

2017 ANNUAL GENERAL MEETING - CHAIRMAN'S PRESENTATION

Good afternoon ladies and gentlemen and welcome to the Annual General Meeting (AGM) of Yorkshire Building Society.

Before we begin the meeting, there are a couple of housekeeping points to mention:

There is no testing of the fire alarms planned for today, so if the alarms do go off, please leave through the nearest fire exit and congregate outside the restaurant next door to the entrance of the hotel. There are plenty of signs to direct you and our people will be on hand to help. Secondly, could I ask you to please ensure that your mobile phones are switched off.

Thank you.

I would like to start this meeting by introducing myself. I am John Heaps, Chairman of the Society.

I would also like to introduce your Board and Executive team. My colleagues who are here on stage with me are;

Mike Regnier, Chief Executive,

Robin Churchouse, Finance Director, and

Guy Parson, Non-executive Director and Chair of the Remuneration Committee

The remainder of the Board are sitting on the front row. We have Non-executive Directors; Neeta Atkar, Kate Barker, Alison Hutchinson, David Paige and Mark Pain. We also have Executive Director Stephen White.

They are joined by the remainder of the senior executive team, Charles Canning, Jane Hanson and Richard Wells. We also have our Group Secretary, Ann FitzPatrick.

Non-executive Director, Gordon Ireland, is unfortunately not with us today as he had another long standing commitment, and he sends his apologies.

I am delighted that this is Mike Regnier's first AGM as Chief Executive. Mike joined the Society in 2014 and was Chief Customer Office and Executive Director before his appointment to Chief Executive in January this year. Mike has considerable commercial and financial experience and during his time at the Society, he has demonstrated strong leadership, a thorough understanding of the mutual model and a clear strategic outlook. I am delighted that he has accepted the role to build on the Society's continued success.

I am also pleased to welcome Neeta Atkar to your Board as a Non-executive Director. Neeta is an experienced strategic risk professional with almost 30 years' experience in financial services having worked for the Bank of England and more recently TSB. Neeta is a very welcome addition to the Board.

This is a meeting of the members of the Yorkshire Building Society and I would like to thank you all for coming here today - we really do appreciate it when our members are able to take time to join us.

I should mention that some members' relatives or helpers have also joined us this afternoon. These people are not entitled to vote or ask any questions at this meeting, however, I am happy that in the interests of openness they are welcome to join us. May I assume that is agreeable to everyone?

Thank you.

The Notice of the Meeting was sent to all members eligible to attend and I propose that it be taken as read. I assume this is acceptable to you?

Thank you.

Before we turn to the formal business set out in the Notice and voting on the resolutions, I would like to set out our agenda for this meeting.

- After I have said a few words about your Society,
- Mike will give you an update on the Society's strategy, our performance to date and plans for the future,
- Robin will then outline our financial performance, and finally
- Guy will provide an update on directors' remuneration

I expect these presentations will take approximately 35 minutes and we will then have an open question session before we enjoy our afternoon tea, during which you will have a further opportunity to ask questions. Most importantly of all, I hope that you will find this meeting both interesting and informative.

As we meet today we cannot ignore the economic uncertainty that the General Election and UK exit from the European Union bring. Whilst we do not expect any material impact on the Society, you can be assured that we continue to closely monitor the external environment and have taken care to consider any potential impacts into our future planning.

Moving on to our performance, I am pleased to report that Yorkshire Building Society delivered another solid financial performance in 2016 and Mike and Robin will provide more detail on this in a few moments.

As an organisation owned by you, our members, who are also our customers, we consistently prioritise delivering good long term value to our membership and maintaining a strong, sustainable business fit for the future.

In order to do so we must remain alert to market forces and changing customer behaviours and ensure we make decisions that benefit the whole membership and not just sections of it.

That is why we took steps throughout 2016 to reduce the number of branches and brands that we have on the high street and why in January this year we made further announcements to withdraw the N&P brand, withdraw from the current account market and to close a further 48 branches that are no longer trading on a viable basis.

Let me be clear. We have taken these difficult decisions only after the most careful and thorough analysis, taking full account of the impact they will have on our members and our colleagues. They were taken to respond to the changing behaviours of our customers and to ensure the long term sustainability of the Society. We cannot ignore the fact that in the last 12 months more than three quarters of our customers did not visit a branch.

It follows that while we understand and fully appreciate the views that are held particularly by those affected, the greater concern would be if your Board failed to observe and understand the market trends and failed to act decisively in the interests of all our members.

In a sense this goes to the heart of our vision to be the most trusted provider of financial services in the UK. I would like to explain why we believe so strongly in that ambition by reference to three specific elements, namely:

1. The structure of our society.
2. Its governance and controls.
3. Our culture and how our people behave.

Let me start with the structure of the Society. As a building society, we are owned by our 2.9 million members. We don't have external shareholders and do not pay external dividends, which means we are able to focus our attention on the long term interests of our current and future members. We were set up to help people rather than make money from them and this remains true today. Whilst it is necessary for us to make a profit we only need to make sufficient profit to enhance our financial strength and pay for our investment programme. This gives us greater

flexibility to invest potential profits in better member value and investment for the future, ensuring the Society can grow and thrive for your benefit for the long term.

It is crucially important that we never lose sight of the importance of our mutual status. Mutuality is an attitude of mind as well as a structure model and your Board is totally committed to it.

Secondly, let me address the subject of governance. Governance is an increasingly widely used word which in this context means the way your Board functions and the controls we put in place. The composition of the Board is key. During 2016 I led a detailed review of the effectiveness of your Board to ensure it focuses on the right matters and is made up of people with the necessary skills, a diversity of experience and with appropriate succession plans in place. I am proud to tell you that all your Board members are people of the highest calibre who could each command senior positions in other major institutions.

The Board is collectively responsible for setting the Society's strategy, approving its framework of risk controls known as the risk appetite and for making the key decisions that ensure our long term success and the safety and security of your savings.

The Board also ensures that all the Society's activities and behaviours are aligned with our values which brings me to the third point, our culture.

There is a lot being said about culture in financial institutions, in other words, the way each organisation behaves. I am very pleased to say that long before it received the specific focus of the regulators it was a subject that was closely understood and developed here. This means we already have a strong and cohesive culture, the benefits of which you see every day with the interactions you have with our people. Because our culture is so important we are undertaking a major programme during 2017 to ensure we can properly describe, measure and fully embed our culture in line with our vision and strategy ensuring that every action is conducted to the highest professional standards while at the same time maintaining the warm, friendly and collegiate way of working that you have come to expect.

In summary, a combination of our mutual structure, the strength of your Board and the effectiveness of our culture combine to ensure that we will meet our Vision to be the most trusted financial services provider in the UK.

I will now hand over to Mike.

[Following presentations from the Chief Executive, Finance Director and the Chair of the Remuneration Committee, the Chairman continued as follows]

That brings us to the end of our presentations, thank you Mike, Robin and Guy for your contribution.

I would like to echo Mike's words of thanks to our people for their continued dedication, professionalism and the focus they demonstrate to achieving the Society's long term strategy, never wavering from a commitment to deliver an exceptional customer experience.

I would also like to say thank you to you and all our members for your continued support and loyalty to the Society.

Before we move onto questions, I would like to update you on a number of Board changes that have occurred since last year's meeting.

At the end of 2016, after five years as Chief Executive, Chris Pilling stepped down from his role and I would like to record our thanks to him for his tremendous contribution and outstanding leadership during his time with us. Chris was of course succeeded by Mike

Andy Caton, Chief Treasury and Corporate Affairs Officer and Executive Director, also stepped down in December last year. Andy played a key role in the success of the Society during his 25 years of service.

Non-executive Directors Dame Kate Barker and David Paige will both retire from our Board today after a combined service of more than 20 years. We are incredibly fortunate that we have been able to benefit from the valuable contribution they have each made to the Society and we wish them well for the future.

Finally, as I mentioned earlier, Neeta Atkar has joined your Board and we are very pleased to welcome her.

Now before we have our afternoon tea, we would like to hear your questions and then we will vote on the items on the agenda.

[Following questions from members and voting, the Chairman continued]

We now turn to the Notice of Meeting and the resolutions you are being asked to vote on which are:

- the 2016 Report and Accounts,
- the re-appointment of the Society's auditors,
- the approval of the Directors' Remuneration Report for 2016, and

- the re-election of the Directors. Please note that as Neeta was only appointed to your Board earlier this month you are not being asked to vote on her election at this meeting, however, you will be asked to vote on this at next year's AGM.

[The Chairman then explained the voting process and voting took place]

Because we have so many resolutions it will take about 30 minutes for the external scrutineers to count the votes recorded at this meeting and add them to the votes of members who have already voted by proxy. As I am sure you would rather be enjoying the afternoon tea rather than sitting in this room waiting for that length of time, I do have the results of the **146,094** votes already cast by proxy prior to the meeting, which are as follows:

The voting on item 1 relating to the 2016 Accounts:

98.57 % voted in favour

Voting on item 2 to re-appoint Deloitte LLP as Auditors:

96.29 % voted in favour

Voting on item 3 to approve the Directors' Remuneration Report for 2016:

89.67 % voted in favour

The following resolutions relate to the re-election of Directors.

Voting on item 4 to re-elect **Robin Churchouse**:

95.41 % voted in favour

Voting on item 5 to re-elect myself **John Heaps**:

95.16 % voted in favour

Voting on item 6 to re-elect **Alison Hutchinson**:

95.38 % voted in favour

Voting on item 7 to re-elect **Gordon Ireland**:

94.87 % voted in favour

Voting on item 8 to re-elect **Mark Pain**:

94.76 % voted in favour

Voting on item 9 to re-elect **Guy Parsons:**

94.47 % voted in favour

Voting on item 10 to re-elect **Mike Regnier:**

94.90 % voted in favour

Voting on item 11 to re-elect **Stephen White:**

94.07 % voted in favour

Based on these results, I declare that all of the resolutions are passed.

When we have the final results, taking into account today's votes, they will be displayed in the foyer outside this room, which will be in about 30 minutes time. They will also be available on the Society's website tomorrow and in our branches from Thursday.

I would like to thank you sincerely for your attendance today and for the thoughtfulness of your questions which are much appreciated. As I have already stated, listening to our members is very important to us and I can assure you that we will carefully consider all the comments you have raised today.

So, subject to the confirmation of the final voting results, that concludes the business of the meeting. Thank you again for attending and participating today.

I hope you are now able to join us for afternoon tea which is being served in the restaurant on the other side of the hotel reception area, and after that, I wish you all a safe journey home.

Thank you.