



Yorkshire Building Society

(Incorporated in England under the Building Societies Act 1986)

£5,000,000,000

Note Programme

**for the issue of Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes
with a minimum maturity of one month**

This Supplement (the “**Supplement**”) to the Prospectus dated 18 December 2018 (the “**Prospectus**”), which comprises a base prospectus, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the £5,000,000,000 Note Programme for the issue of Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes with a minimum maturity of one month (the “**Programme**”) established by Yorkshire Building Society (the “**Issuer**”). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and any other supplements to the Prospectus issued by the Issuer.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of the Supplement

The purpose of this Supplement is to:

- incorporate by reference and include certain (i) financial and other information from the Issuer’s Annual Report and Accounts 2018 published on 22 March 2019 (the “**Issuer’s Annual Report and Accounts 2018**”) and (ii) information from the Issuer’s Pillar 3 Disclosures 2018 published on 22 March 2019 (the “**Pillar 3 Disclosure 2018**”);
- update “*Liquidity*” in the “*Yorkshire Building Society*” section; and
- update the “*Significant or Material Change*” statement in the “*General Information*” section.

1 Certain Financial and Other Information for the Year Ended 31 December 2018

(a) Incorporation by reference of financial statements and other information

The Independent Auditor’s Report and the section titled “*Financial Information*” (which includes the auditor’s report and audited consolidated annual accounts of the Issuer and its subsidiaries for the year ended 31 December 2018) as set out on pages 85 to 179 of the Issuer’s Annual Report and Accounts 2018, which have previously been published or are published simultaneously with this Supplement and have been filed with the Financial Conduct Authority, shall, by virtue of this Supplement, be incorporated in, and form part of, the Prospectus.

The sections titled “*Minimum Requirement for Eligible Liabilities (MREL)*” as set out on pages 17 to 18 and “*Stress Testing Results*” as set out on page 19 of the Issuer’s Pillar 3 Disclosure 2018, which has

previously been published or is published simultaneously with this Supplement and has been filed with the Financial Conduct Authority, shall, by virtue of this Supplement, be incorporated in, and form part of, the Prospectus.

Copies of all documents incorporated by reference in the Prospectus can be obtained from the registered office of the Issuer at Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ and from the specified offices of the Paying Agents for the time being in London and Luxembourg. In addition, copies of the documents will be available at the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Supplement shall not form part of this Supplement.

Any non-incorporated parts of a document referred to above are either deemed not relevant for an investor or are otherwise covered elsewhere in the Prospectus.

(b) *Additional financial and other information*

In the Issuer's Annual Report and Accounts 2018, the Issuer also announced that as at and for the year ended 31 December 2018:

- *Lending*: the Group's gross lending was £8.9 billion (31 December 2017: £8.1 billion) and its net lending was £1.6 billion (31 December 2017: £1.0 billion);
- *Core Operating Profit*: the Group's core operating profit was £181 million (31 December 2017: £160 million);
- *Net Interest Margin*: the Group's net interest margin was 1.11 per cent. (31 December 2017: 1.23 per cent.);
- *Liquidity*: the Group's liquidity ratio was 13.9 per cent. (31 December 2017: 15.7 per cent.) and its liquidity coverage ratio was 159 per cent. (31 December 2017: 165 per cent.);
- *Cost/Income*: the Group's cost to income ratio was 61 per cent. (31 December 2017: 63 per cent.);
- *Common equity tier 1 ratio*: the Group's common equity tier 1 ratio was 16.3 per cent. (31 December 2017: 15.8 per cent.);
- *Leverage ratio*: the Group's leverage ratio was 5.8 per cent. (31 December 2017: 5.7 per cent.); and
- *Asset quality*: the value of the Group's retail mortgages three months or more in arrears (including possessions) was 0.38 per cent. (31 December 2017: 0.46 per cent.) and the number of accounts three months or more in arrears (including possessions) was 0.50 per cent. (31 December 2017: 0.58 per cent.).

By virtue of this supplement, this additional financial and other information forms part of the Prospectus.

(c) *Other financial information*

The financial measures presented by the Issuer under the section of the Prospectus entitled "*Yorkshire Building Society – Other Financial Information*" are updated as follows to reflect the additional financial information as at and for the year ended 31 December 2018:

Core Operating Profit

Core Operating Profit for the year ended 31 December 2018 is derived as follows:

	(£m)
Statutory profit before tax	193
<i>Reverse out:</i>	
FSCS levy ⁽¹⁾	(1)
Non-core investments ⁽²⁾	(7)
Timing differences -fair value volatility ⁽³⁾	(13)
Credit day 1 fair value ⁽⁴⁾	(3)
Restructuring provision ⁽⁵⁾	10
GMP equalisation ⁽⁶⁾	2
Other non-core items	(-)
Core operating profit	181

Notes:

- (1) The Issuer's share of the overall cost of funding failed institutions through this scheme.
- (2) Gains/losses on the Issuer's outstanding structured credit portfolio.
- (3) Reflects changes in market rates on some assets and liabilities. These are mostly timing differences and will reverse in time.
- (4) The release of fair value adjustment made on merger for the provision of expected lifetime losses.
- (5) Relates to restructuring costs expected to be incurred as a result of the business and organisational changes announced in 2018.
- (6) Relates to the High Court ruling that the Lloyds schemes had to equalise pension scheme benefits between males and females for the effects of GMP.

Net Interest Margin

Net Interest margin for the year ended 31 December 2018 is derived as follows:

	(£m)	
Total Interest Receivable	1,018.7	
Total Interest Payable	(547.0)	
	<u> </u>	471.7
<i>Net Interest Receivable for a 12 month period expressed as a percentage of mean assets:</i>		
Assets c/f	43,054.7	
Assets b/f	42,047.2	
Mean	<u> </u>	42,551.0

(£m)

Net interest margin **1.11%**

Liquidity

Liquidity as at 31 December 2018 is derived as follows:

	(£m)	
Cash in Hand & Balances with the Bank of England.....	3,539.8	
Loans and Advances to Credit Institutions.....	294.6	
Debt Securities	1,670.3	
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Total Liquid Assets	5,504.7	

as a percentage of SDLs:

Shares.....	29,558.6	
Amounts Owed to Credit Institutions.....	4,485.1	
Other Deposits.....	508.6	
Debt Securities in Issue	5,145.9	
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Total SDLs	39,698.2	

Liquidity ratio **13.9%**

Cost/Income Ratio

Cost/income ratio for the year ended 31 December 2018 is derived as follows:

	(£m)	
Management expenses	311.1	
<i>as a percentage of total income:</i>		
Net interest receivable.....	471.7	
Gains/losses arising on realisation	8.0	
Gains/losses on fair value volatility	20.1	
Fees and commission receivable	29.1	
Fees and commission payable	(21.7)	
Other operating income.....	3.1	
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Total income	510.2	

(£m)

Cost/income ratio **61%**

2 Liquidity

The following text is hereby added in the Prospectus at the end of (and forming part of) “*Liquidity*” in the “*Yorkshire Building Society*” section:

“The total capital ratio rose from 20.1 per cent. at 31 December 2017 to 20.3 per cent. at 31 December 2018 and is above the regulatory minimum.”

3 General Information

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 December 2018 and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since 31 December 2018.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus since the publication of the Prospectus.