

mySKIPTON

Your AGM Magazine

March 2014

skipton.co.uk



*“We’re looking forward
to our future with
confidence now,
thanks to Skipton”*

Read the Webbs’ story inside

It’s been another tough year for savers

– member John Street
discovers what the
Society is doing
on your behalf

**Society AGM
28 April 2014**
Make your voice
heard, cast your
VOTE



SKIPTON
MY BUILDING SOCIETY



Championing our members

Group Chief Executive David Cutter

Welcome to the 2014 My Skipton AGM magazine, our main opportunity to update you on developments at your Society.

During 2013, we continued to achieve strong performance on your behalf and you can read in the following pages how we have been translating this success into value and service for you, our members.

This has included doing our best to cushion our savers from the impacts of

today's unusual economic environment. You can read more about what steps we've taken at Skipton on pages 8&9.

During my tenure as Chairman of our Building Societies Association trade body, I have taken the opportunity to highlight to political and financial policymakers some sensible changes which would improve matters for savers. These include raising the cash ISA limit to at least equal the amount savers can invest in stocks and shares alternatives.


“I am acutely aware that savers have continued to suffer as a result of measures to support UK growth and stave off any threat of deflation and economic contraction, and it is high time steps were taken to ease their plight.”

After all, savers are vital to the UK’s continued recovery, providing the funds which can then be lent to borrowers to support the housing market and economy.

At the same time, we have continued to lend strongly, to help as many borrowers as possible to achieve their aspirations, in line with our mutual ethos.

I hope you enjoy reading this year’s magazine. Please do take up the various opportunities within it to speak to us and get involved.

On pages 18-21, you will find your Notice of AGM and information about some changes we are proposing to make to the Society’s Rules. Please do vote and have your say on the way your Society is run.



David Cutter
Group Chief Executive

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Front page image: Members Graham and Linda Webb enjoying time together in retirement



The home built on rare generosity

L-R Becci and Darren Woollard with their daughter Grace and Rosemary and Peter Netzel

It sounds like an impossible dream-come-true, but the journey the Netzel and Woollard families took together is enough to restore anyone's faith in human nature.

Six years ago, Becci and Darren Woollard, customers of our Malton branch, had almost ruled out any chance of getting a footing on the property ladder, any time soon. At the same time, the Netzels, former office worker Peter, 68, and retired teacher Rosemary, 69, were wrestling with a very different question, how to put a plot of land in their generous garden to good use. They'd got planning permission for it, hoping that the son of a family friend would be able to build his first home there. When his plans changed, they were determined not to let the land, and all that effort, go to waste.

So they visited our Malton branch, where they are also customers, and asked our team if they knew of any first time buyers who could use their land. Well connected with their local community, it didn't take Branch Manager Jill Fothergill and her colleagues long to come up with some potential candidates. They put the two families in touch for the first time and helped them to arrange an attractive mortgage for their project.

"We've always had the luxury of a big garden, much bigger than we really need," said Peter.

"We didn't need all that space, especially having retired, and when our friend's plans changed we thought it would be nice to offer it to a young family who might not otherwise have had the opportunity."

He added: "We spent a bit of time getting to know Darren and Becci, to

make sure they were comfortable with the existing building plans, and we were all comfortable we could live happily in such close proximity, and then we just got on and did it. It's all worked out incredibly well and we're loving having a young family on our doorstep, it's a real pleasure."

Becci, 30, Darren, 38, and their daughter Grace, two, have now been living happily in their purpose built three-bedroom detached home for four-and-a-half years. They recently re-mortgaged with the Society and, because their house has increased in value since they built it, they now have an even firmer footing on the property ladder.

"We just can't thank Rosemary, Peter and the Skipton team enough," said Becci.

"I didn't think this kind of generosity existed nowadays but their selflessness has enabled us to establish a really special home for our family to grow in, whereas we'd have really struggled to buy a place of our own at all."

Branch Manager Jill added: "We couldn't quite believe it when Peter and Rosemary came into the branch to ask for our help in finding them a family they could make some land available to. We knew they

were a really community minded couple, but this isn't the sort of request you get every day!

"At Skipton, we understand how important homeownership is to people, and do our best to provide products which help them achieve their aspirations – whether they are buying for the first time, making the step up to the next level or investing in property.

"In this case, it was really lovely to be able to go that bit further and help make things happen in this unusual set of circumstances."

How we helped other borrowers during 2013

- **109** new products launched at 85% or 90% LTV
- **14,109** residential mortgages
- **229** independent media best buy mentions for our attractive mortgage rates
- **2,283** first time buyer loans

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

To find out more about the Society's mortgages, call **0345 850 1755**
or visit **skipton.co.uk/mortgages**

Introducing our Big 160

2013 was the Society's 160th anniversary year – and what a way to celebrate!



*The Vale of York
Barbershop Singers*

Building on our founding mutual ethos of helping people to help themselves, we gave away £80,000 through 160 donations of £500 to local community groups.

The response to our Grassroots Giving – **Big 160** appeal was overwhelming, with more than 1,000 nominations coming in from members of the public. More than 20,000 votes were then cast to help us whittle that down to the 160 'winners' who are now benefitting from a share of that funding.

One of those is The Vale of York Barbershop Singers, Spirit of Harmony, a chorus of 55 people between 10 and 85 years old based in Tadcaster. Established in 1993, these singers have won countless awards and been ranked either 3rd or 4th nationally for the last seven years. Self-funded, the Society's donation will enable them to host free charity fundraising concerts, recruit new members and purchase fresh music.

Group founder Tony Hays said: "Our free 'Learn to Sing' courses help people to experience the fun and healthy enjoyment derived from singing. This money from Skipton will help us to extend that pleasure to many more people in the future."

Then there is Incredible Edible, a group dedicated to introducing more people to the pleasures and health benefits of growing their own food. Established in 2010, this Wakefield based organisation has 18 members aged from 30 to 50, who are passionate about removing barriers which stop people from growing their own food, such as insufficient growing space and lack of knowledge.

Incredible Edible intend to spend their windfall on two compost-filled raised beds with integrated seating areas, so that group members who struggle to stand for long periods of time can still take part.



Incredible Edible

"Incredible Edible is something in the community which brings people together to socialise and better the environment," said member Jane Broadhurst, pictured.

Nelly's Craft Group, based in Ilkley, has been run by three volunteers for the past two years. They provide craft lessons to help local elderly people avoid isolation. As well as learning new skills and producing attractive craft materials, sessions provide a chance for socialising.

Nelly Thornton, who created the group, has been funding it herself until now. The cash from Skipton will enable her to buy a wider variety of materials, giving members more choice. Money raised from sales of the items created goes to charity.

Lindsey Spencer, volunteer manager, said: "What we do helps the local community in a variety of ways, as we provide a place for people to socialise and make crafts as well as helping local charities.

"This money will enable us to continue our work and show our appreciation for Nelly's amazing efforts over the years."

Other winners, the length and breadth of the UK, range from the East London Model Railway Group to the South Birmingham Volleyball Club and the Eccles Community Hall Association.



See www.skiptongrg.co.uk for full information about all 160 winners, details of our 2014 scheme, and your chance to nominate an organisation you believe deserves a helping hand

We're helping people plan for life beyond work. Can you help?

Grassroots Giving isn't the only thing we have up our sleeves.

As a mutual, giving something extra to our members and the communities where they live and work is something we are passionate about. Part of this is our commitment to corporate social responsibility, or doing business differently.

We're delighted that Grassroots Giving has proved such a hit, and now we're planning our next big thing: **For Life Ahead**.

This initiative is based on feedback from our members. You told us you could do with a little help in preparing for life beyond work, whether that be finance-related or simply an opportunity to link up with like-minded people facing similar questions.

We're looking for 'experts in life'

We'll be releasing full details of this exciting project shortly, but right now we're looking for members who are approaching or in retirement to get involved. We believe you're the experts in life and we'd love to capture your views, experiences and burning questions about retirement, so that we can provide a 'real' guide for all.

This could involve being one of the first to test out the ideas we're planning. It could also be sharing your own experiences (anonymously or openly), becoming one of our 'champions' or contributing to our articles.

Join the conversation...

To find out more and be part of **For Life Ahead**, visit www.forlifeahead.co.uk or pop into your nearest branch to register your details

Savings challenge

Retired member John Street, 66, from Harrogate, is among those having to re-think his savings portfolio to ensure it meets his retirement needs amidst historically low interest rates. He asked Commercial Director Ian Cornelius what Skipton is doing to help.



Member John Street and
Commercial Director
Ian Cornelius

From an early age I was encouraged to save and avoid getting into debt, a discipline that has stood me in good stead in later life and given me leeway now that I have retired. However, with the needle stuck on interest rates, I've had to change my approach to achieve healthier returns, putting a higher proportion of my money into equity based investments. Why is this happening?

We know the current environment is hitting our savers hard. The root causes of this are, unfortunately, outside our control, including five years of an historically low Bank of England Base Rate.

Measures designed to protect borrowers and help economic recovery, like the Government's Funding for Lending Scheme, put downward pressure on rates.

It sounds as though you've spread your investments wisely, which is a good move irrespective of low interest rates. There is always a place for cash savings, though, and we're trying to make sure we offer consistent good value through our traditional savings accounts.

Why can't the Society just pay us higher rates on our cash savings?

We have to perform a balancing act, when it comes to the rates we offer.

This centres around rewarding our savers as much as possible while using their money to grow mortgage lending and help borrowers. With borrowing rates at historic lows too, this means pricing our products carefully to provide good value to both groups.

We have continued to punch above our weight in the mortgage and savings markets. The many independent media best buy table mentions we've notched up for our mortgages and savings in 2013 underline the value of our products.

Why do you have to make a profit, as a mutual?

While we are owned by our members, we're not a charity. Like any other business, it's vitally important we make decent, sustainable profits, because these make us safe and secure and support future growth.

357 savings
best buy
table
mentions

With no shareholders demanding dividends, our profits create the capital that provides the safety net we need to grow the business. It was due to inadequate levels of capital that a number of large financial institutions failed over the last five years.

We continue to aim to balance increasing our financial strength with delivering demonstrable value to a growing number of members.

How does this influence the rates you pay to savers?

Traditionally, Bank Base Rate would be more like 5%. Our average savings rates would be slightly below that, and our mortgage rates slightly above, providing us with an acceptable and sustainable margin.

The tables have turned completely and, during 2013, we offered an average savings rate of 2.24%, more than four times Base Rate and 0.43% higher than the market average*.



Average
savings
rate 2.24%

What is the Society doing to take some of the pain away for savers?

In the last 12 months we've launched a number of attractive products, designed to meet specific saver needs, as well as offering strong rates.

For example, we've tried to overcome short term rate trends by offering limited edition deals over longer time periods, like our hugely popular ISAs and bonds over a variety of terms.

Meanwhile, our Christmas Regular Saver helped people to spread the cost of their festivities without getting into debt and our easy access **My Savings**

range provides a good return compared to current accounts, many of which offer little or no interest.

Unlike other providers whose 'shop window' offers better value to new customers than their existing savers, many of our 'offsale' accounts, not available to new customers, offer interest rates which are better than the rest of the market.

This isn't just about the rates we offer, though, it's about how we do business and the personal service we provide. For example, for total transparency our annual statements list every rate paid on your account throughout the year.

Meanwhile, our **No Pressure Promise** is our unique commitment to putting our members' needs before sales, and our **My Review** financial review service is available to new and existing members, free of charge.

As a result, we've grown savings balances by almost £800m, or 8%.

Could you do more to reward the loyalty of savers like me?

This is something we're looking at. We're in the process of exploring various options with our members.

Ideas on our shortlist include offering specific exclusive products to reward our existing members, as well as inviting them to previews of new products and providing help and support through initiatives like our unique new **For Life Ahead** knowledge sharing initiative.

*Based on the CACI Savings Market Database for the 10 month period to 31 October 2013



Retirement? No worries

Members Graham and Linda Webb are enjoying their new found freedom, with a little help from Skipton.

The Webbs' aspirations for their new-found retirement probably chime with most people's. More quality time together as a couple, the odd trip to the theatre and going on the occasional holiday when they feel like it.

Thanks to some careful planning and saving on their part, and a little help from our Harrogate branch team, they are now more than hopeful about achieving them.

Graham, 61, retired last July after 22 years as a Head of School at Leeds Metropolitan University. His wife Linda, 60, finished working in the fashion retailing industry in 2012.

When Graham retired, the mortgage on their house was already paid off and they had a couple of lump sums to invest from savings they had built up and a retirement settlement from the university.

They needed to maximise the potential of this pot. With no children to please, it was all about being able to make the most of their 'freedom years' together as a couple.

"I knew we needed to make plans for that money, as that's all the capital we're ever likely to have," Graham said.

"Then we met the team from Skipton's Harrogate branch at the Great Yorkshire Show. We were very impressed by the service on offer – especially the fact that the Society still offers financial advice in its branches, through Skipton Financial Services Limited (SFS), when it's so difficult to find on the high street. So we arranged to undergo a **My Review**, to understand our financial needs, and were then referred to a SFS financial planning manager for more detailed advice."

That process really helped the Webbs to crystallise their plans.

“I can’t praise Skipton highly enough,” Graham continued.

“The Society’s branch advisers and SFS financial planning managers really listened to what we wanted and then arranged everything seamlessly.

“They also challenged our thinking and expectations – for example, were our aims of having £200 a month of top-up income from our investments ambitious enough to support our goals and help us deal with rising costs?”

Graham and Linda attended a couple of meetings to go through their needs in detail. They chose a savings portfolio which includes an easy access My Slush Fund Saver, for cash they might need to dip into from time to time, and some medium risk, longer term investments where they have chosen to receive SFS’s ongoing service.

“We did what we could to put ourselves in the best possible position before I retired,” added Graham.

“We built up savings, did a range of improvements to our house to make sure we shouldn’t need to spend much on it for a while, and bought a new car.

“We’re planning our retirement out in stages and want to make the most of our remaining active years by holidaying and taking part in other activities we enjoy. Our savings have to support this until we can draw on our State pensions at 65.

“The Skipton team worked hard to understand what we wanted to achieve, and our attitude to risk. Even though the people we saw were younger than us, we felt they understood our retirement needs very well and showed true empathy.

“It was really reassuring to talk with people who have expertise and experience in that field, and could point us in the right direction.

“Now we have the comfort of knowing that our cash is doing its best for us, we can relax and focus on fulfilling our plans.”

But it’s not just the financial help they received which has pleased the Webbs.

The service and their relationship with our customer facing teams was equally important.

“We didn’t want to deal with a big PLC which would see

us as a number and just want to sell us products whether they were right for us or not,” said Linda.

“The Skipton team made us feel that it was all about us. It was great to be able to go in and spend time face-to-face, and feel that we’d had the right help in making the right decisions.

“We can look forward to the future with confidence now, thanks to Skipton, and hopefully have an even more fulfilled retirement than we had expected.”

“I can’t praise Skipton highly enough.”

Skipton Financial Services Limited offers Restricted advice. Many of the products available are not like bank or building society accounts, as the capital value and any income can rise and fall and your capital is at risk. The tax treatment of any investments depends on your individual circumstances and may be subject to change in the future.

Allison Edgeler and
Casey Davison



Our 'no pressure' approach to meeting your needs

NO
pressure
promise

"It's the special relationships we have with our customers which motivate me to come to work each day.

"Our people are what makes Skipton different, and what customers remember about us, and I am passionate about my role in making this happen."

Allison Edgeler, Manager of our Sheffield branch, is among a number of 'champions' responsible for bringing to life a new era of customer service at the Society.

We have introduced a new 'Delivering Service Excellence' (DSE) training programme for our customer facing teams. This represents a major investment in cementing the personal approach our members tell us they value so much about their dealings with Skipton.

Supported by people like Allison, the initiative is aimed at refreshing and formalising some of the things we believe we do best, to ensure we delight our customers more and more.

We're conscious that there is too much bad news about financial services, and some of this centres around tales of a sell, sell, sell approach by some businesses, which prioritises profits before people's real needs. That's why we're determined this is the last thing anyone would ever say about their experience of Skipton.

Senior Regional Manager Lee Holden, who is responsible for our Midlands and Western branches, explained the concept: "This is all about building on our genuine drive, as a business, to meet the needs of our customers.

"We believe we have a comprehensive range of products and services to help our customers achieve their financial aspirations and, importantly, this has been built on their feedback.

"However, the focus for our teams is on listening in order to make sure that any discussions they have are for the customer's benefit, not driven by sales. This is in line with our unique

No Pressure Promise commitment to giving people the time and space they need to make the decision that's right for them."

Lee explained that the programme is also about ensuring our people can offer specific expertise and insight to support our customers in organising particularly complex financial matters.

"We know that many of our customers have to deal with things like organising Wills and Powers of Attorney, and this can be quite difficult and even traumatic if not done correctly.

"Therefore, we're aiming to provide our teams with additional training in areas like this, so that they can give our customers a friendly and approachable helping hand when they need one."

Casey Davison, from our Lincoln branch, is also taking part in our DSE programme. She added: "By listening to and getting to know our customers, we are able to help, guide and support with the things that really matter through our free **My Review** service, and maintain those strong relationships well into the future."

Lee concluded: "Our vision is to listen and carefully consider what is right for every customer, and never guide anyone towards a product or service which isn't right for them.

"This is an evolution of what we've been doing for the past 160 years, so the shift we're making through this programme is relatively small. However, it is an important one for us. Our customers have shared with us what excellent service means to them and this training underlines our commitment to delivering that."

A winning year!

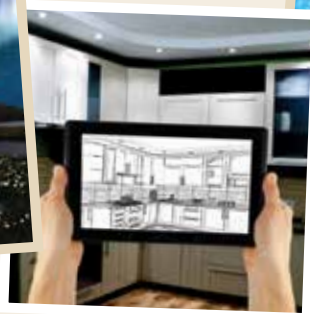
Encouraging people to save and manage their finances responsibly is something we strongly believe in.

Our good value products regularly appear in independent media best buy tables, and are also award-winning.

We were voted Best Junior/Children's Savings Provider in the 2013-14 Personal Finance Awards. We also won the 'Savings Innovation' award in the Savings Champion Awards 2014, for our 7 Year Fixed Rate Bond. Our children's accounts and fixed rate ISAs were highly commended too.

It's not just our savings accounts which have attracted positive attention, though, and our efforts to help homeowners have been recognised as well. We were commended in the 'Remortgage Buyers' Choice' category in the annual Moneyfacts Awards 2014.





Visiting the Northern Lights, growing your own or getting a dog – what's on your 'retirement bucket list'?

Many of our members are of an age where they're thinking about – and planning for – life after work.

So, we asked some soon-to-be retirees what they plan on doing with their new-found freedom.

Hopes and dreams ranged from intrepid hikes to exotic locations, to quieter pursuits like tracking down long lost relatives.

Some die-hard romantics told us they dream of re-visiting their original honeymoon destination or renewing their wedding vows.

The majority said they see retirement as an opportunity to fulfil all the dreams they've held for years, but haven't had time to turn into reality.

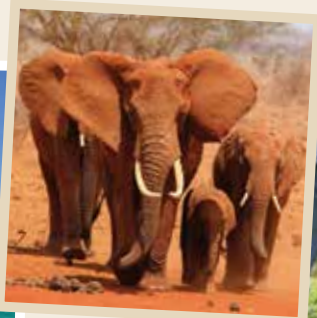
Tom Sidgwick, Manager of our Holborn Branch, said: "At the Society, we know only too well how important it is that people make the right financial plans, to help them achieve their goals. Indeed, our branch teams are committed to

helping them do exactly that, through our free My Review service and the expertise available through the financial planning managers from our subsidiary, Skipton Financial Services Limited."

Our study showed that many people are looking forward to having enough time to write a book after they've given up work, while others want to have lessons in cooking, painting or learning a foreign language.

Grandparents are looking forward to spending more time with their beloved grandchildren, and some have hopes of taking them to Disneyland, or to see Father Christmas in Lapland. Route 66 in America, The Great Wall of China, the Maldives and Las Vegas are among the destinations people would like to visit after they retire.

More locally, folk would like to visit Stonehenge, take afternoon tea at the Ritz, or go hiking in the Lake District.



The local community is set to benefit too, as some like the idea of charity work and others want to volunteer at their local school, while animal lovers want to help out with dog walking for the nearest animal shelter.

And some people are just looking forward to having the time to carry out tasks they can't do while still at work – such as sorting the loft out, re-decorating the house, putting decades of photographs into an album and starting a gardening project.

The survey indicates that, on the whole, 43% of the 2,000 people we questioned imagine their retirement years will be some of the most exciting of their lives, while two thirds want to use the time to fulfil their dreams and ambitions.

Just under half of those already foresee being financially comfortable once

they've given up work, and 43% think they'll have enough money to do everything they want to do.

Tom concluded: "The retirement landscape is a shifting one, and it is no longer safe for people to assume that they will have everything they want in the future, without giving proper thought to how they will achieve this.

"We're here to help them get there, and I'd urge them to pop in, or call us, and start that conversation."

Skipton Financial Services Limited offers Restricted advice. Many of the products available are not like bank or building society accounts, as the capital value and any income can rise and fall and your capital is at risk. The tax treatment of any investments depends on your individual circumstances and may be subject to change in the future.

Other retirement wishes:

- 1 Go on a cruise
- 2 Renovation project
- 3 Live abroad
- 4 Go on safari
- 5 Crafts
- 6 Swim with dolphins

Meet the Board

David Cutter 52



Joined
Board
2000

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

Previous experience: A Chartered Accountant,

joined the Society as Head of Internal Audit.

Other roles: Chairman of the Building Societies Association and Governor of Malsis School.

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

Mike Ellis 62



Joined
Board
2011

Responsibilities: Chairman of the Board and 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.

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

Cheryl Black 55



Joined
Board
2013

Responsibilities: Member of Audit and Nominations Committees.

Previous experience: Senior customer service and operations roles at Orange and NTL, member of Scottish Water Board 2006-11, Customer

Service Director for Telefonica O2 2006-11.

Other major directorships: Non-Executive Director at Southern Water Services Ltd, Director of Telefonica UK Pension Trustee, Non-Executive Board Adviser to EDF Energy Nuclear Generation Ltd.

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

Marisa Cassoni 62



Joined
Board
2012

Responsibilities: Chairman of Audit Committee and member of 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.

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

Ian Cornelius 45



Joined
Board
2012

Responsibilities: Commercial Director, member of the Executive Committee, Chairman of our subsidiaries Amber Homeloans Limited and North Yorkshire Mortgages Limited and member of the Skipton International Limited Board.

Previous experience: Commercial Director of Homeloan Management Limited (HML), 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.

Robert East 53



Joined
Board
2011

Responsibilities: Member of Risk, Nominations and Remuneration Committees.

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

Other major directorships: Chief Executive of Cattles Limited.

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

Mark Fleet 50



Joined Board 2011

Responsibilities: Distribution Director and member of the Executive Committee. Chairman of HML and our three financial advice subsidiaries.

Previous experience: Managing Director of Skipton Financial Services

Limited, our financial advice subsidiary. Senior distribution, customer services and credit management roles in subsidiaries of Standard Chartered Bank, Lloyds TSB and Bank of Ireland.

What I bring to the Board: A passion for delivering great service through great people.

Peter Hales 67



Joined Board 2007

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

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

Other major directorships:

Director of Unum Limited, Chairman of Sandringham Financial Partners Limited, Trustee of Chartered Insurance Pensions Scheme and member of Simply Biz PLC Advisory Board.

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

Graham Picken 64



Joined Board 2012

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.

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

Helen Stevenson 53



Joined Board 2013

Responsibilities: Member of 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 PLC and member of Henley Business School Advisory Board.

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

Peter (Nimble) Thompson 67



Joined Board 2009

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

Previous experience: Senior Partner and then Deputy Chairman of Eversheds before retiring in 1999.

Other directorships: Deputy Chairman of the Institute of Directors and a number of other Non-Executive positions.

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

Richard Twigg 49



Joined Board 2002

Responsibilities: Group Finance Director, Chairman of Asset & Liability Committee, member of Executive and Retail Credit Committees. Chairman of Skipton International Limited and Investment Portfolio.

Previous experience:

Chartered Accountant and Finance Director of our subsidiaries HML and Connells Limited.

Special note: Richard will take up a new position as Finance and Commercial Director of our Group company Connells in early April and will step down from the Skipton Board then. Accordingly, he is not standing for re-election at the AGM.

Notice of 2014 Annual General Meeting

This year's Annual General Meeting (AGM) of Skipton Building Society will be held at the Skipton Building Society Principal Office, The Bailey, Skipton, North Yorkshire, BD23 1AP on Monday 28 April 2014 at 6.30pm for the following purposes:

Ordinary Resolutions

1. To receive the Report & Accounts
2. To re-appoint KPMG Audit Plc as auditors
3. To approve the Directors' Remuneration Report (other than the section headed 'Directors' Remuneration Policy') for the year ended 31 December 2013
4. To approve the Directors' Remuneration Policy (as contained in the Directors' Remuneration Report for the year ended 31 December 2013)

Elections of Directors

- | | |
|---------------------------------------|---|
| 5.1 To re-elect Cheryl Black | 5.7 To re-elect Mark Russell Fleet |
| 5.2 To re-elect Maria-Luisa Cassoni | 5.8 To re-elect Peter Robert Hales |
| 5.3 To re-elect Ian Michael Cornelius | 5.9 To re-elect Graham Edward Picken |
| 5.4 To re-elect David John Cutter | 5.10 To re-elect Helen Claire Stevenson |
| 5.5 To re-elect Robert David East | 5.11 To re-elect Peter John Stuart Thompson |
| 5.6 To re-elect Michael Henry Ellis | |

Special Resolution

6. To consider and, if thought fit, to pass the following resolution as a Special Resolution:
That the Rules of the Society be amended in the manner specified in the document presented to the meeting and initialled by the Chairman for the purposes of identification.

Notes that form part of this Notice of AGM can be found adjacent.

By order of the Board

John Gibson



Secretary
28 February 2014



Voting Notes

1. The voting date is 22 April 2014 if you are using the voting form or voting online, or 28 April 2014 if you vote in person at the AGM.
2. You are entitled to vote if you are at least 18 years old on the date of the AGM and are the first named account holder in our records. You must also either:
 - a) have had at least £100 in your savings account(s) (including Permanent Interest Bearing Shares (PIBS)) on 31 December 2013 and continue to have a savings account with the Society at all times between 31 December 2013 and the voting date, or
 - b) have owed the Society not less than £100 on your mortgage(s) on both 31 December 2013 and the voting date.
3. No matter how many savings or mortgage accounts you have, in any capacity, you are only entitled to one vote on each resolution.
4. You may either vote in person at the AGM or you may use the voting form to appoint a representative to attend and vote for you as you direct. You may appoint the Chairman of the Meeting or anyone else as your representative; they do not have to be a member of the Society.
5. Your representative may vote for you at the AGM on a written poll but not on a show of hands.
6. Please remember to sign and date the declaration on the voting form as only signed forms will be valid.
7. If you appoint a representative to vote on your behalf and your representative does not attend the AGM, your vote will not be counted.
8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for and against the resolution.
9. Members attending the AGM in person will be required to produce their passbook, share certificate or other evidence of membership to gain entry to the AGM. Representatives will also need to produce an appropriate form of identification to gain entry to the meeting.

Voting Instructions

As a voting member, you have the right to vote on matters affecting your Society. Register your vote in any of the following ways:

Online

Just log on to skipton.co.uk/agm or use the link on our homepage at skipton.co.uk then follow the instructions. You will need the two part security code printed on your voting form. Online voting is available 24-hours-a-day until **5pm on Tuesday 22 April 2014**.

If you vote online and subsequently change your mind, you can vote again using the same two part security code. If you vote by post as well as online, then the last vote received is the one that will be counted.

By Freepost

Please complete, sign and date the voting form, then place it in the enclosed Freepost

envelope and post it to arrive by **5pm on Tuesday 22 April 2014**.

At a branch

Please complete, sign and date the voting form, then place it in the enclosed Freepost envelope and put it in the ballot box at any of our branches by **3pm on Wednesday 16 April 2014**.

Attend the AGM

Come to the AGM at **6.30pm on Monday 28 April 2014** at our Principal Office, The Bailey, Skipton, North Yorkshire BD23 1AP. Please also bring your passbook, share certificate or other evidence of membership to enable entry. The venue is wheelchair accessible. If you plan to attend the AGM and require a sign language interpreter, hearing loop or have any other special requirements, please let us know by **Monday 14 April 2014**.

Remuneration update

The following notes explain some of the Resolutions set out in the Notice of 2014 AGM (on page 18 of this magazine) in more detail. However, if you require a copy of the full Directors' Remuneration Report, or the full Directors' Remuneration Policy, these are available on the Society's website at skipton.co.uk/remuneration or may be obtained by a member on request to the Secretary, Skipton Building Society, The Bailey, Skipton, North Yorkshire BD23 1DN.

Resolution 3 – Approval of the Directors' Remuneration Report

As a building society, the Society is not required to prepare an annual report on directors' remuneration or required to propose a resolution for its approval in the same way that a listed company is required to do. However, as in previous years and in line with best practice, the Society is proposing an ordinary resolution to approve the Directors' Remuneration Report for the financial year ended 31 December 2013.

The Directors' Remuneration Report is summarised on pages 28 to 34 of this magazine and, for the purposes of this resolution, does not include the parts of the Directors' Remuneration Report containing the Directors' Remuneration Policy which is set out on pages 29 to 32.

The vote on this resolution will be treated as advisory only and the directors' entitlement to remuneration is not conditional on this resolution being passed.

Resolution 4 – Approval of the Directors' Remuneration Policy

For the first time this year, a listed company must propose a resolution to approve the directors' policy on remuneration. As a building society, the Society is not required to prepare a remuneration policy or to propose a resolution for its approval. However, the Society is this year proposing an ordinary resolution to approve the Directors' Remuneration Policy (as contained in the Directors' Remuneration Report).

The proposed policy is summarised on pages 29 to 32 of this magazine. The vote on this resolution will be treated as advisory only and the directors' entitlement to remuneration is not conditional on this resolution being passed.

The Society intends to ensure that a vote on its remuneration policy takes place annually unless the approved policy remains unchanged, in which case it intends to propose a similar resolution at least every three years in line with the requirements for listed companies.

Society Rules

Proposed amendments to the Society's Rules

Resolution 6 – Rule Changes

The Board is proposing a number of changes to the Society's Rules at this year's AGM. Please see below for details of what we are proposing to change and why.

A copy of the document setting out the proposed amendments and a copy of the existing Rules showing the proposed changes are available on the Society's website at skipton.co.uk/rules, or may be obtained by a member on request to the Secretary, Skipton Building Society, The Bailey, Skipton, North Yorkshire BD23 1DN.

The Board believes that these amendments will benefit the Society and its members and recommends that members vote FOR the amendments.

Core Capital Deferred Shares

In common with other financial institutions, Skipton Building Society is required to maintain capital to absorb losses in times of financial stress. To date, the Society's capital has mainly comprised retained profit which has been built up over many years. In regulatory terms this has been called 'Core Tier 1 capital' and the Society has supplemented this by issuing small amounts of capital to external investors - this form of capital is permanent interest bearing shares, or PIBS. Arising from a change in European regulation, Core Tier 1 is replaced by Common Equity Tier 1 Capital (CET1). Financial institutions are now required to hold more CET1. The Society needs to amend its Rules so that it can issue this form of

If the Rule changes are approved at the AGM and registered by the Financial Conduct Authority it is intended that the changes would take effect from 1 August 2014.

capital should it be in the best interests of the Society to do so. One of the ways this can be provided is through a new form of qualifying capital instrument which has been enabled by European regulations and which are known as Core Capital Deferred Shares (CCDS). These will count as CET1.

The Board has no plans at present to issue CCDS. This Rule change will enable the Board to issue this new form of capital where it believes to do so would be beneficial for the Society without the need for an additional members' meeting.

Attorneys

In addition, the Society is introducing a new Rule which will allow the holder of a power of attorney for a member to vote for the member. The attorney can also return a voting form, rather than the attorney having to attend the AGM to vote.

The proposed new Rule 35(8) is as follows: 'The holder of a power of attorney for a Person who is a Member and who is entitled to vote on a resolution shall, if the power of attorney is duly registered with the Society and if the power has the effect of authorising the holder to exercise the rights of the Member under the Rules, be entitled to vote in all circumstances as if he were a member and in the Member's place and may exercise on behalf of the Member the right to appoint a proxy in accordance with Rule 36.'

Summary Financial Statement

This financial statement is a summary of information from the audited Annual Report and Accounts, which will be available to members and depositors online at www.skipton.co.uk/ performance or free of charge on demand at every office of Skipton Building Society from 1 April 2014.

Summary Directors' Report

As a mutual, run for the benefit of both existing and future members, we are constantly balancing the needs of borrowers and savers, while at the same time ensuring we invest appropriately in the business and retain sufficient profits (being our principal source of capital). Key measures of success are to see a growing membership base and good growth in both savings and mortgage balances, as well as strong capital levels and decent profits that enable the business to continue to prosper in a sustainable manner.

After the recent challenges emanating from the Global Financial Crisis we are pleased to report that in 2013 the Society saw significant improvement in all of the following measures of success:

- Our customer base resumed growth, by a net 21,046, to 763,407;
- Group mortgage and savings balances increased by 9.2% and 8.4% respectively. This was well in excess of the Society's market share of balances and a strong indicator of its competitiveness;
- Group pre-tax profits increased to £102.5m, from £35.4m; and
- Our Core Tier 1 ratio increased to 12.3%, from 11.1%, whilst the Leverage ratio at 5.3% was comfortably ahead of the Regulator's expected minimum.

Importantly, these results were achieved while involving and seeking feedback from our members, including an extensive engagement programme via our online Customer Panel and face-to-face Customer Forums. Our members told us that what they particularly dislike about UK financial services is 'pushy sales'. We have therefore introduced our new customer commitment entitled '**No Pressure Promise**', which gives them the information, time and space to make their own decisions.

In addition, we carried out 26,300 'My Reviews' during 2013, a free financial review service aimed at understanding and meeting our customers' financial needs. We also continue to provide financial advice on the High Street in every branch, through our subsidiary Skipton Financial Services Limited, at a time when many other providers have withdrawn this service.

Continued growth

During 2013 we continued to grow in our two key areas of mortgage lending and retail savings. Total residential mortgage lending in the year was £2.4bn, up 63% from £1.5bn in 2012. Our net lending, being the growth in mortgage balances, more than doubled during the year, to almost £1.0bn from £0.4bn, an increase in balances of 9.2%. This represented 9.3% of the growth in the UK net residential mortgage market, compared to our 0.8% market share of mortgage balances, based on Bank of England statistics. Consequently, our total mortgage portfolio ended the year at £11.4bn, compared to £10.5bn at 31 December 2012.

Meanwhile, our savings balances increased to £10.3bn, from £9.5bn at the end of 2012, a growth rate of 8.4%. As a percentage of the growth in the UK market, this increase represented more than twice our market share of savings balances, as we continued to offer competitively priced savings accounts to our members.

Profitability

- Group pre-tax profits of £102.5m, an increase of £67.1m, from £35.4m in 2012;
- £58.4m improvement in Group net interest income (to £142.6m) which, when measured as a percentage of mean assets, increased to 1.01% from 0.61%;
- The core Mortgages and Savings division increased its pre-tax profits by £45.9m, to £50.4m from £4.5m. The improved interest margin noted above was only partially offset by an increase in loan loss provisions, particularly against our equity release portfolio;

- Connells, our Estate Agency division, increased profits by 41% to £50.2m, from £35.6m in 2012;
- We recognised a profit of £24.8m on the flotation of Wynyard Group Limited on the New Zealand Stock Exchange, this company having been spun-off from our IT subsidiary Jade Software Corporation (the supplier of the Society's core IT systems); and
- We made a goodwill impairment charge of £16.6m following a review of the carrying value of certain of our subsidiary investments.

Financial strength

- Group total assets increased by 5.3% year-on-year to £14.5bn (2012: £13.8bn);
- Basel II Core Tier 1 full Group capital ratio of 12.3%, compared to 11.1% at the end of 2012, based on the standardised approach ratings methodology;
- Under Basel III CRD IV the Common Equity Tier 1 ratio for the prudential consolidation group was 14.1% at 1 January 2014;
- Leverage ratio of 5.3% (2012: 4.8%), which compares well with our industry peers and comfortably exceeds the expected new regulatory requirements;
- Our financial strength allowed us, during the year, to repay £75m and repurchase a further £16.7m of subordinated debt, the majority of which no longer counts towards regulatory capital from 1 January 2014;
- Our increasing financial strength has also enabled us to cost effectively reduce our liquidity from the very high levels operated in recent years. Our liquidity position remains robust and of high quality, and represents 18.6% of shares, deposits and liabilities (2012: 21.1%);
- Our prudent approach to lending, coupled with an improvement in UK house prices, has resulted in the average indexed loan-to-value ratio of residential mortgages across our Mortgages and Savings portfolio improving to 53% (2012: 57%); and
- Residential mortgage arrears, where the arrears balance is more than 2.5% of outstanding balances, have fallen to 1.04% (2012: 1.30%), compared to the CML industry average of 1.29%.

Listening to our members and investing in our people

During 2013, the Society made considerable investments in two important areas. Firstly, we launched a major programme seeking, and responding to, members' feedback, which included carrying out 18,000 interviews with our customers. Independent research by Nunwood showed that 93% of our branch customers are highly satisfied by the service they receive. In addition, also according to Nunwood, Skipton Building Society ranked 36th out of 260 leading UK brands based on 7,500 people surveyed. We were positioned 4th out of 42 financial services providers, outperforming all the major banks.

Secondly, we have made a substantial investment in our people, especially in developing their leadership skills and ensuring they listen to and understand our customers to help them identify their financial needs under our Delivering Service Excellence programme.

The Directors know how much effort our people put into ensuring that they deliver excellent service to our customers, and would like to thank them all for their dedication and unwavering focus during the past 12 months.

Support for savers

Market conditions throughout 2013 had a significant impact on UK savers. Not only was Bank Base Rate maintained at 0.5% but the existence of the Government's Funding for Lending Scheme reduced the need for banks and building societies to attract retail funds, causing downwards pressure on rates paid to savers. The average savings rate paid across all of our accounts reduced by 0.36% during the 12 month period, but nevertheless averaged 2.24% during the year. Based on the CACI Savings Market Database data which best enables us to make market comparisons, the Society paid on average 0.43% higher interest than the market average for banks and building societies during the 10 month period to 31 October 2013. The competitiveness of the Society's savings range was demonstrated by an 8.4% increase in retail balances to £10.3bn.

Our savings rates were highlighted by 357 independent media best buy table mentions over the course of the year. We were judged 'Best Junior/Children's Savings provider' in the Personal Finance Awards 2013/14 for our suite

of Junior Cash ISA, Child Trust Fund, Children's Savings Bond and Leap children's accounts.

However, we are acutely aware that UK savers have continued to suffer as a result of measures taken by the authorities to support growth and stave off any threat of deflation and economic contraction. Savers are vital to the UK's continued recovery, providing the funds which can then be lent to borrowers to support a sustainable housing market and economy.

Promoting homeownership

Conversely, the Funding for Lending Scheme had a favourable impact on the pricing of new mortgage products. Although UK gross residential mortgage lending increased by 21%, according to Bank of England data, the increase in net lending was less than 1%, implying that whilst activity levels showed renewed life in the mortgage market, the overall size of the market remains stagnant. It is therefore pleasing to report that Skipton's mortgage book grew by 9.2%, as we helped 14,109 homeowners to purchase or remortgage their properties, including 2,283 first time buyers. We achieved this without relaxing our lending policy for the maximum loan-to-value ratio (90%) we will grant. The rental market remained strong and 17% of our new lending was on buy-to-let mortgages.

Subsidiary performance

Our Estate Agency division, the Connells group, saw non-interest income increase by 13% to £281.9m, and pre-tax profits rise by 41% to £50.2m. House sales increased by 23% compared to 2012, helped by an improving housing market. Strong performances were seen in most areas of the Connells group, reflecting investments made in recent years, with income from mortgage services growing by 20%, survey and valuation up 16%, and lettings up 20%.

Our Financial Advice division, comprising our three financial advice companies Skipton Financial Services, Pearson Jones and Torquil Clark, achieved pre-tax profits of £3.9m, compared to a loss of £0.9m for the year ended 31 December 2012. Although income reduced by 9% to £40.5m, careful cost control and the release of provisions previously made for customer redress resulted in total costs reducing by £8.7m.

Our Mortgage Services division, principally mortgage servicer Homeloan Management Limited, achieved £0.9m in profit, similar to 2012, in an ongoing subdued marketplace, with income down 3% to £58.6m.

The Investment Portfolio reported a pre-tax profit of £20.5m, due to the one-off gain from the flotation of Wynyard. Within this division, Skipton Business Finance and the Private Health Partnership (PHP) continue to trade profitably, however the division's results were impacted in 2013 by revenue investment in Wynyard in advance of its listing and the write down of the carrying value of one of PHP's subsidiaries.

Further rationalisation of the Group took place during the year with the disposal of Sterling International Brokers and Mutual One.

Cost control

In 2013, we reduced the overall Group cost income ratio to 79.3% from 83.9%. We remain ever vigilant on controlling costs, however total Group administrative expenses for the year increased to £455.3m, up 11% from £410.1m in 2012. A key driver of this increase was an £18.9m increase within Connells, due to increased business volumes and further investment in mortgage services and lettings capability. Also included within Group administrative expenses is goodwill impairment of £16.6m (2012: £nil) and the cost of the Connells management incentive scheme of £7.7m (2012: £nil).

The Mortgages and Savings division saw expenditure rise by £7.0m to support the growth in the business and as a result of the investments in customer service and people mentioned above, together with the costs of us further strengthening our compliance and risk management capability to address the ever increasing regulatory demands. Consequently, the management expense ratio of the Mortgages and Savings division increased to 0.59% from 0.55% per £100 of mean assets.

We also increased the average number of people employed by the Group in the year by 262 to 8,700.

Conclusion and outlook

2013 was a very successful year for Skipton Building Society. We delivered strong profits and further strengthened our capital and the Society is now in robust health after a difficult trading environment in recent years. We are ever mindful of the impact of the low interest rate environment on savers but the Society's competitiveness is demonstrated by a strong growth in retail balances.

There are now sufficient signs to indicate that economic recovery is underway in the UK but

many uncertainties remain, in particular any impact from Government measures used to reduce its borrowing, weaknesses in many Eurozone economies and the consequences of actions taken by central banks around the world to extricate the markets from the extraordinary measures of support provided in recent years.

However, Skipton Building Society is well positioned to face such uncertainties and continue to provide a rewarding and compelling proposition to our members, in line with our vision of 'Building a Better Society'.

	2013	2012
	£m	Restated* £m
Group results for the year ended 31 December		
Net interest receivable	142.6	84.2
Other income and charges	429.9	402.7
Profit on disposal of subsidiary undertakings	24.7	-
Fair value gains on financial instruments	3.9	3.6
Administrative expenses and provisions for liabilities	(475.9)	(438.8)
Impairment losses	(22.7)	(16.3)
Profit for the year before taxation	102.5	35.4
Taxation	(26.2)	(8.8)
Profit for the financial year	76.3	26.6
Non-controlling interests	(1.1)	1.0
Profit for the financial year attributable to members	75.2	27.6

	2013	2012
	£m	£m
Group financial position at 31 December		
Assets		
Liquid assets	2,381.1	2,531.8
Residential mortgages	11,017.6	10,070.9
Commercial and other loans	499.3	522.6
Derivative financial instruments	148.8	202.7
Fixed and other assets	439.9	432.2
Total assets	14,486.7	13,760.2
Liabilities and Reserves		
Shares	10,260.1	9,462.4
Borrowings	2,531.8	2,536.2
Derivative financial instruments	287.6	370.8
Other liabilities	259.5	235.3
Subordinated liabilities	124.4	223.9
Subscribed capital	94.1	96.1
Non-controlling interests	2.9	1.8
Reserves	926.3	833.7
Total liabilities and reserves	14,486.7	13,760.2

	2013	2012 Restated*
Group statement of movement in reserves	£m	£m
Reserves at 1 January	833.7	813.7
Net income / (expense) for the year not recognised in the Income Statement	17.4	(7.6)
Profit for the year	75.2	27.6
Reserves at 31 December	926.3	833.7

This Summary Financial Statement was approved by the Board of Directors on 25 February 2014 and was signed on its behalf by:

M H Ellis	Chairman
D J Cutter	Group Chief Executive
R J Twigg	Group Finance Director

	2013	2012
Summary of key financial ratios	%	%
Gross capital as a percentage of shares and borrowings	8.97	9.63
Liquid assets as a percentage of shares and borrowings	18.61	21.10
Group profit after tax for the year as a percentage of mean total assets	0.54	0.19
Group management expenses as a percentage of mean total assets	3.22	2.96
Society management expenses as a percentage of mean total assets	0.50	0.44

*During the year the Group has adopted IAS 19 (revised 2011), *Employee Benefits*. Further details can be found in note 1a) and 41 in the full Annual Report and Accounts. If the revised standard had applied in 2012, other income would have been £1.0m lower than previously reported, with an equivalent increase in income recognised directly in reserves. The 2012 comparatives have been restated accordingly.

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 within the Group Statement of Financial Position. The gross capital ratio measures the proportion which the Group's 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.

The profit ratio measures the proportion that the Group's profit after tax 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 2013 and 2012 total assets as shown within 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 expenses ratio measures 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 for the year ended 31 December 2013 set out on pages 22 to 26.

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

We conducted our work in accordance with Bulletin 2008/3 'The auditor's statement on the Summary Financial Statement in the United Kingdom' issued by the Auditing Practices Board. Our report on the Group'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

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Skipton Building Society for the year ended 31 December 2013 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

John Ellacott

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

Leeds

25 February 2014

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 2013. We have always tried to make this report informative for our members and, this year, the Committee has adopted the majority of the requirements that now apply to UK listed companies, as we seek to maintain the highest standards of transparency and governance in relation to Directors' remuneration.

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/remuneration, or on request from the Secretary of the Society. The full report contains some more details including:

- Our remuneration principles, which underpin the policy presented to you in this summary report;
- More detail on how we pay our 'Code Staff' – 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.

This summary report is split into two sections:

- The Remuneration Policy part of the report on pages 29 to 32 explains how we will pay Directors in the future.
- The Annual Report on Remuneration part of the report on pages 32 to 34 explains how we put our policy into practice in 2013 and how we intend to apply it for 2014.

Key decisions taken in 2013

2013 was a strong year for the business and Group pre-tax profit increased to £102.5m with the core Mortgages and Savings division pre-tax profit reaching £50.4m.

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

- In recognition of the performance in 2013, the Directors agreed to make a discretionary

bonus award to all Society employees below the Senior Leadership Team, which amounted to an average of 4.8% of salary. In addition, an annual bonus scheme has been introduced for 2014 which gives all Society employees the chance to participate in the success of the Society. It will operate under similar principles as the bonus for the senior executives.

- Having considered the balance between short and medium term incentives and our aim to focus reward on the sustained generation of value for our members over a number of years, we decided to reduce the annual bonus opportunity and introduce a new medium-term incentive arrangement (MTI) for senior executives, commencing in 2014. Although this increases the overall remuneration opportunities in the longer term, it supports the retention of key talent in the Society and alignment with members' interests in the longer term. Under the scheme, up to 50% of variable pay could be payable in the short term and up to 50% over the medium term. More details on the MTI scheme are set out in the policy section of the report.
- Following the Financial Conduct Authority's guidance to the financial services industry, we undertook a review of the Group's bonus arrangements to confirm that they are designed appropriately. As a result of the review, changes were made to our remuneration principles to give greater clarity and direction.

Conclusion

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

Nimble Thompson

Chairman of the Remuneration Committee

25 February 2014

Directors' Remuneration Policy

The Board's policy is designed to ensure that Executive Directors' remuneration reflects performance and enables the Group to attract, retain and motivate a sufficient number of

high calibre individuals to lead and direct the organisation and deliver continually improving business performance and long term sustainability for our members.

Remuneration Policy for Executive Directors

The table below shows the elements of remuneration for Executive Directors, the reasons for their inclusion and the way they operate with effect from 1 January 2014.

Element How element supports our strategy	Operation	Maximum potential value	Performance conditions and assessment
<p>Basic salary</p> <ul style="list-style-type: none"> Supports the recruitment and retention of Executive Directors, reflecting their individual roles, skills and contribution. 	<p>Basic salary reflects the size of the role and responsibilities, individual performance (assessed annually) and the skills and experience of the individual.</p> <p>In setting appropriate salary levels, the Committee takes into account data for similar positions in comparable organisations. The data is independently commissioned and the Society aims to position Executive Directors competitively within this reference group.</p>	<p>Increases to base salary are determined annually by the Committee taking into account:</p> <ul style="list-style-type: none"> Individual performance; The scope of the role; Pay levels in comparable organisations; Pay increases elsewhere within the Group. 	<p>None applicable, although we do take account of individual performance when considering base pay increases.</p>
<p>Short Term Incentive Scheme (STI)</p> <ul style="list-style-type: none"> Supports the attraction and retention of Executive Directors; Supports the development of a high performance culture; Rewards performance within the context of achieving corporate goals and objectives as set out in the corporate plan. 	<p>Performance measures and targets are set on an annual basis and are measured over the financial year. Payment is normally made in cash shortly after performance has been assessed. The Committee has the ability to reduce or defer bonuses in certain circumstances, including:</p> <ul style="list-style-type: none"> capital falling below a certain level; evidence of systemic conduct risk; and evidence of control failures. <p>If the total annual emoluments earned by an individual are greater than £500,000, or the STI is more than 33% of his or her total remuneration, 40% of the total STI earned is deferred over a three year period. Deferred remuneration is payable in three equal instalments over the three year period.</p> <p>The Committee may reduce or withdraw the payment of a deferred amount in certain circumstances, including failing to maintain a certain level of capital or the Society reporting a pre-tax loss.</p>	<p>The maximum incentive which may be earned for any year across the STI and the MTI is 100% of salary.</p> <p>The Committee determines the overall maximum and the split between the STI and the MTI from year to year. For 2014, the maximum STI opportunity will be 50% of salary for all Executive Directors.</p> <p>For each performance measure, the Committee determines a threshold, target and maximum level of performance. No bonus is payable for performance below the threshold level, with varying levels of payout for performance between threshold and maximum. On target performance generally attracts a bonus of 60% of the maximum.</p>	<p>The performance measures attached to the STI are currently:</p> <ul style="list-style-type: none"> Group profit; Mortgages and Savings division profit; Team KPI's, including People, Customers & Conduct, Process and Financial Strength dimensions; Personal objectives. <p>The measures are assessed independently. The weightings attached to the types of measure and the individual weightings attached to each individual measure may vary from year to year as determined by the Committee.</p>

Element How element supports our strategy	Operation	Maximum potential value	Performance conditions and assessment
Medium Term Incentive Scheme (MTI) <ul style="list-style-type: none"> Encourages the right behaviours in respect of long term, sustainable performance that supports the achievement of strategic goals; Provides a balance between long and short term rewards in the overall remuneration package for those senior executives eligible to participate. 	<p>Payments are based on performance (as determined by performance against agreed corporate plan targets) over rolling three year cycles.</p> <p>The corporate plan targets for each three year performance period are reviewed and agreed by the Board annually.</p> <p>The performance for each three year cycle is based on cumulative performance against the annual targets for the three year cycle.</p> <p>Payments are made over three years so that:</p> <ul style="list-style-type: none"> 50% of the incentive earned is paid immediately following completion of the three year performance period; 25% is deferred for one year; 25% is deferred for two years. 	<p>As noted above an MTI scheme is being introduced in 2014, and the maximum incentive which may be earned for any year across the STI scheme and the MTI scheme is 100% of salary (50% STI plus 50% MTI).</p> <p>For each performance measure, the Committee determines a threshold, target and maximum level of performance. No bonus is payable for performance below the threshold level, with varying levels of payout for performance between threshold and maximum. On target performance generally attracts a bonus of 60% of the maximum.</p>	<p>50% of the award is based on Group profit and 50% of the award is based on Customer measures. The measures are assessed independently.</p> <p>Any payment from the MTI is subject to reduction, up to and including the whole payment, based on CET 1 capital levels at the end of each three year cycle.</p> <p>Any payment from the MTI is subject to satisfactory individual performance.</p>
Pension <ul style="list-style-type: none"> Supports recruitment and retention of Executive Directors at a cost that can be controlled by the Society. 	<p>Generally the Society contributes to a defined contribution pension scheme for the Executive Director. The contribution can instead be paid in cash (which is excluded from bonus calculations) if the Executive Director is likely to be affected by the limits for tax-approved pension saving.</p>	<p>20% of basic salary for Messrs Cutter and Twiggs and 8% of basic salary for the other Executive Directors.</p>	<p>None applicable.</p>
Benefits <ul style="list-style-type: none"> To attract, retain and provide security for Executive Directors; Provides a competitive level of benefits to assist Executive Directors to carry out their roles effectively. 	<p>A number of benefits are provided to Executive Directors, including a car or car allowance, private medical insurance, life insurance and disability benefits.</p> <p>The Committee reviews benefits from time to time and may make changes, for example to reflect market practice or the needs of the business.</p>	<p>The Society bears the cost of providing benefits, which may vary from year to year.</p>	<p>None applicable.</p>

Notes to the table

Performance measures

The performance conditions attached to the STI and MTI schemes have been selected as they support the long-term, sustainable success of the Society. The Committee believes that the use of a range of financial and non-financial measures provides a balanced assessment of the overall performance of the Society.

The Committee considers the targets attached to the STI and MTI schemes to be commercially sensitive and will not therefore disclose these at the beginning of the financial years to which they relate. The Committee will, however, disclose the weightings that will be attached to each STI scheme performance measure at the beginning of the financial year to which they relate.

A summary of the targets set and the performance against the targets will be disclosed following the end of the relevant financial year. In setting the target and maximum payments the Committee considers both the market position and the risk appetite of the Society and sets these levels accordingly. The weightings for 2014 are outlined in the 'Statement of implementation of Remuneration Policy in 2014' section of this report.

Changes from remuneration arrangements operated in 2013

The MTI scheme is a new arrangement, designed to align reward to the achievement of sustainable profit and member interests over a number of years. The scheme will commence in 2014, with the first payments due from the scheme in 2017 based on cumulative performance during the three year period ending on 31 December 2016.

Committee's discretion in relation to the STI and MTI schemes

The Committee has the discretion to reduce or defer payments under the STI and MTI schemes in a number of circumstances. The Committee also has the discretion to cease or amend the operation of either arrangement where this is necessary to ensure the arrangements continue to meet the Committee's overriding remuneration principles. This might include, for example, amending the deferral arrangements to comply with changing regulation.

Remuneration Policy for Non-Executive Directors

The table below sets out the elements of Non-Executive Directors' remuneration and the policy on how each element is determined.

Element	Approach to determination
Base fees	Reviewed annually based on time commitment and responsibility required for Board and Board committee meetings. Review takes into account fees paid by comparable financial services organisations. Fees set by Non-Executive Directors' Remuneration Committee.
Additional fees	Additional fees are payable for additional responsibilities such as committee chairmanship or other duties.
Other items	Non-Executive Directors are not eligible to participate in any form of performance pay plans and do not receive pensions or other benefits.

The Remuneration Committee determines the Chairman's fee while the fees of the other Non-Executive Directors are determined by the Non-Executive Remuneration Committee, which comprises Messrs Ellis (Chairman), Cutter and Twig.

Approach to recruitment remuneration

Overall, the Committee aims to recruit Executive Directors using remuneration packages that are market-competitive and consistent with the existing remuneration structure. In doing so, the Committee seeks to pay no more than necessary to attract talented individuals to join the Society.

Newly recruited Executive Directors are eligible to receive the same remuneration elements as existing Executive Directors as set out in the policy table on pages 29 to 30.

The Committee does not expect to make special recruitment arrangements outside the standard policy, but may do so in exceptional circumstances in order to secure the appointment of the right candidate.

Non-Executive Directors will receive fees in line with the policy outlined above.

Directors' service contracts and notice periods

The Executive Directors are employed on rolling service contracts which can be terminated by either the Society or the Director giving one year's notice. Unless notice to terminate is given by either party, the contracts continue automatically.

Non-Executive Directors do not have service contracts.

Policy on termination payments

The Committee's overarching aim is to treat departing Executive Directors fairly, taking into

account the circumstances of their departure, but always taking care to ensure that the interests of members are considered and that there are no rewards for failure.

Executive Directors are entitled to be paid their basic salary and contractual benefits (including pension contributions) during the notice period. The Society has the discretion to pay these as a lump sum benefit in lieu of notice.

The Rules of the STI scheme and the MTI scheme set out the treatment of awards for individuals who cease to be an employee or Director of the Society.

In the following circumstances, an individual will be treated as a 'good leaver' and will be eligible for a payment under the STI and MTI schemes:

- Normal retirement;
- Death;
- Injury or disability; or
- Any other circumstances which the Committee may in its discretion determine.

In exercising discretion on the treatment of an individual as a good leaver the Committee will consider the circumstances surrounding the departure. In particular, in exercising this discretion, the Committee may consider the performance of the individual.

Executive Directors who leave the Society for any other reason will not be eligible to receive a bonus or to be paid any deferred element of any bonus earned.

For the STI scheme, the Society will generally pay any bonus in full in respect of a completed bonus year. Good leavers will be considered for a bonus in respect of a partly completed bonus year. Such a bonus would be pro-rated to take account of the service completed during the year. The bonus would be paid at the usual time, after the end of the performance year taking account of the outcome of any performance conditions. Payment of any

deferred element of the STI scheme for good leavers will be paid at the discretion of the Committee.

For the MTI scheme, deferred awards for completed performance periods and for part completed performance periods will be paid on the due date, except in the event of death, when the Committee may exercise its discretion and pay the deferred amount due immediately.

Statement of implementation of Remuneration Policy in 2014

The introduction of the MTI scheme, set out in the policy table on page 30, increases the variable pay of each participant by introducing a medium term award which is a third of the value of the 2013 STI scheme. In order to create the desired balance in overall variable pay between the short and medium term, the Remuneration Committee determined that some value should transfer from the STI scheme to the MTI scheme to achieve an equal balance between the two elements of variable pay.

From 2014, on-target performance will result in 30% of basic salary accruing to Directors in both the STI and MTI schemes and the maximum available to be earned under each scheme is 50% of basic salary.

The introduction of the MTI scheme impacts current remuneration packages in two ways:

- An overall increase in remuneration opportunity in the longer term – the maximum increases from 85% to 100% of base salary for the Group Chief Executive and from 75% to 100% for the other Executive Directors. This increases total remuneration in line with the market and supports longer term objectives focussed on growth and increased value for our members;

- A reduction in potential payments for the next three years due to the transition of value between short and medium term schemes – maximum reduces from 85% to 50% for the Group Chief Executive and from 75% to 50% for the other Executive Directors.

As a result and to reflect external benchmarking the Committee agreed to adjust the Executive Directors' base salaries.

Accordingly, Mr Cutter's salary was increased by 8.1% and the other Executive Directors' salaries increased by 4% on 1 January 2014, with the exception of Mr Twigg who will be joining the Connells group in April 2014. Details of the revised Executive Directors' salaries are in the main Annual Report and Accounts.

The operation of the short term incentive scheme is expected to remain as outlined in the policy.

Annual Report on Remuneration in 2013

Executive Directors' remuneration

The total remuneration for Executive Directors in 2013 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⁾
2013	£000	£000	£000	£000	£000	£000
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
2012	£000	£000	£000	£000	£000	£000
Mr D J Cutter	352	16	181	68	617	-
Mr I M Cornelius (note 4)	123	7	62	10	202	-
Mr M R Fleet	230	26	110	18	384	-
Mr R J Twigg	275	12	126	54	467	-
	980	61	479	150	1,670	-

Notes

1. Benefits comprise the provision of a car or car allowance, and private medical insurance contributions. Mr Fleet's 2013 benefits include £44,717 in relation to relocation costs.
2. £332,172 of the 2013 annual performance pay has been deferred under the rules of the scheme (2012: £72,000).
3. 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 the amount earned under the Incentive Scheme is more than 33% of his or her total remuneration.
4. Mr Cornelius was appointed as an Executive Director on 11 June 2012 and the above table includes his remuneration, annual performance pay and benefits as a Director of the Society from that date.
5. The increase in basic salary for the Executive Directors was in the range of 2.4% to 5.1%. This compares with an average annual pay award in 2013 of 3.8% for all other Society employees.

Non-Executive Directors' remuneration

The Non-Executive Remuneration Committee increased the Non-Executive Directors' basic annual fee from £42,000 to £44,000 from 1 August 2013, and the Deputy Chairman's fee to £50,000, having reviewed comparable data from similar organisations. The fees payable to the Chairmen of Board committees were also increased from that date: Audit Committee and Risk Committee to £12,000 per annum each and Remuneration Committee to £8,000.

The Chairman's fees are reviewed and approved by the Remuneration Committee. Mr Ellis' fee was set following comparison with market data at £155,000 per annum when he joined the Board as Chairman on 24 May 2011, and has not been increased since.

	2013			2012		
	Fees £000	Committee Fees £000	Total £000	Fees £000	Committee Fees £000	Total £000
Mr M H Ellis (Chairman)	155	-	155	155	-	155
Mr P J S Thompson (Deputy Chairman) (note 1)	45	3	48	41	-	41
Mr C N Hutton (note 2)	28	2	30	48	4	52
Mrs C Black (note 3)	36	-	36	-	-	-
Ms M Cassoni (note 4)	43	10	53	18	1	19
Mr R D East	43	-	43	41	-	41
Mr P R Hales (note 5)	43	10	53	41	8	49
Ms A B E Kinney (note 6)	-	-	-	34	7	41
Mr G E Picken (note 7)	52	-	52	41	-	41
Ms H C Stevenson (note 8)	36	-	36	-	-	-
	481	25	506	419	20	439

Notes

1. Mr Thompson was appointed Deputy Chairman and Chairman of the Remuneration Committee on 31 July 2013.
2. Mr Hutton retired as a Director, Deputy Chairman and Chairman of the Remuneration Committee on 30 July 2013.
3. Mrs Black was appointed a Director on 1 March 2013.
4. Ms Cassoni was appointed a Director on 31 July 2012, and was appointed Chairman of the Audit Committee on 31 October 2012.
5. Mr Hales is the Chairman of the Board Risk Committee.
6. Ms Kinney resigned as a Director and as Chairman of the Audit Committee on 31 October 2012.
7. Mr Picken was appointed a Director of the Society on 17 January 2012, and on 19 June 2013 was appointed a Director of Connells Limited for which he receives a fee of £25,000.
8. Ms Stevenson was appointed a Director on 1 March 2013.

The Committee and its advisers

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

The terms of reference of the Remuneration Committee are available, on request, from the Secretary. 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

25 February 2014



How often, in today's hard-edged corporate world, do customers have the chance to influence the businesses they deal with?

As one of the first mutual societies, we know how important it is to work with our members. That's why we need your help.

"We're talking to 20,000 customers a year to understand what we're doing well and how we can better meet their needs," said Head of Customer Strategy and Planning Rebecca Allsop.

"We have 5,000 people on our Customer Panel and work closely with 13 members of our Customer Forum on everything from business strategy, to products and services."

And the Society is making real changes based on this feedback. "Our members tell us, time and time again, that what they love is our friendliness and the personal service we offer.

"Our interactions with them are making this even stronger, and there are numerous examples of things we have done – such as our **No Pressure Promise**, which is the centrepiece of our new financial review process (**My Review**).

"Our members told us one of the things they hate most in life is pressure sales, so we won't do that," said Rebecca.

"Our reviews focus on gaining a deep understanding of each person's financial needs, and our teams are measured and rewarded on meeting our members' needs and the quality of service they provide."

The changes certainly seem to be making a difference. Independent research by Nunwood showed that 93% of our branch customers are highly satisfied with the service they received.

What's more, in Nunwood's 2013 Customer Experience Study, we have been included among the 260 leading brands rated by 7,500 customers, ranking 36th overall, and we're really proud to be rated fourth out of 42 financial services institutions. In doing so, we outperformed all the major banks.

Customer Panel case study



Alison Bennett,
administrative
assistant,
Ilkley, Skipton
customer
for 30 years.

She says: "The fact that Skipton is a mutual building society which belongs to its members is important. Allowing them to actively contribute towards future policies and services is integral to that and I'm pleased to see the Society promoting this more and more."

Joining the panel is easy

We're currently looking for more customers to join the panel. To become an online member simply visit skipton.co.uk/joincustomerpanel or send your details to Customer Panel, Customer Insight, Skipton Building Society, The Bailey, Skipton, BD23 1DN. Please include your name, address, date of birth, phone number (if you are happy to be contacted by phone) and email address (if you are happy to be contacted by email).

You said:

- No pushy sales
- More comfortable branches
- Quicker access to telephone teams

We did:

- No Pressure Promise, Delivering Service Excellence programme and **My Review** - focused on meeting our customers' needs
- 13 branch refurbishments
- Fewer automated options and a guaranteed callback service

With you for everything...

Savings

Helping you create the right blend of savings.

Mortgages

Sharing generations of mortgage experience.

Protection

Protecting you, your family, your world and everything in it, through a panel of providers.

Legacy Planning

Taking care of your wishes through life and beyond.

Investments†

Providing expert investment advice in our high street branches.

Financial Planning†

Giving you jargon-free, straightforward advice for your financial wellbeing.

†Skipton Financial Services Limited offers Restricted advice. Many of the products available are not like bank or building society accounts, as the capital value and any income can rise and fall and your capital is at risk. The tax treatment of any investments depends on your individual circumstances and may be subject to change in the future.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE



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 0845 850 1733 to find out more.

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