

SKIPTON DELIVERS ANOTHER YEAR OF OUTSTANDING RESULTS

Announcing Skipton Building Society's annual results for 2005 today, John Goodfellow, chief executive, said the mutual had turned in an outstanding performance, with record figures that built on previous strong results. He commented, "As the figures for the Skipton Group - with its 16 subsidiary companies - show, we are once again the most profitable building society in the UK today. By increasing the number of members the Society has, we have seen mortgage balances ending the year up 18% and investment account balances up 12%. Once again, I'm proud to say Skipton has performed beyond market expectations and shown itself to be the epitome of a modern mutual."

Financial highlights include:

- Group Assets up 12.2% to £9.2bn
- Society Assets up 12.0% to £8.8bn
- Group Pre-Tax Profit up 10.9% to £91.2m
- Society Pre-Tax Profit up 18.7% to £55.8m
- Group Interest Rate Margin 1.08%
- Society Interest Rate Margin 0.74%
- Society Management Expenses Ratio down from 62 pence to 60 pence per £100 assets

These results are prepared under International Financial Reporting Standards [see Editor's Notes].

Speaking about the Society, John commented, "Despite continuing competitive pressures in the mortgage market, loans and advances to customers increased by 18% to £7 billion, which demonstrates the Society's success in attracting new members and customers. Indeed, total mortgage origination via organisations in the Skipton Group hit a record high, at over £9 billion, with the Society itself receiving 26,000 mortgage applications during the year.

Cont...

“The good news for Skipton’s borrowers is that, with our residential SVR currently standing at 5.89% - one of the industry’s lowest - they can be assured of a fair deal at all times.

“Our savings accounts, which have contributed greatly to growing the Society’s retail balances by £563 million to end the year at £5.2 billion, include the Pension Plus account (created specifically for older savers), the range of 1, 2 and 3 Year Pick ‘N’ Fix Bonds and the Branch Access account, which received over 70 best buy mentions in the national press in 2005.

“Our strategy of building a larger Group with 16 subsidiary companies and thereby generating ‘fee and commission income’ from every area of the Group, has enabled the Society to further reduce its interest rate margin to 0.74% - the lowest in the marketplace - which directly benefits our members.

“Connells, now the country’s second largest estate agency group (comprising Connells, Sequence and Sharman Quinney) has had an outstanding year. The business saw profits increase by 40% to £41.5 million pre-tax, despite a return to a more normal housing market leading to a reduction in transaction volumes of 20%. Another subsidiary which has enjoyed a successful 12 months is Homeloan Management which, with assets under management in excess of £33 billion, is the UK’s most successful mortgage servicing provider.

“In addition, our financial adviser subsidiaries, Pearson Jones and Skipton Financial Services, managed to flourish following a tough year, with pre-tax profits of £4.4 million. The success of the latter was due in part to its affinity partnership with the *Daily Telegraph* and *Sunday Telegraph*, concentrating on the issue of inheritance tax.

“What has been achieved in the last 12 months is a further endorsement of our strategy. Our challenge for 2006 will be to continue to provide outstanding rates for savers and borrowers at a time when the Bank of England’s base rate is forecast to remain low.

Cont...

EMBARGOED: Wednesday 1 March 2006

Page 3 of 8

"Skipton offers outstanding service - a fact recognised by our winning the Financial Adviser 5-Star Service Award for the sixth year in a row. This is a unique achievement for a building society and to top it off, out of the remaining five winners, it was another subsidiary, Pink Homeloans, which took first position. Adding to these high levels of service is our commitment to provide all customers with fairness in our products and services. Clearly as a mutual organisation we are in a strong position to satisfy our desire to treat customers fairly, as expressed by our regulators. Our subsidiaries, including Mutual One, jointly owned by nine other building societies, continue to deliver leading edge solutions to the financial services sector and to other mutuals in the UK, to improve business performance.

"With regard to the future growth of the Group, we will retain our focus on the core business of mortgages and savings, but will seek to invest further in related businesses where the opportunities are available and justified. In this way, Skipton will continue to act as a modern mutual, giving real value to members – our customers".

For further information, please contact the Skipton Press Office on 08456 017247, email newsline@skipton.co.uk or visit the press section of our website at www.skipton.co.uk

John Goodfellow, chief executive and director
Richard Twigg, finance director
Jennifer Holloway, head of media relations

If outside Press Office hours (8am–6pm, Monday to Friday), please call 07867 851628

Skipton Building Society
Results for the year ended 31 December 2005

Consolidated income statements

	2005	2004
	£m	£m
Interest receivable and similar income	450.5	389.7
Interest payable and similar charges	(357.2)	(298.2)
Net interest receivable	93.3	91.5
Fair value gains and losses on financial instruments	(0.7)	-
Income from shares in subsidiary undertakings	-	-
Fee and commissions receivable	369.2	353.5
Fee and commissions payable	(23.9)	(30.7)
Other operating income	4.9	3.7
Total operating income	442.8	418.0
Administrative expenses	(345.9)	(333.9)
Impairment losses on loans and advances	(7.9)	0.3
Provisions for liabilities	0.4	(2.5)
Share of profits from joint ventures	1.8	0.3
Profit before tax	91.2	82.2
Tax expense	(25.3)	(24.4)
Profit for the financial year	65.9	57.8
Attributable to:		
Members of Skipton Building Society	62.8	56.7
Minority interests	3.1	1.1
	65.9	57.8

Skipton Building Society
Results for the year ended 31 December 2005

Consolidated balance sheets

	2005	2004
	£m	£m
<hr/>		
Assets		
Liquid assets	1,778.2	1,930.1
Mortgages	6,921.4	5,865.2
Other loans	108.9	91.8
Derivative financial instruments	62.2	-
Fixed and other assets	285.1	270.9
Total assets	9,155.8	8,158.0
<hr/>		
Liabilities		
Shares	5,240.6	4,675.6
Borrowings	3,036.0	2,749.8
Other liabilities	194.4	160.6
Derivative financial instruments	44.3	-
Subordinated liabilities	130.9	129.0
Subscribed capital	26.3	25.0
Minority interests	7.3	4.6
Reserves	476.0	413.4
Total liabilities	9,155.8	8,158.0
<hr/>		

Skipton Building Society
Results for the year ended 31 December 2005

Consolidated statement of recognised income and expense

	2005	2004
	£m	£m
Effect of adoption of IAS 32 and 39 on 1 January 2005		
General reserve	11.0	-
Available for sale reserve	0.3	-
Available for sale investments:		
Valuation gains taken to equity	0.4	-
Transferred to profit or loss on sale	(0.1)	-
Cash flow hedges:		
Losses taken to equity	(0.5)	-
Exchange differences on translation of foreign operations	0.5	-
Actuarial (loss)/gain on retirement benefit obligations	(16.8)	(2.3)
Tax on items taken directly to or transferred from equity	5.0	0.8
Net income/ (expense) not recognised directly in the Income Statements	(0.2)	(1.5)
Profit for the financial year	65.9	57.8
Total recognised income and expense for the financial year	65.7	56.3
Attributable to:		
Members of Skipton Building Society	62.6	55.2
Minority Interests	3.1	1.1
	65.7	56.3

Skipton Building Society
Results for the year ended 31 December 2005

Consolidated cash flow statements

	2005	2004
	£m	£m
Net cash inflow / (outflow) from operating activities	(38.9)	41.6
Cash flows from investing activities		
Purchase of debt securities	(3,172.3)	(2,200.5)
Proceeds from disposal of debt securities	3,156.7	1,953.0
Purchase of intangible assets	(9.1)	(6.4)
Purchase of Property, plant and equipment and investment property	(12.5)	(17.8)
Purchase of mortgage portfolio's	(282.7)	(119.1)
Sale of mortgage portfolio's	372.8	374.3
Other cash flows from investing activities	(4.9)	(8.8)
Net cash flows from investing activities	48.0	(25.3)
Net cash flows from financing activities	(11.6)	(11.5)
Net (decrease)/increase in cash and cash equivalents	(2.5)	4.8
Cash and cash equivalents at 1 January	44.3	39.5
Cash and cash equivalents at 31 December	41.8	44.3

Reconciliation of total profit before taxation to net cash inflow from operating activities

	2005	2004
	£m	£m
Total profit before taxation	91.2	82.2
Movement in prepayments and accrued income	(1.2)	(8.4)
Movement in accruals and deferred income	30.6	32.1
Provisions for bad and doubtful debts	7.9	(0.3)
Loans and advances written off, net of recoveries	(3.1)	(1.6)
Depreciation and amortisation	17.9	18.6
Other cash inflows from trading activities	2.6	14.4
Net cash inflow from trading activities	145.9	137.0
Movement in loans and advances to customers	(1,153.1)	(802.4)
Net movement in shares	536.1	513.6
Net movement in amounts owed to credit institutions and other customers	52.8	(30.2)
Net movement in debt securities in issue	229.4	334.0
Net movement in loans and advances to credit institutions	165.0	(80.5)
Income taxes paid	(24.7)	(19.0)
Other cash inflows / (outflows) from operating activities	9.7	(10.9)
Net cash inflow from operating activities	(38.9)	41.6

Key ratios

	2005	2004
	%	%
Group net interest margin	1.08	1.18
Society net interest margin	0.74	0.76
Society management expenses/mean assets	0.60	0.62
Group profit after tax/mean assets	0.73	0.73
Total asset growth	12.23	11.01
Group loans and advances growth	18.92	7.63
Group share account growth	12.08	13.23
Liquidity ratio	21.50	25.99
Funding ratio	36.75	37.12
Gross capital ratio	7.74	7.70
Free capital ratio	5.80	5.62
Solvency ratio	13.10	13.57

Editor's Notes

1. Skipton is the UK's seventh largest building society, with a national presence represented by its 79 branches, covering the country from Aberdeen to Plymouth. An innovator in the field of mortgage and investment products, the Society stands apart from its counterparts as the parent to 16 subsidiary companies, many of which operate in the financial market.

2. The International Financial Reporting Standards became available for use in the UK at the beginning of 2005. As Skipton Building Society has issued permanent interest bearing shares (PIBS) it is therefore required to use these standards. Under these new standards, expectations are that profitability will become more volatile. The Group has therefore implemented processes not only to ensure its systems are capable of producing the accounts in a compliant manner, but also so that such volatility can be managed within acceptable levels.