



Our review of 2014

Annual General Meeting 2015
Monday 27 April, 6.30pm





“We strive to deliver excellent customer service and I would like to thank all our people for their commitment in making this happen so often throughout 2014.”

Group Chief Executive

Welcome to our review of 2014. I'm pleased to say that throughout the year we've steadily increased our customer numbers and further improved our financial strength. This booklet shares some of the many examples of how we've invested in the products and services we offer, as well as our people and the communities in which we operate.

I'm very aware of the impact that low interest rates are having on savers, with the Bank of England Base Rate being held at 0.5% for a sixth successive year. However, our strong growth in retail balances demonstrates our competitiveness relative to the market. We responded to the 2014 Budget announcement and quickly made sure our customers could use their new ISA allowance in full, with a range of products that was very popular.

I was also delighted that we put customer feedback into action when we launched our

Loyalty Regular Saver account exclusively for our loyal members.

We remain committed to listening to our members and finding out what's important to them. Our new Retirement Planning Service, developed in conjunction with our customers, has already helped many of our members make the right plans for their life ahead. We're proud that we've been independently recognised for our customer service and, following Nunwood's annual survey, we are now ranked in the top three UK financial services providers for customer service excellence.

Please make sure you vote at our AGM and have your say in how the Society is run. On pages 16-17 you can read more about your Board members and the back page gives full details of our AGM, including how to vote online.

David Cutter
Group Chief Executive

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2014 at a glance

February

- Skipton joins the Government's Help to Buy Shared Equity Scheme

April

- Annual General Meeting
- Implementation of Mortgage Market Review changes

June

- New Retirement Planning Service launches

September

- Grassroots Giving voting opens
- Fitch upgrades Skipton's credit rating
- Free Will offer starts
- Skipton reduces Residential Mortgage Variable Rate to 4.99%

November

- 'DNA of Retirement' research
- Grassroots Giving winners announced
- Loyalty Regular Saver account launches

March

- Budget announcement
- Skipton is 'NISA ready'

May

- 2014 Grassroots Giving scheme launches

July

- New ISAs top-up window
- All new skipton.co.uk launches
- Tour de France comes to Skipton

October

- 13th in Nunwood's Customer Excellence Survey
- Moody's upgrades Skipton's credit rating
- Re-accredited for Customer First and Investors in People (Gold)
- 'Real Life Lending' Charter launches for mortgage brokers

December

- Skipton Online gets a new look
- Skipton's capital strength improves further achieving a CET1 Capital Ratio of 16.2% (14.2% Dec 2013)

Our year in numbers

Here are some of the highlights

Net
Satisfaction
88%

(% satisfied customers (92%)
minus % dissatisfied customers
(4%), 2,400 customers asked
in Nunwood Customer
Experience Measurement
research, Jan-Dec 2014)

13,679

more mortgage
customers
than 2013

Nunwood Customer
Experience
Excellence Survey

13th

out of 263 UK brands

Source: Nunwood, August 2014

15

more branches
refurbished

Free Wills written
for customers

3,111

Our colleagues
raised over

£30,000

for charity

161

community groups helped
by Grassroots Giving

Investors in
People

Gold
Accreditation

33,004

Loyalty Regular
Saver accounts
opened

More than

27,000

votes cast for
Grassroots Giving

17,215

more savings
customers
than 2013

Over

30,000

ISA progress texts
sent to customers

Charitable Foundation gave

£122,000

to charities

Help to Buy
mortgages

667

11.7%

growth in
savings
balances

Skipton Direct
telephone team
increased by

49%

to 225 advisers

Over

800

Best Buy
product table
mentions

11.2%

growth in
mortgage
balances

Over

1.2 million

skipton.co.uk users

28,573

customers attended
Reviews in branch

Improvements for our customers



Focus on customers continues to drive improvements

Our commitment to keeping our customers at the heart of everything we do constantly shapes the way we communicate.

So whether they choose to call us, go online or visit a branch, our priority is to make sure our customers can find all the information they need in the most convenient way possible.

Enhancing our customer service

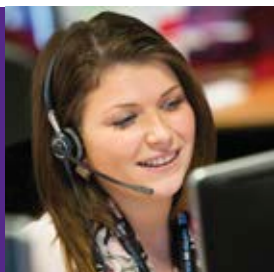
Over the last twelve months we've made a number of key updates to our existing services, from a redesign of our secure website for managing your accounts online that makes it easier to navigate, to the expansion of our Skipton Direct call centre - still based at our head office in Skipton - helping us to answer calls quicker and devote more time to our customers. We've also refurbished 15 more branches, introducing energy efficient technology where possible, to create a better branch environment.

In November, we introduced a service to update customers by text with progress on their mortgage application and we've already received positive feedback on this. We've also now joined many other banks and building societies in offering an electronic ISA transfer service, meaning ISA transfers will usually be completed more quickly.

We always want to hear what our customers think, whether good or bad. That's why we constantly measure our customer satisfaction levels and actively encourage feedback. When we heard that some of our customers were confused by different charges for calling us we responded by changing all our Skipton Direct lines to 0345 numbers so that calls are charged at the standard network rate.

Since 2013 we've invested in new leadership programmes for our managers, as well as an in-depth customer service training programme for our customer-facing colleagues. This gives them the skills to provide the right help and information to customers and goes hand in hand with our 'No Pressure Promise' which gives our customers the time and space to make their own decisions.

Our commitment to making improvements will continue into
2015



Better connected

Alison Davies, Head of Digital, talks about how technology will enhance the future at Skipton



Q. How is technology changing what Skipton can offer its customers?

A. We'll be using digital technology to give our customers more choice in how they interact with us. We plan to make more products available online and improve our secure website, so customers can access and operate their accounts more easily. In 2015 we want to learn more about our customers, to help us offer the best possible experience whether online, over the phone or in our branches. Watch this space for new initiatives in 2015 and beyond.

Q. How closely do you involve customers in developing new ideas?

A. We involve our customers as much as we possibly can and we regularly interact with our Customer Panel. We also carry out user testing on new projects so we can be confident that we're creating exactly what our customers want.

Q. In this age of advanced technology do we still need high street branches?

A. Absolutely! We know that our customers love the service we offer in branches and we don't want to remove that face-to-face option. We also know that some customers don't live or work near a branch and prefer to manage their money remotely. Our aim is to give our customers the freedom to interact with us however they want.

Q. Look into the future and pick the one emerging technology that will have the biggest impact on customers.

A. We know our customers appreciate the service they get in our branches but it's difficult to replicate online. We're looking at ways to make sure that customers will receive that same great service no matter how they contact us. This year we'll be testing web chat and looking into video conferencing to reassure our customers that although they may be dealing with us remotely there is always a real person behind the scenes ready to offer support.

Top satisfaction survey recognises improved service

We were delighted to come 13th out of 263 UK brands in the annual Customer Experience Excellence Survey. Conducted in August 2014 by customer experience consultancy Nunwood, over 7,500 consumers were asked about their experience of the UK's best-known brands. Not only did the survey place us above companies like Virgin Atlantic and

Sainsbury's but we're now hot on the heels of John Lewis, Waitrose and Marks & Spencer. In fact, we're the third highest rated bank or building society in the survey.

Not that we'll be resting on our laurels though, as Rebecca Allsop, Head of Customer Strategy and Planning explains: "This result recognises the huge investment we've made in training and technology to help us offer better customer service. We have our sights set on more improvements and even better service in 2015."

Shaping Skipton with your help

Customer Panel - making sure members' opinions count

Introduced in 2012, our Customer Panel now has more than 4,000 members. We ask the panel for feedback on a range of topics, from our product range to how they feel about managing their finances on their mobile and their thoughts on our digital plans.

This information is vital in helping us to offer products and services that are right for our customers. For instance, our Customer Panel was heavily involved in the development of our new Retirement Planning Service. We consulted with Panel members at every stage, both via email surveys and in person at a series of Customer Forums. In fact, we created a specific 'Retirement Forum' to focus on the service.

Building this close relationship with our customers allows us to respond directly to their needs. You told us that you wanted to be rewarded for your loyalty so, between

17 November 2014 and 24 January 2015, we offered a special savings rate for customers who had continuous membership since, at least, 25 January 2014.

Our Customer Panel now has more than **4,000** members

Have your say

The more Panel members we have, the better we can understand what our customers want. That's why we're looking to expand our Customer Panel even further in 2015. If you're not already a Panel member, we'd love you to join. Your input could make a big difference; we'll send you a few email surveys each year and keep you updated about other ways to get involved.

To find out more, visit skipton.co.uk/customerpanel

Members give thumbs up to Skipton Online



The recent redesign of Skipton Online - our secure site for managing your Skipton accounts - shows the key role that our Customer Panel now plays in shaping our decisions.

When we gave Customer Panel members a sneak peak, the majority told us they preferred the new design, saying "it looks less cluttered", "it's more attractive and legible" and "it seems more welcoming".

The redesign went live on 14 December 2014 - and now those same members can enjoy a better customer experience thanks to their involvement in the decision making process.

"Retirement Reviews? They're my favourite part of the job."

Name: Peter Jennings

Job Title: Senior Customer Adviser,
Leeds Branch



"Many members have benefited from a Retirement Review since we launched the service in June 2014. The review gives customers a complete picture of their financial situation and their options for retirement. It's something we encourage everyone to do, whatever their age, so they can make sure they have all the right plans in place for the retirement they want.

"We get a huge variety of people coming in to see us and the fact that no two customers are the same makes every Retirement Review unique. I try to understand their plans for retirement and discuss all the available options. I'm working to their agenda, not mine. If it's right for them I'll also suggest a review with a colleague from our wholly owned subsidiary, Skipton Financial Services Limited (SFS). There's a qualified SFS Financial Planning Manager in every Skipton branch who will work hard in partnership with us to make sure our customers can make the right decisions for them. This is especially relevant given the major changes to pensions that come into effect in April 2015.

"Customers are understandably wary of being sold something that they don't really need so I always make sure I tell them about our No Pressure Promise. That means giving our customers as much time as they need to make the right decision for their financial future.

"Sometimes customers are worried that they've put off discussing their retirement plans with someone for too long, others are surprised at just how many options are open to them. I get a lot of satisfaction from making sure our customers have all the information they need and hopefully putting people's minds at rest. One customer told me that coming into the branch was the best decision she'd ever made because we were there for her when she needed us most. It's definitely my favourite part of the job. I leave work knowing that I've helped people's lives in a really positive way."

Five sides to every retirement story

Skipton is shedding new light on retirement

With 10 million people in the UK nearing retirement age it seems obvious that such a large group will have a wide variety of aspirations and future plans. Yet those about to retire are all too often stereotyped as one group with a single outlook on life.

In 2014 we undertook groundbreaking research to challenge these ideas. The results of this research, together with our Retirement Review, is helping those approaching life after work plan for a future that's right for them.

Name: Rebecca Allsop	Job Title: Head of Customer Strategy & Planning
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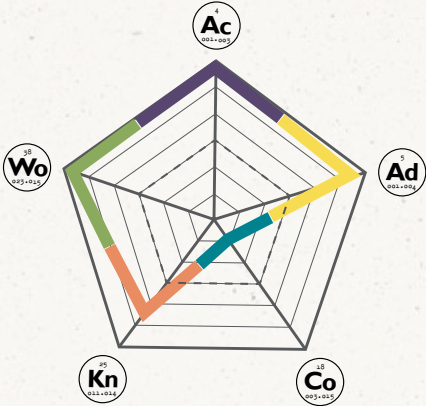
"At Skipton we're always looking at ways to understand our customers better. We think it's the best way to make sure we offer the right products and services. Our customers told us they wanted more help planning for life after work so we commissioned a scientific study to get more insight into what people want from retirement.

"The study used a variety of research techniques including skin response technology to reveal the customers' conscious and subconscious reactions to images of life after work. This helped us to form a detailed picture of what motivates people when they think about retirement and revealed that many of them had a negative reaction to traditional views."

Five key personas Our research identified that a combination of the five key 'retirement personas' makes up a person's unique retirement profile.

- 04 Ac** **ACTIVITY SEEKER**
Values physical activity & fitness now and into retirement
- 05 Ad** **ADVENTURER**
Takes risks & seeks thrills in their activities
- 18 Co** **COMFORT SEEKER**
Appreciates home comforts & the simpler things in life
- 25 Kn** **KNOWLEDGE SEEKER**
Wants to keep learning from others & the environment
- 41 Wo** **WORKER**
Prefers to keep working in some way

Bob Tidman - Retirement Consultant
Profile: Worker/Activity Seeker/Adventurer/Knowledge Seeker



What's your retirement profile

The results of the study are fascinating and they also have a practical application. We're currently developing a tool that you will be able to use in branch to identify your individual retirement profile.

Name: Sally Birch
Job Title: Regional Manager

"We'll simply ask customers to answer a few questions about their lifestyle and aspirations, and our tool will work out their retirement profile. It will be a great way to focus customer's minds on what they want from their retirement, what that means financially and how we can best help them achieve their goals."



Behind the Science

Name: Dr Jack Lewis
Job Title: Neuroscience Consultant

"What I found most fascinating about the study was that people completely rejected traditional retirement clichés such as 'golden years' or 'the start of a well-earned rest'. Some people see it as a new chapter, but others don't envisage much change to their lives at all."



"For too long our view of retirement has revolved around outdated ideas. Skipton has shown that life after work is becoming more personalised. Using this research to help shape their own unique future plans can only be good news for retirees."

Will you retiresavvy?

Skipton is helping people navigate the world of retirement with the launch of a unique online resource. Whether you're considering plans for your future retirement or already retired we'd like you to be among the first to benefit.

With contributions from a community of retirees, bloggers and journalists, retiresavvy.co.uk has invaluable insights on everything from starting a new career in retirement, to making sense of the new pension rules.

To help retiresavvy develop, we'd love to know what you think of the site – just email info@retiresavvy.co.uk



To get a head start on your retirement, visit retiresavvy.co.uk

Helping our customers to buy, save and plan



Our founding principles are still helping customers today

When Skipton was founded in 1853, we were determined to provide opportunities for ordinary people to buy their own homes. We've been proud to do this ever since.

In 2014 this commitment was extended when we joined the Help to Buy Shared Equity Scheme. Underwritten by the Government, Help to Buy allows people to buy a newly built home with just a 5% deposit. It's helped thousands of people buy their first home, or move up the property ladder.

Since joining Help to Buy, our products have been hugely popular, as Head of Products, Kris Brewster explains:

"Our Help to Buy products have made home ownership an affordable reality for even more of our members. Having only joined the scheme in February 2014 we've since been responsible for 2.3% of all Help to Buy mortgages, which is around double our usual market share.

"Almost 3,000 first time buyers chose a Skipton mortgage in 2014 - up 29% on 2013 - and there's no doubt that our Help to Buy products have been key to this."

Leaving a legacy

It's so important to have the right plans in place for the future. That's why we offered customers a free Will Writing Service between September and December 2014. More than 3,000 people took up the offer and now have the peace of mind that their wishes are known and that their family will be spared additional distress at a difficult time.

Of course, the offer was backed by our No Pressure Promise which gives our customers the freedom to make their own decisions in their own time with no pressure whatsoever.

We're pleased that this initiative means our customers feel better prepared for the future and confident that they have the right plans in place.

Free Will customer feedback:

"I'm so happy about the will."

"It was a very straightforward, easy thing to do."

Savings balance

It's been another challenging year for savers with the Bank of England Base Rate still at 0.5% and the continuing impact of the Government's Funding for Lending Scheme. We have to balance our savings rates with record low borrowing rates in the market and

The average interest rate we paid across all our savings accounts in 2014 was

1.94%

this means we have to price our products carefully and consider all our members. Despite this, we have offered many attractive accounts

in 2014 and we've had 448 mentions in savings best buy tables. Our products have been popular with our customers too. In 2014 we've grown our savings balances by 11.7% and we ended the year with 17,215 more savings customers than in 2013. We'll keep working hard to make sure we've got the balance right.

Speedy reaction makes the most of new ISA rules

At Skipton we've always tried to look after our savers, so when Chancellor George Osborne announced New ISA (or NISA) rules in his Budget in March 2014, we moved quickly to pass on the benefits to our customers. We were the first in the market to announce changes that made sure our Cash ISAs would be 'NISA ready', including a top-up window for Fixed Rate Cash ISAs during July 2014.

Being so quick off the mark is certainly something that Commercial Director, Ian Cornelius is proud of: "More fairness in tax-free savings is something that

we've been campaigning for on behalf of customers for years. So when the increase in ISA allowance to £15,000 was announced, we not only welcomed the move but were also determined to make sure our members could use their increased allowance from 1 July 2014."

Ian believes this commitment was recognised by our customers: "Our cash ISAs have been hugely popular since the rule changes, with twice as many accounts opened in 2014 compared with the previous 12 months."

A more rewarding account

In November 2014 we were delighted to be able to recognise and reward our members' loyalty when we launched our Loyalty Regular Saver account. Customers who had continuous membership since at least 25 January 2014 were given exclusive access to a better interest rate than our standard

Regular Saver account. Not only did we receive a great response from customers but over 30,000 new accounts were opened before the closing date in January 2015. We're already exploring other ways to say thank you to our members in 2015 and beyond. We look forward to revealing more about our plans soon.

33,004

Loyalty Regular Saver accounts

Foundations for the future

Skipton helps community groups to flourish

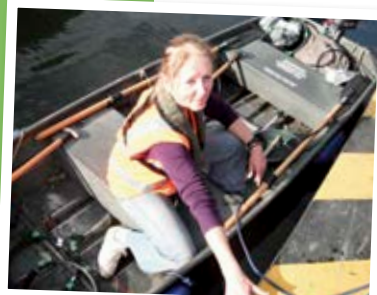
Following its introduction in 2013, Grassroots Giving, our national scheme to support local causes, has gone from strength to strength and is now in its third year.

Open to small groups, clubs and organisations in the UK which aren't registered charities, Grassroots Giving encourages applications from those who make a real difference to their communities. Eligible applications are put forward for an online public vote to decide the winners who will each receive a donation of £500.

Meet one of the winning groups:

London Canal Volunteers

Keeping the capital's canal network free of litter is an important task and one undertaken enthusiastically by this group of volunteers. The London Canal Volunteers have used their £500 from Grassroots Giving to purchase a second boat. These aluminium 'dories' are used to collect rubbish from the water and banks of the canal, helping to make London's waterways nicer places for everyone to enjoy.



An overwhelming response

The response in 2014 was fantastic, with over 27,000 people casting their votes. In November the 161 winners were announced with £80,500 going to community projects throughout the UK - from cricket clubs and choirs to social groups for the elderly and support for disabled children. As coordinator Roy Prenton explains, Grassroots Giving is about much more than just giving money:

"Our £500 donations are always very welcome but the real purpose of Grassroots Giving is to help these groups to help themselves - and their communities. We offer an online directory of resources to help small groups with everything from recruiting more volunteers to accessing the grants which are available. Being shortlisted can also help groups to increase awareness in their local area.

"We've also teamed up with Project Dirt, a social network for voluntary groups. It's another great way for small groups to publicise their work, share best practice and even work together. Grassroots Giving is about helping these organisations to develop strong roots and a sustainable future. We're already looking forward to supporting 162 new organisations in 2015".



A strong foundation

The Skipton Building Society Charitable Foundation is another way that Skipton supports the community. Established in 2000, the Foundation supports registered charities through donations of up to £10,000, focusing on the education and welfare of children and support and care for the elderly.

In 2014 the Foundation gave £122,000 to 79 charities, ranging from out of school initiatives to community projects and care groups.

Recent recipients include the Vauxhall City Farm Riding Therapy Centre, which helps disabled and disadvantaged children learn to ride and Bierley Community Association which runs a community centre for older people in Bradford.



Volunteering in the community

Our teams are generous with their time too. In 2014 we launched a formal volunteering policy which encourages Skipton colleagues to spend up to two days a year volunteering in communities. So far we've helped plant new woodlands in the Yorkshire Dales, accompanied local disadvantaged children on a trip to the zoo and hosted children with disabilities at our head office for a day of fun-filled activities.



Doing their bit

Our colleagues are always keen to get involved in charity fundraising. Throughout 2014, our head office and branch teams have organised many events, from selling treats for Macmillan's 'World's Biggest Coffee Morning', to dusting off their terrible Christmas knitwear for Save the Children and putting on their running shoes at 10K events. In 2014, Skipton colleagues raised over £30,000 for a number of charities, including The Royal British Legion, Pendleside Hospice and Children in Need.

"We're delighted by the support from Skipton Building Society and Skipton Financial Services Limited and thank them for taking part in the 10K race and raising such a fantastic amount of money".

Kaye Bartle, Fundraising Manager,
Pendleside Hospice



Meet your Board



Joined
Board
2000

David Cutter, 53

Responsibilities: Group Chief Executive, Chairman of the Executive and Retail Credit Committees and member of the Asset & Liability Committee.

Previous experience:

A Chartered Accountant, joined the Society as Head of Internal Audit.

Other roles: Chairman of the Building Societies Association and Trustee of The Craven Educational Trust.

What I bring to the Board: Over 20 years' experience working in many areas of the business, including periods as Operations Director and Group Corporate Development Director.



Joined
Board
2011

Robert East, 54

Responsibilities: Chairman of the Risk Committee and member of the Nominations Committee.

Previous experience: Senior roles in retail and commercial banking with Barclays plc.

Other major directorships:

Chief Executive of Cattles Limited and Non-Executive Director of Hampshire Trust plc.

What I bring to the Board: Extensive experience in, and understanding of, retail and commercial banking in the UK and internationally over 35 years.



Joined
Board
2007

Peter Hales, 68

Responsibilities: Member of the Risk and Nominations Committees.

Previous experience: Sales and Marketing Director of Norwich Union, Director of General Accident and CGU.

Other major directorships: Chairman of Sandringham Financial Partners Limited, Trustee of Chartered Insurance Institute Pensions Scheme and Clear View Assured Limited.

What I bring to the Board: Experience of working at a senior level in regulated financial services for over 25 years.

SPECIAL NOTE: Peter is retiring as a Director and so he is not standing for re-election at the 2015 AGM.



Joined
Board
2011

Mike Ellis, 63

Responsibilities: Chairman of the Board and the Nominations Committee.

Previous experience: Held various senior executive positions with Halifax Building Society

and its successor Halifax plc, Board member of Halifax plc 1997-2001 and HBOS plc, where he was Group Finance Director from 2001-4 and 2008-9.

Other directorships: M H Ellis Consulting Limited and Leeds Theatre Trust Limited.

What I bring to the Board: Over 25 years experience in financial services.



Joined
Board
2013

Cheryl Black, 56

Responsibilities: Member of Audit, Remuneration and Nominations Committees.

Previous experience: Senior customer service and operations roles at Orange and NTL, member

of Scottish Water Board 2002-6, Customer Service Director for Telefonica O2 2006-11.

Other major directorships: Non-Executive Director at Unum Limited and Telefonica UK Pension Trustee Limited.

What I bring to the Board: I'm passionate about using great customer service as a route to business success.



Joined
Board
2012

Graham Picken, 65

Responsibilities: Member of Audit, Risk and Nominations Committees and a Non-Executive Director of Connells Limited.

Previous experience:

Senior positions at HSBC, including Executive Chairman of First Direct and Chief Executive of Forward Trust Group. Non-Executive Director then Chief Executive of Derbyshire Building Society 2005-9.

Other directorships: Chairman of the FTSE listed HICL Infrastructure Company Limited and Non-Executive Chairman of Hampshire Trust plc.

What I bring to the Board: Wide experience of financial services and business management generally.



Joined
Board
2012

Helen Stevenson, 54

Responsibilities: Member of Risk, Remuneration and Nominations Committees.

Previous experience: 19 Years with Mars Inc, Group Marketing Director of Lloyds TSB 2003-6,

Chief Marketing Officer of Yell Group 2006-11.

Other directorships: Non-Executive Director of St Ives plc, Non-Executive Director of Trinity Mirror Group plc and member of Henley Business School Advisory Board.

What I bring to the Board: A passion for maintaining a strong connection in the boardroom between the customer and commercial agendas.



Joined
Board
2012

Marisa Cassoni, 63

Responsibilities: Chairman of Audit Committee and member of the Nominations Committee.

Previous experience: Group Finance Director of John Lewis Partnership,

senior positions at Royal Mail, Britannic Assurance and the Prudential.

Other major directorships: Non-Executive Director of GFI Group Inc, the FTSE All-Share listed AO World plc and the AIM listed The People's Operator plc.

What I bring to the Board: Chartered Accountant with 40 years' experience as a financial professional and 20 as a Board Director across various customer facing industries, including financial services.



Joined
Board
2012

Ian Cornelius, 46

Responsibilities: Commercial Director, member of the Executive Committee and Chairman of the Skipton International Limited Board.

Previous experience:

Commercial Director of Homeloan Management Limited, senior roles at Virgin Money, Bradford & Bingley, Capital One and Boots.

What I bring to the Board: A strong and clear focus on customers. Ensuring that we continually improve our products and services.



Joined
Board
2009

Peter (Nimble) Thompson, 68

Responsibilities: Deputy Chairman. Chairman of the Remuneration Committee and member of the Audit and Nominations Committees.

Previous experience: Deputy Chairman of

Eversheds and Chairman of NG Bailey.

Other directorships: Deputy Chairman of the Institute of Directors, Non-Executive Director of Rushbond plc, TEP Electrical Distributors Limited and Giggleswick School.

What I bring to the Board: I try to bring a straightforward, common sense approach, backed by a wide business and legal experience.



Joined
Board
2015

Bobby Ndawula, 41

Responsibilities: Group Finance Director, Chairman of Asset and Liability and Model Governance Committees, member of Executive and Retail Credit Committees

and Chairman of our subsidiaries Amber and NYM.

Previous experience: A Chartered Accountant, who has held a number of senior positions in Group Finance and Financial Risk before appointment as Group Finance Director.

What I bring to the Board: 11 years' experience with the Society, including managing all aspects of financial risk and a desire to ensure that our customers' financial and service interests are safeguarded.

Summary Financial Statement



This financial statement is a summary of information from the audited Annual Report and Accounts, which are available now to members and depositors online at www.skipton.co.uk/financialresults or free of charge on demand at every office of Skipton Building Society from 31 March 2015.

Summary Directors' Report

It is pleasing to report an excellent performance. The Society has remained true to its mutual heritage, continuing to balance the needs of savers and borrowers.

Our vision is *Building a Better Society*, and considerable progress was made during 2014 towards making this a reality:

- The Society continued to grow with a 31,276 increase in members, taking our membership to 794,739;
- We are helping more people to save their money and buy their own homes, with an 11.7% growth in savings balances and an 11.2% growth in mortgage balances;
- Total Group profit before tax (PBT) increased by 75% to £181.6m; and
- The Group Common Equity Tier 1 (CET 1) ratio increased to 16.2%.

However, it still remains a difficult environment for savers, with Bank Base Rate held at 0.5% for six years and the existence of the Funding for Lending Scheme creating a reduction in demand for retail savings from participating banks and building societies. Against this backdrop it is good to be able to report strong growth of more than 11% in both savings and mortgage balances, well in excess of market growth, reflecting our competitive pricing and service proposition. Strong underlying profits and a robust capital position give us the foundation to enhance our customer proposition as we seek to fulfill our vision of 'Building a Better Society'.

During the year our business model has been simplified with the disposal or closure of certain non-core subsidiaries allowing us to focus on our core mortgages and savings business and financial advice, whilst maintaining a significant presence in estate agency.

Unwavering focus on our members and our people

Over the last 12 months we have run an extensive programme of engagement with our members. Our members have told us this honest dialogue is important to them, and the results demonstrate that our personal touch means a great deal.

A significant achievement saw Skipton ranked 13th place out of 263 UK brands, and across many different industries, in the annual Nunwood Customer Experience Excellence survey. In the same survey, we were delighted to be named as the UK's third best financial services organisation for customer experience excellence, outshining some of the UK's top companies. This demonstrates we are definitely on the right track to provide our customers with a brilliant experience and putting them at the heart of the Society's strategy.

In addition to first rate service, we've improved the customer experience in other ways. We launched a new Retirement Review service, enabling all new and existing customers to start planning their life ahead with support and advice at hand from our financial planning managers. 2014 saw us invest significantly in areas highlighted by our customers as most important to them. We grew our Skipton-based customer contact centre staffing levels by over 40% in response to increasing customer demand over the telephone and online. This means we can now talk to more people and spend longer talking to them, understanding their specific needs, and delivering an even better customer service.

We have also invested in refurbishing branches, enhancing the Society's digital capability and

training, developing and inspiring our own people, at all levels of our business. As a result of the latter we're delighted to have been re-accredited as a Customer First organisation, the national standard for customer service. We've also been awarded the 'Gold Standard' by Investors in People, one of only two building societies in the UK to achieve this. In addition, we are delighted to have been successful in achieving top 100 status for the first time in 2014 in the 'Sunday Times Top 100 companies to work for' survey.

As a proud mutual we are working hard to make sure Skipton continues to be relevant to our members and therefore remains a successful modern mutual for the 21st century. The Society continues to invest across all channels so customers can easily interact through the channel of their choice. We strive to deliver excellent customer service and the Board would like to thank all our people for their commitment and engagement in making this happen throughout 2014. The Society achieved a record Employee Engagement level of 88%, significantly ahead of industry norms.

Enabling our members to achieve their home ownership, savings and 'life ahead' aspirations

During 2014 we continued to support our savings and borrowing members, with a suite of competitive and award winning accounts. From

delivering on a promise to reward member loyalty with the introduction of a Loyalty Regular Saver account, to launching our Help to Buy Shared Equity new build mortgage, we continued to provide good value to our savers and borrowers.

Gross mortgage lending increased by 23% to £3.0bn, whilst our mortgage book grew by £1.3bn to £12.7bn, an annual growth rate of 11.2%. Our net mortgage lending accounted for 5.3% of the growth in the UK residential mortgage market, compared to our 0.9% share of UK residential mortgage balances. This meant we helped 19,512 homeowners to purchase or remortgage their properties, including 2,946 first time buyers, and 667 through participation in the Government's 'Help to Buy' equity loan scheme.

Our savings balances grew by £1.2bn to £11.4bn. The growth in Skipton's savings balances accounted for 2.3% of the growth in the UK deposit savings market, compared to Skipton's 0.9% share of UK deposits from households.

Market conditions continue to have an impact on savers, with the average savings rate paid across all our accounts reducing by 0.30% during the 12 month period. Nevertheless, rates averaged 1.94% during the year, compared to Bank Base Rate which remained at 0.5%. Skipton paid on average 0.53% higher interest than the market average for banks and building societies during the period for which data is currently available, being the 10 months to 31 October 2014 (Source: CACI Savings Market Database). Our savings rates were highlighted by 448 independent media best buy table mentions over the year. We were also awarded 'Best National Building Society' for 2014 by What Mortgage?, 'Best Junior / Children's Savings Provider' by Personal Finance, 'Best Service from a Buy-To-Let Provider' by Business Moneyfacts and 'Best Lender for Discount Mortgages' by Moneywise Mortgage.

Strong financial performance

- Group total assets increased by 10.3% during the year to £16.0bn;
- Group PBT from continuing operations increased by 53% to £156.8m;
- Underlying Group PBT from continuing operations (prior to Financial Services Compensation Scheme (FSCS) charges, gains on the disposal of subsidiary, associate and equity share investments and profits from

discontinued operations) increased by 79% to £151.1m;

- A combination of strong retained profits, a reduction in capital requirements due to subsidiary disposals and maintenance of a prudent risk appetite for new lending, have all contributed to strengthening the Group CET 1 ratio, which increased to 16.2%;
- The Group's leverage ratio increased to 6.0%, well in excess of the expected regulatory minimum;
- In addition to reporting good growth in mortgage and savings balances (of 11.2% and 11.7% respectively) the core Mortgages and Savings division produced PBT of £98.4m, from £51.5m, an increase of £46.9m (or 91%) and was the major driver of the increase in overall Group profitability. This was due to interest earned on higher mortgage balances and lower funding costs, as well as a reduction in mortgage impairment losses by £8.4m;
- The Group net interest margin increased by £70.7m to £213.3m, equating to 1.40% of mean assets (2013: 1.01%);
- The cost income ratio of the Mortgages and Savings division was 44.5% (2013: 50.0%), whilst the management expense ratio of the division was 65bps (2013: 59bps), reflecting the investment we have made in our customer proposition, processes and our people;
- Our prudent approach to lending is demonstrated by the number of Group residential mortgages where the amount of arrears was more than 2.5% of the total outstanding balance. These were only 0.82% of mortgages (2013: 1.07%) and compared to the Council of Mortgage Lenders (CML) industry average of 1.05%;
- During the year, the Society completed its third securitisation transaction, raising £400m of funds, and at 31 December 2014 had drawn down £650m under the Government's Funding for Lending Scheme (2013: £460m); and
- The Society received an improved assessment of its financial strength with upgrades to our credit ratings by both Fitch and Moody's.

Subsidiary performance

- Connells, our Estate Agency division, increased PBT by 26% to £63.2m (2013: £50.2m). The 2014 figure includes a profit of £10.1m arising from the part disposal of shares on the flotation of Zoopla Property Group Plc;
- House sales (exchanges) by Connells in 2014 increased by 11% compared to 2013, on a like for like basis (excluding properties sold by Peter Alan which was acquired during the year), despite the market cooling in the second half of the year;
- Combined profits of £25.8m arose on the disposals of Homeloan Management, the Private Health Partnership and Torquil Clark. A further £12.4m profit arose from the deemed part disposal of shares in Wynyard Group Limited and part disposal of shares in Zoopla Property Group Plc. In 2013, profits on disposal of subsidiary undertakings amounted to £24.7m, and related to a deemed disposal of shares in Wynyard;
- Since 31 December 2014, the Group has agreed to sell Pearson Jones plc, with completion conditional upon regulatory approval and certain other conditions. In exchange for the sale of its 100% shareholding, the Group will receive an undisclosed sum. In 2014, Pearson Jones reported PBT of £1.9m (2013: £1.1m). There will be an immaterial profit on disposal which will be accounted for in 2015;
- Our Mortgage Services division, comprising Homeloan Management Limited and its subsidiaries, was sold in November 2014 and became a discontinued operation. Proceeds of sale amounted to £56.6m, generating a profit on disposal of £24.7m. Together with five months trading profits of £0.1m (2013: full year £0.9m) total profits for the division amounted to £24.8m (2013: £0.9m);
- Skipton Financial Services (SFS) recorded PBT of £0.2m (2013: £1.6m), where an increase of £2.5m in rebate of charges under its ongoing monitoring service proposition was offset by an increase in other income lines;
- PBT for Skipton Business Finance totalled £2.9m (2013: £2.7m);
- Jade Software Corporation recorded a loss of £(0.7)m (2013: underlying loss of £(4.0)m); and
- Our share of Wynyard losses was £(2.6)m (2013: £(2.6)m).

Conclusion and outlook

2014 was an outstanding year for Skipton Building Society. We have maintained good growth of both mortgage and savings members whilst further improving the financial strength of the Society. We remain committed to listening to our members to understand and deliver what is important to them and providing a service with a human touch.

We are acutely conscious of the impact of the low interest rate environment on savers but the Society's competitiveness is demonstrated by a strong growth in savings balances. The strength of the economic recovery, mortgage market and housing market all moderated towards the end of 2014 but very early indications in 2015 are that there has been a slight improvement in many of these areas since the year end. The Society anticipates a gradual but affordable reduction in its net interest margin in the short to medium term due to increased competition. Uncertainties will remain regarding the strength of the Eurozone, and if there is no clear mandate emanating from the UK General Election in May 2015. Skipton Building Society is well positioned to face such uncertainties, to react to the pension reform agenda and to serve its members well.

Group results for the year ended 31 December	2014	2013 Restated (note 1)
	£m	£m
Net interest receivable	213.3	142.6
Other income and charges	392.8	372.6
Profit on disposal of subsidiary undertakings	1.1	24.7
Profit on part disposal of equity share investments	10.1	-
Profit on part disposal of associate	2.3	-
Fair value (losses) / gains on financial instruments	(2.0)	3.9
Administrative expenses and provisions for liabilities	(444.2)	(418.4)
Impairment losses	(16.6)	(22.7)
Profit for the year before tax from continuing operations	156.8	102.7
Tax expense	(34.9)	(26.3)
Profit for the financial year from continuing operations	121.9	76.4
Profit after tax from discontinued operation	24.8	0.8
Profit for the financial year	146.7	77.2
Non-controlling interests' share of losses / (profits)	0.4	(1.1)
Profit for the financial year attributable to members	147.1	76.1

Total Group PBT for 2014 was £181.6m (2013: £103.6m) as follows:

	2014	2013 Restated (note 1)
	£m	£m
Profit before tax from continuing operations	156.8	102.7
Profit before tax from discontinued operations	0.1	0.9
Profit on disposal of discontinued operations	24.7	-
Total Group profit before tax	181.6	103.6

Underlying Group PBT from continuing operations for 2014 was £151.1m (2013: £84.6m) as follows:

	2014	2013 Restated (note 1)
	£m	£m
Total Group profit before tax	181.6	103.6
Less profit before tax from discontinued operations	(0.1)	(0.9)
Less profit on disposal of discontinued operations	(24.7)	-
Less profit on disposal of subsidiary undertakings	(1.1)	(24.7)
Less profit on part disposal of associate and equity share investments	(12.4)	-
Add back FSCS levy	7.8	6.6
Underlying Group profit before tax from continuing operations	151.1	84.6

Group financial position at 31 December	2014	2013 Restated (note 1)
	£m	£m
Assets		
Liquid assets	2,594.1	2,381.1
Residential mortgages	12,357.1	11,017.6
Commercial and other loans	479.7	499.3
Derivative financial instruments	133.4	148.8
Fixed and other assets	417.4	439.9
Total assets	15,981.7	14,486.7
Liabilities and Reserves		
Shares	11,467.5	10,260.1
Borrowings	2,663.6	2,531.8
Derivative financial instruments	307.3	287.6
Other liabilities	279.1	253.8
Subordinated liabilities	98.0	124.4
Subscribed capital	94.3	94.1
Non-controlling interests	(0.7)	2.9
Reserves	1,072.6	932.0
Total liabilities and reserves	15,981.7	14,486.7

Group statement of movement in reserves	2014	2013 Restated (note 1)
	£m	£m
Reserves at 1 January	932.0	838.5
Net (expense) / income for the year not recognised in the Income Statement	(6.5)	17.4
Profit for the year	147.1	76.1
Reserves at 31 December	1,072.6	932.0

This Summary Financial Statement was approved by the Board of Directors on 24 February 2015 and was signed on its behalf by:

M H Ellis	Chairman
D J Cutter	Group Chief Executive
B Ndawula	Group Finance Director

Summary of key financial ratios

	2014	2013 Restated (note 1)
	%	%
Gross capital as a percentage of shares, deposits and borrowings	8.95	9.02
Liquid assets as a percentage of shares, deposits and borrowings	18.36	18.61
Group profit after tax for the year as a percentage of mean total assets – continuing operations	0.80	0.54
Group management expenses as a percentage of mean total assets – continuing operations	2.80	2.83
Society management expenses as a percentage of mean total assets	0.57	0.50

Note 1:

During the period, the Group has applied the interpretations of IFRIC 21 *Levies*, which changes the date at which the provision for the Financial Services Compensation Scheme (FSCS) is recognised. Previously the Group recognised its share of the FSCS levy on 31 December of the year preceding the scheme year in question, however IFRIC 21 clarifies that, as the FSCS can only raise a levy within the scheme year in question, then the date that triggers recognition of the provision is 1 April of the scheme year itself.

If the above interpretations had been applied in 2013, provisions for liabilities would have been £1.1m lower and the tax expense £0.2m higher than previously stated at 31 December 2013. The 2013 comparatives included in this Summary Financial Statement have been restated accordingly.

The prior period figures have also been re-presented in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, to reflect the disposal of Homeloan Management Limited and its subsidiary companies, which became a discontinued operation during 2014.

Definitions

Gross capital represents the general reserve together with the available-for-sale reserve, cash flow hedging reserve, translation reserve, subordinated liabilities, subscribed capital, and non-controlling interests, as shown in the Group Statement of Financial Position. The gross capital ratio measures the proportion which the Group's gross capital bears to the Group's liabilities to holders of shares, depositors and other providers of funds, that is, its investors.

Liquid assets represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities. Liquid assets are generally readily realisable, enabling the Group to meet its general liabilities during the year.

Group profit after tax for the year as a percentage of mean total assets measures the proportion that the Group's profit after tax from continuing operations for the year bears to the average of the Group's total assets during the year. Mean total assets are calculated as the average of the closing total asset balances as at 31 December 2013 and 2014 as shown in the Group Statement of Financial Position. A reasonable level of profit is required each year to maintain the gross capital ratio at a suitable level to protect investors' funds.

The management expense ratios measure the proportion that the administrative expenses bear to the average of the mean total assets during the year.

Independent auditor's statement to the members and depositors of Skipton Building Society

We have examined the Summary Financial Statement of Skipton Building Society ('the Society') for the year ended 31 December 2014 on pages 18 to 24.

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts and disclosures included in the Summary Financial Statement to the corresponding items within the full Annual Accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2014, including consideration of whether, in our opinion, the information in the Summary Financial Statement has been summarised in a manner which is

not consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for that year;

- Checking that the format and content of the Summary Financial Statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2014.

Our report on the Society's full Annual Accounts describes the basis of our opinions on those Annual Accounts, the Annual Business Statement and Directors' Report.

Opinion on Summary Financial Statement

On the basis of the work performed, in our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2014 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Jonathan Holt (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Leeds
24 February 2015

Summary Directors' Remuneration Report

Introduction from the Chairman of the Remuneration Committee

This report summarises the Remuneration Committee's report which sets out details of the pay, bonuses and benefits for the Directors for the year ended 31 December 2014.

This report is a summary of the full report which can be found in our Annual Report and Accounts. The full version of the report can be found on our website at skipton.co.uk/financialresults, or on request from the Secretary of the Society. The full report contains more details including:

- A summary of the Remuneration Policy for Executive and Non-Executive Directors. The Remuneration Policy, which was set out in detail in the 2013 Annual Report and Accounts, was approved at the AGM in April 2014. The policy remains unchanged for 2015;
- Details on how we pay the Society's 'Material Risk Takers' (referred to as 'Code Staff' in previous years) – those senior managers who have a material impact on the risk profile of the business;
- The history of the Group Chief Executive's remuneration over the last five years; and
- Details on the Remuneration Committee and its advisers.

The Annual Report on Remuneration on pages 28 to 30 explains how we put our Remuneration Policy into practice in 2014 and page 30 explains how we intend to apply it for 2015.

Key decisions taken in 2014

The strong performance that we saw in 2013 has continued into 2014, with total Group profit before tax (PBT) increasing to £181.6m (2013: £103.6m), the core Mortgages and Savings division PBT reaching £98.4m (2013: £51.5m) and CET 1 capital increasing to 16.2% (2013: 14.2%).

The Committee's key deliberations and decisions made during the year were:

- Within the context of strong performance in 2014 and taking into account our approach to risk management, the Committee made awards under the Society's annual bonus scheme. The average payment made to the Executive Directors (excluding Mr Twigg) was 47% and to the remaining senior managers in the Senior Leadership scheme was 29% of base salary. In 2014 we introduced an annual bonus scheme for all our people in the Society, having made a discretionary award in 2013. The average payment from this scheme was 5.25% of base salary.
- During 2014 we launched the new Medium Term Incentive scheme (MTI) signalled in our 2013 report. The 2014 MTI operates over a three year performance period ending 31 December 2016 and aligns reward to the achievement of sustainable profit, increased customer satisfaction and growth in customer numbers. Payments for the 2014 – 2016 performance period will not be made until 2017, 2018 and 2019. Half of the amount due will be paid in 2017, one quarter in 2018 and one quarter in 2019. We anticipate that the MTI will run on a rolling annual basis and plan to implement the same scheme in 2015. The limit on our short term and medium term performance pay is the same for each scheme and the overall limit does not exceed 100% of base salary.

- During the year, the Committee has considered the impact of new regulatory changes including the CRD IV regulations, which is an EU legislative package covering prudential rules for banks, building societies and investment firms. The Committee reviewed and agreed the Group companies within scope of the new regulations and approved the list of employees identified as Material Risk Takers (MRTs) in accordance with the European Banking Authority technical standards.
- The Committee has maintained oversight of Group bonus and incentive schemes, approving a Medium Term Incentive Plan (MTIP) for Skipton Financial Services Limited senior managers and approving bonus schemes for the management teams of subsidiaries which were divested in 2014, to ensure value was achieved for the Society through the sale processes.

Conclusion

On behalf of the Committee, I trust you will find this summary report useful and informative and look forward to your feedback on our ongoing Remuneration Policy. The Committee recommends that members vote in favour of the Directors' Remuneration Report at the forthcoming AGM.

Nimble Thompson
Chairman of the Remuneration Committee

24 February 2015

Annual Report on Remuneration in 2014

Executive Directors' remuneration

The total remuneration for Executive Directors in 2014 is set out in the table below:

	Salary	Benefits ⁽¹⁾	Current year annual performance pay ⁽²⁾	Pension	Total	Prior years deferred performance pay now released ⁽³⁾
2014 Audited	£000	£000	£000	£000	£000	£000
Mr D J Cutter	408	15	195	81	699	64
Mr I M Cornelius	236	12	111	19	378	21
Mr M R Fleet (note 4)	251	19	115	20	405	23
Mr R J Twigg (note 5)	76	14	46	15	151	27
	971	60	467	135	1,633	135
2013 Audited						
Mr D J Cutter	366	16	296	73	751	24
Mr I M Cornelius	215	12	158	17	402	-
Mr M R Fleet	235	65	170	19	489	-
Mr R J Twigg	280	12	206	56	554	-
	1,096	105	830	165	2,196	24

Notes:

- Benefits comprise the provision of a car or car allowance, and private medical insurance contributions. Mr Twigg's 2014 benefits include £11,043 in relation to holiday pay on his transfer to Connells Limited in April 2014. Mr Fleet's 2013 benefits include £44,717 in relation to relocation costs.
- £77,802 of the 2014 Short Term Incentive bonus has been deferred under the rules of the scheme (2013: £333,172). No amounts relating to the 2014/2016 MTI are included in the above figures as payments will be based on performance in 2014, 2015 and 2016 and are not due to be made until 2017, 2018 and 2019. For Mr Cutter and Mr Cornelius a total of £92,002 has been accrued for in 2014. This represents a third of the estimated payment based on current performance. The accrual will be reviewed at the end of each qualifying year and adjusted, as required, based on that year's performance.
- The Incentive Scheme rules include the requirement to defer over three years a portion of the amount earned by any individual if the total amount earned by that individual is greater than £500,000, or if the amount earned under the Incentive Scheme is more than 33% of his or her total remuneration.
- Mr Fleet left the Society on 31 December 2014. In accordance with our Remuneration Policy, he will receive the Short Term Incentive for the performance year 2014 which he completed and to which he made a significant contribution. He will be paid in lieu for his contractual notice however he has agreed to forgo any remaining pay in lieu of notice in the event of commencing alternative employment within the twelve month notice period.
- Mr Twigg resigned as a Director of the Society with effect from 7 April 2014 when he took up the role of Finance and Commercial Director at Connells Limited. The reported figures reflect his earnings to that date and a quarter of his annual bonus payment as an Executive Director.
- Mr Ndawula was appointed as Group Finance Director on 23 February 2015. His remuneration is not disclosed in the table above as he was not a Director in 2014, but details will be included in respect of 2015 onwards.

Non-Executive Directors' remuneration

Non-Executive Directors' fees (excluding those of the Chairman) are reviewed annually by the Non-Executive Directors' Remuneration Committee. The Non-Executive Directors' Remuneration Committee makes recommendations concerning Non-Executive Directors' remuneration to the Board and in 2014 recommended that the basic Non-Executive Director fee and the Deputy Chairman fee should be increased by £2,000 to £46,000 and £52,000 respectively with effect from 1 August 2014. The fees for chairing the Board Audit and Board Risk Committees were increased by £500 to £12,500 per annum. The fee for the chair of the Remuneration Committee was increased by £2,000 to £10,000 per annum to reflect the increasing complexity in the role. These fee increases were also effective from 1 August 2014.

The Chairman's fees are reviewed and approved by the Remuneration Committee. Mr Ellis' fee was set at £155,000 per annum when he joined the Board as Chairman on 24 May 2011. An increase to £160,000 per annum was approved by the Remuneration Committee in September 2014 with effect from 1 August 2014.

	2014			2013		
	Committee chairmanship			Committee chairmanship		
	Fees	fees	Total	Fees	fees	Total
Audited	£000	£000	£000	£000	£000	£000
Mr M H Ellis (Chairman)	157	-	157	155	-	155
Mr P J S Thompson (Deputy Chairman) (note 1)	51	9	60	45	3	48
Mr C N Hutton (note 2)	-	-	-	28	2	30
Mrs C Black (note 3)	45	-	45	36	-	36
Ms M Cassoni (note 4)	45	12	57	43	10	53
Mr R D East (note 5)	45	-	45	43	-	43
Mr P R Hales (note 6)	45	12	57	43	10	53
Mr G E Picken (note 7)	70	-	70	52	-	52
Ms H C Stevenson (note 8)	45	-	45	36	-	36
	503	33	536	481	25	506

Notes:

- Mr Thompson was appointed Deputy Chairman and Chairman of the Remuneration Committee on 31 July 2013.
- Mr Hutton retired as a Director, Deputy Chairman and Chairman of the Remuneration Committee on 30 July 2013.
- Mrs Black was appointed as a Director on 1 March 2013.
- Ms Cassoni is the Chairman of the Audit Committee.
- Mr East was appointed as Chairman of the Board Risk Committee on 1 January 2015.
- Mr Hales stepped down as the Chairman of the Board Risk Committee on 31 December 2014 and will retire from the Board on 31 March 2015. Mr Hales will join the Board of SFS for the remainder of 2015, subject to regulatory approval.
- Mr Picken was appointed as a Director of Connells Limited on 19 June 2013, for which he receives an annual fee of £25,000 included in the table above.
- Ms Stevenson was appointed as a Director on 1 March 2013.

Comparison to the remuneration of other employees

In January 2014, we introduced a Medium Term Incentive Scheme which reduced the Short Term Incentive (STI) available (from 85% to 50% for the Group Chief Executive and from 75% to 50% for the other Executive Directors with the exception of Mr Twigg who remained in the existing STI scheme) but which increased variable pay in the longer term, aligned with medium term sustainable performance. As part of this change in structure to remuneration, and to reflect external benchmarking, the Committee agreed, with effect from 1 January 2014 to increase the Group Chief Executive's base pay by 8.1%. His normal annual salary review increase in April 2014 resulted in a 2.5% increase in base salary. This compares to an average pay award of 3.9% in 2014 for all other Society employees. It should be noted that Society remuneration relates to Society employees only as this is considered to be the most sensible comparator due to the varying remuneration policies across the other Group subsidiaries.

The Group Chief Executive's total remuneration in 2014 has decreased due to the reduction in short term bonus opportunity (from 85% to 50% of base salary). In the longer term, this may increase again, depending on performance, but will be capped at 100% in any one performance year.

Statement of implementation of Remuneration Policy in 2015

We anticipate that the implementation of our Remuneration Policy in 2015 will be unchanged from 2014 with regard to the variable pay schemes in operation and our approach to reviewing base pay.

However, subject to meeting our corporate plan expectations in 2015, the Group's average total assets over the last three years will exceed £15bn. This means that, in 2016, we will need to comply with additional requirements in the governance of remuneration as set out by the Prudential Regulation and Financial Conduct Authorities (PRA and FCA). This is a significant change which will require a close review of our existing remuneration policies and schemes to meet evolving regulatory requirements.

In reviewing our remuneration policies and variable pay schemes for Executive Directors and other senior colleagues, we will take into account member interests, market practice and our existing remuneration principles including the need to attract and retain key talent within the organisation.

The Committee and its advisers

The Remuneration Committee is responsible for determining, on behalf of the Board, the Remuneration Policy, reviewing its adequacy, effectiveness and compliance with regulatory requirements.

The terms of reference of the Remuneration Committee and the Remuneration Principles it sets out for Group companies are available, on request, from the Secretary or online at www.skipton.co.uk. More details on the Committee and its advisers are included in the Directors' Remuneration Report in the Annual Report and Accounts.

Nimble Thompson
Chairman of the Remuneration Committee

24 February 2015

Awards

We're thrilled that some of our products and services have been award-winning in 2014.

Savings

Savings Champion Awards 2014



Winner:

Savings Innovation Award

Highly Commended:

Best Fixed Rate ISA Provider

Highly Commended:

Best Children's Account Provider

Personal Finance Awards 2014/15



Winner:

Best Junior/Children's Savings Provider

Mortgages

Business Moneyfacts



Winner:

Best Service from a Buy-to-Let Mortgage Provider

What Mortgage?



Winner:

Best National Building Society

Highly Commended:

Best Tracker Mortgage Provider

Moneywise



Winner:

Best Lender for Discount Mortgages

Highly Commended:

Best Lender for Remortgages

Highly Commended:

Best Lender for Buy-to-Let

Your Mortgage

Winner:

Best National Building Society

Skipton Building Society Annual General Meeting 2015

Monday 27 April, 6.30pm

How to find us

Our AGM takes place at our Principal Office:
Skipton Building Society, The Bailey, Skipton
North Yorkshire BD23 1DN/Sat Nav: BD23 1AP

- Free parking is available at The Bailey
- Nearest train station: Skipton. There's a taxi rank at the station or it takes about 20 minutes to walk
- For more information about getting to the venue, please visit skipton.co.uk/thebailey or call 0345 850 1733.



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Cast your AGM vote online

Why not join the many members who vote in our AGM online? Voting is quick and easy. Visit skipton.co.uk/agm, enter the login and password shown on your letter and make your voice heard.

Vote by post/in branch

You can also send your voting form to us in the enclosed pre-paid envelope or hand it in at a branch. The enclosed letter has more details.

Prefer emails?

If you would prefer not to receive a paper pack in the future, you can register to receive AGM voting packs by email rather than post. Simply complete the online form at skipton.co.uk/agmregistration and we'll send your packs by email for future AGMs.

We can provide documents in large print, Braille or audio cassette or CD if you need them. Please speak to a member of our team on 0345 850 1733 to find out more.

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