SUPPLEMENT DATED 4 SEPTEMBER 2017 TO THE PROSPECTUS DATED 28 JUNE 2017

Yorkshire Building Society

(Incorporated in England under the Building Societies Act 1986)

£5,000,000,000
Note Programme

for the issue of Ordinary Notes and Subordinated Notes with a minimum maturity of one month

This Supplement (the **Supplement**) to the Prospectus dated 28 June 2017 (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 Ordinary 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 financial and other information from the Issuer's Interim Management Report 2017 published on 1 August 2017 (the **Interim Management Report**);
- include a new risk factor relating to benchmarks regulation and LIBOR developments;
- update "Group Reserves" in the "Yorkshire Building Society" section;
- include a recent developments paragraph in respect of the Issuer; and
- include a new "Significant or Material Change" statement in the "General Information" section.

1. INTERIM MANAGEMENT REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

(a) Incorporation by reference of interim financial statements

The Interim Management Report includes the unaudited consolidated interim financial statements of the Issuer and its subsidiaries for the six months ended 30 June 2017 (including the notes thereto) and the auditor's independent review report thereon on pages 12 to 27 and page 29, respectively (together, the **Interim Financial Statements**). A copy of the Interim Management Report has been filed with the Financial Conduct Authority and, by virtue of this Supplement, the Interim Financial Statements are 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 document incorporated by reference in this Supplement shall not form part of this Supplement.

Any non-incorporated parts of the 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 its Interim Management Report, the Issuer also announced that as at and for the six months ended 30 June 2017:

- *Lending:* the Group's gross lending was £3.4 billion (30 June 2016: £3.5 billion) and its net lending (after repayments and redemptions) was -£2 million (30 June 2016: £521 million);
- *Core Operating Profit:* the Group's core operating profit was £84.2 million (30 June 2016: £62.5 million);
- *Net Interest Margin:* the Group's net interest margin was 1.20 per cent. (30 June 2016: 1.21 per cent.);
- *Liquidity:* the Group's liquidity ratio was 13.6 per cent. (31 December 2016: 12.8 per cent.) and its liquidity coverage ratio was 162 per cent. (31 December 2016: 160 per cent.);
- *Cost/Income:* the Group's cost to income ratio was 58 per cent. (30 June 2016: 60 per cent.);
- *Common equity tier 1 ratio*: the Group's common equity tier 1 ratio was 15.7 per cent. (31 December 2016: 14.9 per cent.);
- *Leverage ratio*: the Group's leverage ratio was 5.3 per cent. (31 December 2016: 5.1 per cent.); and
- *Asset quality*: the value of the Group's retail mortgages three months or more in arrears (including possessions) was 0.58 per cent. (31 December 2016: 0.68 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 six months ended 30 June 2017:

Core Operating Profit

Core Operating Profit for the six months ended 30 June 2017 is derived as follows:

	(£m)
Statutory profit before tax	**92**
Reverse out:	
FSCS levy(1)	3
Restructuring provision(2)	8
Non-core investments(3)	(6)
Net gains/losses from fair value volatility on financial instruments(4)	(8)
Mergers – adjustments to balances required	-
Other non-core items(5)	(5)
Core operating profit	**84**

Notes:

(1) The Issuer's share of the overall cost of funding failed institutions through this scheme

(2) Restructuring costs as a result of business and organisational changes announced during the first six months of 2017

(3) Gains/losses on the Issuer's outstanding structured credit portfolio

(4) Derived from the audited financial statements

(5) The impact of the following:

- the sale of properties that the Issuer would not expect to see on an outgoing basis (£2.1m)
- the Group's benefit from its shareholding in Vocalink following Vocalink's acquisition by Mastercard (£3.2m)

Net Interest Margin

Net Interest Margin for the six months ended 30 June 2017 is derived as follows:

	(£m)	(£m)
Total Interest Receivable	533.9	
Total Interest Payable	(295.2)	
		238.7
Multiplied by two to calculate Net Interest Receivable for a 12 month period		477.4
Net Interest Receivable for a 12 month period expressed as a percentage of mean assets:		
Assets c/f	39,836.7	
Assets b/f	39,595.5	
Mean		39,716.1

Net interest margin **1.20%**

Liquidity

Liquidity as at 30 June 2017 is derived as follows:

	(£m)	
Cash in Hand & Balances with the Bank of England	4,111.1	
Loans and Advances to Credit Institutions	432.2	
Debt Securities	454.9	
Other Liquid Assets	-	
Total Liquid Assets	**4,998.2**	
as a percentage of SDLs:		
Shares	(28,440.0)	
Amounts Owed to Credit Institutions	(3,334.0)	
Other Deposits	(419.3)	
Debt Securities in Issue	(4,695.8)	
Total SDLs	**(36,889.1)**	
Liquidity ratio		**13.6%**

Cost to Income Ratio

Cost to Income Ratio for the six months ended 30 June 2017 is derived as follows:

	(£m)	
Management expenses	**159.3**	
as a percentage of total income:		
Net interest receivable	238.7	
Gains/losses arising on realisation	9.7	
Gains/losses on fair value volatility	13.8	
Fees and commission receivable	16.5	
Fees and commission payable	(12.1)	
Other operating income	6.7	
Total income	**273.3**	
Cost / income ratio		**58%**

2. RISK FACTORS

The following risk factor is hereby included in the Prospectus immediately following the risk factor entitled "*Risk Factors – Risks related to the structure of a particular issue of Notes – The rate of interest of Reset Notes will be reset, which may affect the secondary market for and the market value of such Reset Notes*":

"The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to floating rate Notes whose interest rates are linked to LIBOR). Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark."

3. GROUP RESERVES

The following text is hereby added in the Prospectus at the end of (and forming part of) "Group Reserves" in the "Yorkshire Building Society" section:

"The total capital ratio rose from 17.3 per cent. at 31 December 2016 to 18.0 per cent. at 30 June 2017 and is above the regulatory minimum."

4. RECENT DEVELOPMENTS

- On 2 August 2017, Moody's announced that it had revised the Issuer's outlook on its senior unsecured debt (including the Ordinary Notes) from stable to positive.

- On 31 August 2017, the Issuer announced that its Chief Financial Officer, Robin Churchouse, has decided to leave the Group after 13 years of service. The process of finding a suitable successor is underway, and Rob Purdy, Deputy Finance Director, will take on the role of acting Chief Financial Officer when Robin leaves at the end of September 2017.

5. GENERAL INFORMATION

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2017 and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries since 31 December 2016.

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.