

**SUPPLEMENT DATED 16 DECEMBER 2022  
TO THE BASE PROSPECTUS DATED 6 JUNE 2022**



**Skipton Building Society**

(Incorporated in England under the Building Societies Act 1986)

**£2,000,000,000**

**Euro Medium Term Note Programme**

This Supplement (the **Supplement**) to the Base Prospectus dated 6 June 2022 (the **Base Prospectus**) which comprises a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Prospectus Regulation**), constitutes a supplementary prospectus for the purposes of Article 23 of the UK Prospectus Regulation and is prepared in connection with the Euro Medium Term Note Programme (the **Programme**) established by Skipton Building Society (the **Issuer** or the **Society**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

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

This Supplement has been approved by the Financial Conduct Authority (the **FCA**) which is the United Kingdom competent authority for the purposes of the UK Prospectus Regulation and relevant implementing measures in the United Kingdom for the purposes of giving information with regard to the issue of instruments under the Programme.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having 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 (a) incorporate by reference the Issuer's unaudited consolidated interim financial statements for the six month period ended 30 June 2022 (which includes the auditor's review report and unaudited consolidated interim accounts of the Issuer and its subsidiaries as at and for the six month period ended 30 June 2022) available at: <https://www.skipton.co.uk/investorrelations/wholesalefundingprogrammes/emtnprogrammes> (b) incorporate by reference the "Pillar 3 Disclosures 30 September 2022" which is available at:

<https://www.skipton.co.uk/investorrelations/wholesalefundingprogrammes/emtnprogrammes>; (c) incorporate an amendment to the risk factor titled "Impact of changes in IRB models and

*risk-weight floors*", as set out below; (d) include a new "Future Outlook" statement; and (e) include a new "Significant or Material Change" statement.

### **Documents incorporated by reference**

On 5 August 2022, the Issuer published its unaudited consolidated interim financial statements for the six month period ended 30 June 2022 (which includes the auditor's review report and unaudited consolidated interim accounts of the Issuer and its subsidiaries as at and for the six month period ended 30 June 2022) (the **Interim Financial Statements**). A copy of the Interim Financial Statements 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 Base Prospectus.

On 5 December 2022, the Issuer published its Pillar 3 Disclosures for 30 September 2022 (the **Q3 Pillar 3 Disclosures**). By virtue of this Supplement, the Q3 Pillar 3 Disclosures are incorporated in, and form a part of, the Base Prospectus.

Copies of all documents incorporated by reference in the Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London (as described on page 41 of the Base Prospectus) and are either available on 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](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) or on the National Storage Mechanism, <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Base Prospectus for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference by virtue of, or attached to, this Supplement.

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

### **Incorporation of amended risk factor**

The risk factor entitled "*Impact of changes in IRB models and risk-weight floors*" shall be deleted in its entirety and the following risk factor shall be incorporated into the Prospectus in its place on page 16 of the Prospectus:

#### "Impact of changes in IRB models and risk-weight floors"

Changes to how the Issuer applies its IRB model, or which may require the Issuer to calculate its risk-adjusted assets on the basis of standardised or loan-to-value-based standardised risk-weights, could have a material adverse impact on the Issuer's capital ratios, even if the Issuer remains profitable. In particular, RWA output floors are due to be implemented through a transitional period which, as detailed in CP16/22 (*Implementation of the Basel 3.1 standards*, published by the PRA on 30 November 2022), is expected to apply from 2025 to 2030, and other reforms for the calculation of risk-weights are also due to be implemented.

Further, a number of PRA reforms for IRB calibration have also been made effective from 1 January 2022. These include the amendment of all rating systems to align with the PRA's updated definitions of 'default', 'probability of default' and 'loss given default', floors for mortgage exposures and the amendment of the PRA's expectations regarding residential

mortgage rating systems. The reforms are designed to ensure less volatility in risk-based capital requirements through periods of economic stress by increasing starting RWAs closer to a through-the-cycle average. From 1 January 2022, mortgage exposures classified as in default are excluded from the 10 per cent. average minimum risk weight expectation and a revised temporary model adjustment ("**TMA**") has been applied to the IRB model output at portfolio level.

As at the date of this Supplement, the process for review and approval of the Issuer's IRB model is ongoing, and as a result of this review process a revised TMA is currently being applied to the Issuer's IRB model. The revised TMA uplifts the expected loss and RWAs produced by the incumbent regulator-approved IRB models to the level expected once the models are finalised to meet the new regulation. This adjustment is applied at portfolio level. Until the IRB models are approved by the PRA, the revised TMA remains subject to change and may cause further movements in the capital metrics.

Whilst the revised TMA was not in place as at 30 September 2022, it has been applied throughout the Q3 Pillar 3 Disclosures as at 30 September 2022 to provide transparency as to the indicative impact of the revised TMA.

As detailed in the Q3 Pillar 3 Disclosures, the revised TMA results, as at 30 September 2022, in a reduction in the Issuer's CET1 ratio to 24.3% (36.5% as at 30 June 2022) and a reduction in the Issuer's MREL ratio to 29.5% (44.1% as at 30 June 2022).

The adjustments to the TMA represent a re-calibration of the Issuer's model to align with its present understanding of its regulatory requirements, rather than any substantive underlying change in the capital resources the Issuer holds or its assessment of the risk profile of its assets.

The introduction of an RWA floor for secured lending combined with the IRB calibration changes described above and the implementation of new secured models, may lead to further increases in the Issuer's RWAs over time. The Issuer does not currently expect any increase in risk weights from its IRB calculations although there can be no certainty that the Issuer's RWAs won't change further once IRB models are finalised and have undergone further PRA approvals. This may mean implementation of new IRB models results in a further reduction to its CET1 ratio and a further reduction to its MREL ratio, in each case relative to 30 September 2022."

### **General Information**

The paragraph "Future Outlook" on page 143 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

"The outlook for the Society is positive and it considers that it is well positioned to face the uncertainties that exist as the UK moves to living with the pandemic, while its population begins to deal with a cost-of-living crisis due to ongoing high inflation in the UK economy.

The changes in the economic environment have been and are moving at a fast pace, with inflation generally embedding from geopolitical factors such as the war between Russia and Ukraine and the associated increase in energy prices. A change in senior government roles also brings additional uncertainty, both in the economy and the Society's primary market,

housing. Interest rates in the UK are at their highest level in fourteen years, following a sustained period of very low rates, and are currently predicted to rise further over the coming year. Whilst competition in the housing market is currently cooling, the risk of affordability is high on the agenda. The Society considers that its strong financial and capital position, diversified business model and compelling customer proposition mean it is well placed to continue to deliver for its members during these uncertain times."

The paragraph "Significant or Material Change" on page 162 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

"There has been no significant change in the financial performance or financial position of the Issuer's Group since 30 June 2022.

There has been no material adverse change in the prospects of the Issuer since 31 December 2021."

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base 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 Base Prospectus since the publication of the Base Prospectus.