

FINAL TERMS

18 November 2014

Yorkshire Building Society

Issue of £250,000,000 4.125 per cent. Fixed Rate Callable Reset Subordinated Notes due 2024 under the £5,000,000,000 Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus (the **Base Prospectus**) dated 7 March 2014 and the supplement dated 6 November 2014 to the Base Prospectus, which are both incorporated by reference in the Drawdown Prospectus (the **Prospectus**) dated 18 November 2014 which constitutes a prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. This document must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of the Prospectus are available for viewing at the office of the Issuer at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ and copies may be obtained from the Principal Paying Agent at 8 Canada Square, London E14 5HQ. The Prospectus has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

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|----|------|--|---|
| 1. | (i) | Series Number: | 218 |
| | (i) | Tranche Number: | 1 |
| | (ii) | Date on which the Notes will be consolidated and form a single Series: | Not Applicable |
| 2. | | Specified Currency or Currencies: | Sterling (£) |
| 3. | | Aggregate Nominal amount: | |
| | — | Tranche: | £250,000,000 |
| | — | Series: | £250,000,000 |
| 4. | | Issue Price of Tranche: | 99.267 per cent. of the Aggregate Nominal amount |
| 5. | (i) | Specified Denominations: | £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No Notes in definitive form will be issued with a denomination above £199,000 |
| | (ii) | Calculation Amount: | £1,000 |
| 6. | (i) | Issue Date: | 20 November 2014 |
| | (ii) | Interest Commencement Date: | Issue Date |
| 7. | | Maturity Date: | 20 November 2024 |

8.	Interest Basis:	Fixed Rate Reset Notes (see the Annex to these Final Terms)
9.	Redemption/Payment Basis:	Subject to any purchase or cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
10.	Change of Interest Basis:	Fixed Rate Reset Notes (see the Annex to these Final Terms)
11.	Put/Call Options:	<p>Issuer Call (further particulars specified below)</p> <p>In respect of Condition 6(e) (<i>Regulatory Event Redemption of Subordinated Notes</i>), the provisions of the Annex to these Final Terms shall apply</p>
12.	(i) Status of the Notes:	Subordinated
	(ii) Date Committee approval for issuance of Notes obtained:	5 November 2014

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	Fixed Rate Note Provisions	Applicable. The Notes are Fixed Rate Reset Notes (see the Annex to these Final Terms)
14.	Floating Rate Note Provisions	Not Applicable
15.	Zero Coupon Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION


16.	Notice periods for:	
	(i) Condition 6(b):	<p>Minimum period: 30 days</p> <p>Maximum period: 60 days</p>
	(ii) Condition 6(e):	<p>Minimum period: 30 days</p> <p>Maximum period: 60 days</p>
17.	Issuer Call:	Applicable
	(i) Optional Redemption Date(s):	20 November 2019
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	£1,000 per Calculation Amount
	(iii) If redeemable in part:	

(a)	Minimum Redemption Amount:	Not Applicable
(b)	Maximum Redemption Amount:	Not Applicable
(iv)	Notice periods:	Minimum period: 15 days Maximum period: 30 days
18.	Investor Put:	Not Applicable
19.	Final Redemption Amount of each Note:	£1,000 per Calculation Amount
20.	Early Redemption Amount payable on redemption for taxation reasons, (in the case of Subordinated Notes) for regulatory reasons or on event of default:	£1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21.	Form of Notes:	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes only upon an Exchange Event including the exchange event described in paragraph (c) of the definition in the Permanent Global Note
22.	New Global Note (NGN):	Yes
23.	Additional Financial Centre(s):	Not Applicable
24.	Talons for future Coupons to be attached to Definitive Notes:	No

Signed on behalf of Yorkshire Building Society:

By: 

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and listing on the Official List of the UK Listing Authority with effect from 20 November 2014.
- (ii) Estimate of total expenses related to admission to trading: £3,600

2. RATINGS

- Ratings: The Notes to be issued are expected to be rated:
- Fitch: BBB+
- Moody's: Baa2

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to Barclays Bank PLC, HSBC Bank plc, The Royal Bank of Scotland plc and UBS Limited (together, the **Joint Lead Managers**), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD (*Fixed Rate Notes Only*)

- Indication of Yield: 4.291 per cent. per annum for the period from (and including) the Interest Commencement Date to (but excluding) the Optional Redemption Date. The yield is calculated (on an annual basis) at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. HISTORIC INTEREST RATES (*Floating Rate Notes Only*)

Not Applicable

6. OPERATIONAL INFORMATION

- (i) ISIN Code: XS1140677250
- (ii) Common Code: 114067725
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): Not Applicable

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| (iv) | Delivery: | Delivery against payment |
| (v) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |

7. DISTRIBUTION

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|-------|---|---|
| (i) | Method of distribution: | Syndicated |
| (ii) | If syndicated, names of Managers: | Barclays Bank PLC
HSBC Bank plc
The Royal Bank of Scotland plc
UBS Limited |
| (iii) | Date of Syndication Agreement: | 18 November 2014 |
| (iv) | If non-syndicated, name of relevant Dealer: | Not Applicable |
| (v) | U.S. Selling Restrictions: | Reg. S Compliance Category 2; TEFRA D |

ANNEX TO THE FINAL TERMS

1. Definition of "*Regulatory Event*"

In Condition 6(j), the definition of "*Regulatory Event*" will be deemed to be deleted and replaced with the following definition:

"Regulatory Event means, as a result of any change (or pending change which the Supervisory Authority considers to be sufficiently certain) in the regulatory classification of the Notes under the Capital Adequacy Regulations that (if required by the then prevailing Capital Adequacy Regulations) the Issuer demonstrates to the satisfaction of the Supervisory Authority was not reasonably foreseeable as at the Issue Date of the Notes, all of the Notes are (or would be) excluded from the Issuer's Tier 2 Capital;"

2. Interest

Condition 5(a) (Interest on Fixed Rate Notes) will be deemed to be deleted and replaced with the following wording:

"5. Interest

(a) *Interest on Fixed Rate Notes*

1. *Rate of Interest*

The Notes bear interest on their nominal amount at the applicable Rate of Interest from (and including) the Interest Commencement Date in accordance with the provisions of this Condition 5.

For the purposes of these Conditions:

Interest Payment Date means 20 November in each year, starting on (and including) 20 November 2015, up to (and including) the Maturity Date;

Interest Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date); and

Rate of Interest means, in respect of each Interest Period commencing prior to the Optional Redemption Date, 4.125 per cent. per annum and thereafter means the Subsequent Fixed Rate of Interest, which has the meaning ascribed thereto in paragraph 4. below.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5(a).

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or,

if none, the Issue Date) to (but excluding) the next (or first) scheduled Interest Payment Date.

Where it is necessary to calculate an amount of interest in respect of any Note for a period which is more than one year, such interest shall be the aggregate of the interest payable in respect of a full year plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

2. **Calculation of Interest**

Interest in respect of any Note shall be calculated in respect of any period by applying the applicable Rate of Interest to:

- (A) in the case of Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Notes in definitive form, the Calculation Amount,

and, in either case, multiplying the resulting figure by the day count fraction as described above for the relevant period and rounding the resultant figure to the nearest pence (half a pence being rounded upwards). Where the denomination of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the relevant denomination, without any further rounding.

3. **First Fixed Rate of Interest**

For each Interest Period which commences prior to the Optional Redemption Date, the Rate of Interest shall be 4.125 per cent. per annum.

4. **Subsequent Fixed Rate of Interest**

For each Interest Period which commences on or after the Optional Redemption Date, the Notes bear interest at the Subsequent Fixed Rate of Interest. The **Subsequent Fixed Rate of Interest** shall be determined by the Agent as the sum of the 5 year Gilt Rate and the Margin (which sum is converted by the Agent from a semi-annual to an annual basis in a commercially reasonable manner), where:

5 year Gilt Rate means (i) if at least three Reference Government Bond Dealer Quotations are obtained by the Agent, the 5 year Gilt Rate will be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) or (ii) if fewer than three Reference Government Bond Dealer Quotations are obtained by the Agent, the 5 year Gilt Rate will be the arithmetic mean of all such quotations;

Interest Determination Date means the date falling one London Business Day prior to the Optional Redemption Date;

Margin means 2.90 per cent.;

Reference Bond means the UK government bond selected by the Issuer on the advice of an investment bank of international repute that would be utilised, at the

time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in Sterling and with a 5 year tenor;

Reference Government Bond Dealer means each of five banks (selected by the Agent (excluding the Agent or any of its affiliates) in its discretion after consultation with the Issuer), which are (i) primary government securities dealers or (ii) market makers in pricing corporate bond issues; and

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer, the arithmetic mean, as determined by the Agent, of the bid and offered yields for the relevant Reference Bond provided to the Agent by such Reference Government Bond Dealer at approximately 11:00 a.m. (London time) on the Interest Determination Date.

If no bid and offered yields for the relevant Reference Bond are provided by the Reference Government Bond Dealers, the Subsequent Fixed Rate of Interest will be 4.125 per cent. per annum.

5. ***Determination of Subsequent Fixed Rate of Interest***

The Agent will, as soon as practicable after 11.00 a.m. (London time) on the Interest Determination Date, determine the Subsequent Fixed Rate of Interest and shall promptly notify the Issuer thereof.

6. ***Notification of Subsequent Fixed Rate of Interest***

The Issuer shall cause notice of the Subsequent Fixed Rate of Interest and the amount of interest which will be payable per Calculation Amount on each Interest Payment Date in respect of which the Subsequent Fixed Rate of Interest applies (the **Interest Amount**) to be notified to the Trustee and to any stock exchange or other relevant authority on which the Notes are for the time being listed and to be published in accordance with Condition 19 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter.

7. ***Determination or calculation by Trustee***

If for any reason the Agent at any time defaults in its obligation to determine the Subsequent Fixed Rate of Interest or calculate any Interest Amount in accordance with this Condition 5(a), the Trustee shall determine the Subsequent Fixed Rate of Interest at such rate, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 5(a)), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent.

8. ***Determinations to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(a), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee

in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions."
