made adjustments to our Group pension schemes, bringing all colleagues together into one Retirement Savings Plan. As we expected, these changes have impacted our Colleague Engagement Score, which remained in line with the financial services industry but did fall from 78%[5].

70%

Colleague Engagement Score

A decline from 78% in 2014[5]

A number of other initiatives continued to benefit colleagues across the business; the delivery of over 30,000 training days and the launch of two new recognition schemes where colleagues can acknowledge and thank each other for their contributions.

Watch our videos at ybs.co.uk/agm to hear directly from your Chairman and Chief Executive.

Source: [5]ORC International

Can you explain the recent announcements about changes to your high street presence?

In 2012 we began a major investment programme focused on creating a modern business that makes the most of web and mobile developments, whilst retaining a strong commitment to face-to-face customer service.

As part of this programme, we recently announced plans for Barnsley Building Society to be rebranded to Yorkshire Building Society, and for Chelsea Building Society branches to become Yorkshire Building Society branches. The Chelsea Building Society name will remain, with services available online and over the phone.

These changes will result in some branch closures, largely where we have two branches in the same area and can continue to serve all our customers capably from the remaining branch.

Whilst these were difficult decisions to make, it is necessary that we continually review the way we do business to make sure we're acting in the best interests of the majority of our members. By making these changes, we believe we will be more efficient and cost effective, ensuring we can continue to offer long-term value.

What are your thoughts looking at the year ahead?

We believe that 2016 is going to be challenging, as we do not see market conditions improving substantially from 2015, particularly as political and regulatory change continues. We also expect the competition for mortgages and savings to continue to intensify and for the current low interest rate environment to stay for the time being.

The good news is that we're prepared for this. In setting our objectives, we've taken market conditions into account and set our growth plans accordingly.

Overall, we believe that 2015 was a good year of progress and performance for the Group. We know that 2016 will be a more difficult year with its own share of challenges, ones we've anticipated, and emerging ones, but we feel strongly that our measured approach and continued focus on the long-term interests of our members has us positioned well to weather these challenges.