

SUPPLEMENT DATED 16 APRIL 2018 TO THE OFFERING CIRCULAR DATED 15 JUNE 2017



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 Offering Circular dated 15 June 2017 (the **Offering Circular**) 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 Euro Medium Term Note Programme established by Skipton Building Society (the **Issuer**). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

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

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 audited consolidated annual financial statements for the financial year ended 31 December 2017, together with the auditor report thereon, as set out on pages 90 to 186 (inclusive) of the Issuer Annual Report & Accounts 2017 (as defined below), together with the auditor's reports thereon; (b) incorporate by reference the strategic report of the Issuer, as set out on pages 16 to 35 (inclusive) of the Issuer Annual Report & Accounts 2017; (c) incorporate by reference the Pillar 3 Disclosures 2017 of the Issuer; (d) incorporate by reference a press release of the Issuer in connection with its proposed merger with Holmesdale Building Society; (e) incorporate MiFID II related legends into the Offering Circular and Form of Final Terms; (f) include two additional risk factors; and (g) include a new "Significant or Material Change" statement.

Documents incorporated by reference

On 19 March 2018, the Issuer published its Annual Report & Accounts for the financial year ended 31 December 2017 (the **Issuer Annual Report & Accounts 2017**). The audited consolidated annual financial statements, together with the audit report thereon, for the financial year ended 31 December 2017 which appear on pages 90 to 186 (inclusive) of the Issuer Annual Report & Accounts 2017 (the **Annual Financial Statements**) have been previously published and filed with the Financial Conduct Authority and are incorporated in, and form a part of, this Supplement and, by virtue of their incorporation in this Supplement, the Annual Financial Statements are incorporated in, and form part of, the Offering Circular.

The strategic report which appears on pages 16 to 35 (inclusive) of the Issuer Annual Report & Accounts 2017 is incorporated in, and forms a part of, this Supplement and, by virtue of its incorporation in this

Supplement, is incorporated by reference in, and forms part of, the Offering Circular. Any information contained in the Issuer Annual Report & Accounts 2017 not contained on the pages referenced in this paragraph as well as the immediately preceding paragraph is given for information purposes only and does not form part of this Supplement or the Offering Circular.

On 19 March 2018, the Issuer published its Pillar 3 Disclosures for 2017 (the **Pillar 3 Disclosures 2017**). The Pillar 3 Disclosures 2017 are incorporated in, and form a part of, this Supplement and, by virtue of their incorporation in this Supplement, are incorporated by reference in, and form part of, the Offering Circular.

On 28 February 2018, the Issuer published a press release in connection with its proposed merger with Holmesdale Building Society (the **Holmesdale Press Release**), which is expected to become effective on 1 October 2018. The Holmesdale Press Release is incorporated in, and forms a part of, this Supplement and, by virtue of its incorporation in this Supplement, is incorporated by reference in, and forms part of, the Offering Circular. The Holmesdale Press Release may be viewed at: <https://www.skipton.co.uk/~media/skipton-co-uk/pdf/about-us/holmesdale-merger-press-release.ashx>.

Copies of all documents incorporated by reference in the Offering Circular 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 31 of the Offering Circular) 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 or on the National Storage Mechanism, <http://www.hemscott.com/nsm.do>.

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 this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement. **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measures in the Relevant Member State.

MiFID II legends

The following additional legend shall be inserted above the legend stating "**IMPORTANT – EEA RETAIL INVESTORS...**" appearing on page 2 of the Offering Circular:

"MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes will include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules."

The following additional legend shall be inserted in the Form of Final Terms beginning on page 91 of the Offering Circular, following the first paragraph but prior to the term "[Date]":

"MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels."

Risk factors

The following additional risk factors shall be inserted above the title "*Risks applicable to Subordinated Notes*" appearing on page 28 of the Offering Circular:

"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", (including LIBOR and EURIBOR) 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, 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 applies 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 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. Such factors may have the following effects on certain "benchmarks" (including LIBOR or EURIBOR): (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".

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR."

General Information

The paragraph "Significant or Material Change" on page 100 of the Offering Circular shall be deemed deleted and replaced with the following paragraph:

"There has been no significant change in the financial or trading position of the Issuer's Group since 31 December 2017 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2017."

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