PRESS RELEASE **24 February 2021**

SKIPTON REPORTS STRONG RESULTS WHILST SUPPORTING ITS MEMBERS, COLLEAGUES AND COMMUNITIES DURING AN UNPRECEDENTED OPERATING ENVIRONMENT

Skipton, the UK's fourth largest building society, today announces its results for 2020 as it continues to actively support its members, colleagues and communities through these turbulent times.

The COVID-19 pandemic has delivered one of the biggest shocks to the UK and global economy in several generations. The pandemic affected every part of the Group's operations, with lockdown measures applied in the UK, Guernsey and New Zealand. Connells, our Estate Agency division, was required to close its entire network of almost 600 estate agency branches for two months and all of its surveyors were prohibited from carrying out physical valuations during this time. However, by ensuring the continuation of all services to members throughout the year and the dedication and agility of its colleagues, Skipton continued to provide excellent customer service (with net customer satisfaction of 85%), as well as providing stability and a secure place for its members' savings due to its continued strong capital and liquidity position. Skipton's mortgage and savings balances increased by 8.6% and 7.7% respectively.

In a challenging environment, the Group recorded underlying profits before tax (as defined on page 7) of £124.0m (2019: £155.2m). Total profit before tax (PBT) was £118.8m (2019: £153.2m). Profits have been impacted in the short term by the increase in the Group's loan impairment charges to £25.7m (2019: £0.5m) arising from an expected worsening of the economic outlook. In line with accounting standards, loan impairment charges are booked upfront before they are incurred. However, the nature of the pandemic, its impact on customers and businesses, and the actions taken by the Government to support the economy, make it extremely difficult to forecast loan impairments and therefore requires a significant level of estimates and judgement, based on limited observable data at the reporting date.

In December 2020, Connells announced an agreement with Countrywide plc's board and its major shareholders to acquire Countrywide; this creates an exciting opportunity to extend our estate agency presence across the UK.

David Cutter, Skipton Group Chief Executive, said:

"Without a doubt 2020 was one of the most challenging years we have ever faced. Our fundamental priority remains of looking after our members and people, ensuring their safety and well-being, and being there for them when they need us, wherever they need us.

I'm so incredibly proud that our people, all of whom were impacted by COVID-19 just like everyone else across the UK, adapted and responded positively by continuing to serve our customers throughout such unprecedented times.

As a 168-year-old mutual, Skipton's values are firmly rooted in helping people have a home and save for the future. We will always make decisions based on the long-term best interests of the business and our members, not shareholders. Over the years this consistent approach has seen us successfully navigate through the good times, and the difficult times. And COVID-19 brought this purpose to the fore.

Whilst we still reported good Group profits for the year, our financial results reflect a challenging period. Our Mortgages and Savings division has been heavily impacted by increased impairment charges and our Estate Agency division, Connells, saw all of its UK branches forced to close for two months. However, the resilience of Skipton's business model has allowed the Society to maintain strong capital ratios throughout and we look to the future with confidence."

Supporting customers, colleagues, suppliers and communities through the pandemic

Customers

- The Society maintained essential services to support its members, with the majority of the branch network remaining open throughout the pandemic, although sometimes operating under reduced hours;
- The Society saw an increase in digital interaction as social distancing measures due to COVID-19 drove an increase in customers accessing our services and support online. To help our customers, we extended our social media customer service hours, and our branches and contact centre opening hours were above the industry norms;
- Skipton adapted to changing customer behaviours driven by the pandemic, utilising existing digital capabilities including a fourfold increase in the use of Skipton Link (our video conferencing system) for account opening and financial advice appointments, a 72% increase in webchat usage, and a 66% increase in social media interactions, providing support for customers and brokers;
- Skipton have continued to support customers seeking mortgages, staying open for business and being flexible in our application process to accommodate the unusual trading conditions. This is demonstrated by the strong 8.6% mortgage growth and 24,557 homeowners we've helped to purchase or remortgage their properties in the year;
- Skipton was one of the first organisations to set up a dedicated mortgage payment deferral mailbox enabling customers to quickly log requests for help. Skipton arranged over 25,000 mortgage payment deferrals and proactively called these customers to check they had all the information and support they needed;
- Perspex screens and personal protective equipment were introduced throughout the Society's branches;
- Through Skipton Business Finance, business clients were helped by enabling the use of various Government-backed financing schemes; and
- The Society Executives responded early in the pandemic, in April 2020, by making the decision to voluntarily withdraw from the 2020 bonus scheme. This felt the right thing to do in the face of uncertain times ahead for the Society, our members and colleagues. The total amount forfeited was approximately £750,000. The Connells executive team also voluntarily withdrew from their 2020 bonus scheme. This means neither executive team have received any bonus payment relating to the 2020 performance year, irrespective of the Group's performance at the end of the year.

Colleagues

- The Society has supported colleagues throughout the pandemic with working from home provisions for those that are able to, flexible working to allow for childcare and other commitments, and ensuring the highest levels of safety in all working practices;
- In March, the Society immediately enhanced its colleague sickness package, ensuring all Skipton colleagues, irrespective of length of service or role, received a minimum of four weeks' sick pay;
- The Society has further enhanced its support for the well-being of colleagues so they in turn can maintain services to our members and customers. As well as additional support mechanisms for colleagues the Society launched a regular 'pulse survey' to respond to changing colleagues' needs in a timely manner; and
- Connells placed a peak of 78% of its colleagues on furlough in order to protect the long term sustainability of the business and provide financial stability for those colleagues affected. Connells supported its people during the furlough period by paying them 100% of basic pay, between March and July, and any commissions due during this time to those not required to work; above the Government's support of 80% (capped at £2,500 per month per employee).

Suppliers

- In April the Society reduced the payment terms for its small and medium sized enterprise (SMEs) suppliers, aiming to pay any invoices within ten days instead of our standard 30 day payment terms, to help SMEs' cashflow during the pandemic.

Communities

- A donation of £200,000 was made to Mental Health UK, the Society's charity partner enabling the charity to respond to unprecedented service demands as the coronavirus outbreak significantly impacted the nation's mental health. The donation comprised Skipton's Chair and its Non-Executive Directors donating

20% of their net fees for three months, personal contributions from Skipton's Executive Committee and colleagues across the UK, and £130,000 from the Society.

Mortgages and Savings division

Absolute Customer Focus

- Skipton continued to offer outstanding customer service to its members in 2020, as demonstrated through its net customer satisfaction score of 85%[1] (2019: 86%);
- Skipton saw continued growth in its membership, with member numbers increasing by 14,844 to 1,061,138 (31 December 2019: 1,046,294);
- Skipton is one of the UK's largest providers of the Cash Lifetime ISA, with total balances at 31 December 2020 of £1,027.4m (31 December 2019: £876.5m). Government bonuses of £81.8m were received by our LISA savers during 2020, providing a significant boost to their homeownership aspirations;
- The Society helped 24,557 homeowners (2019: 29,727) to purchase or remortgage their properties, including 5,424 first time buyers (2019: 5,923) and 5,955 buy-to-let borrowers (2019: 7,878);
- Due to the unprecedented fall in the Bank Base Rate to 0.10% Skipton was forced to take the difficult decision to reduce the rate of interest paid to savings members whilst continuing to offer rates above the market average. While this has been a difficult time for savers, Skipton has proven a safe and stable place for members' money;
- The Society paid an average savings rate of 0.97% in the 11 months to 30 November 2020 (2019 full year: 1.29%), which was on average 0.38% above the industry average[2] during the latest period for which comparable data is available (2019 full year: 0.54% higher); and
- The Society's financial advisers have advised 3,300 customers (2019: 3,909) on how to achieve their financial goals.

Brilliant People

- In the Society's annual employee engagement survey 94% of colleagues said they were proud to work for Skipton;
- The Society aims to deliver an outstanding colleague experience; our overall colleague engagement increased to 90% (2019: 89%) and this has a direct beneficial impact on the service we provide to our customers;
- Through Skipton's work with the Building Societies Association, to date five of its senior leaders have studied for a master's degree in strategic leadership; and
- Skipton is also helping the next generation of leaders, and to further invest in the early careers of its young people another three apprentices have been recruited onto the 'Connecting Our Futures' programme, and eleven onto the 'Aspiring Leaders' programme. A graduate leadership programme has also been launched in the year with the first cohort starting in September 2021. This offers a great opportunity for recent graduates to join Skipton and get hands-on experience in a variety of roles to enable them to become future senior leaders at the Society.

Powered by digital technology and data

- The Society continued to improve the digital experience for members across mortgages, savings and financial advice in 2020. Investment in enhanced digital capability continues to be a particular area of focus to support and drive improvements to the customer experience;
- The Society has 47% of its online customers registered for the Skipton app as at 31 December 2020, with over 188,000 registrations since the launch of the app in July 2019;
- Skipton have achieved record customer satisfaction scores in Digital channels at 81%[3]. This includes work throughout 2020 to provide the human touch in its digital interactions; and

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[1] The net customer satisfaction score is calculated using an in-house survey of c.6,500 Society members, by subtracting the percentage of members who are dissatisfied (those scoring satisfaction with the Society as 1-3 on a scale of 1-7) from the percentage of members who are satisfied (those scoring satisfaction as 5-7 on the same scale).

[2] Source: CACI's Current Account & Savings Database, latest available comparable market data for the 11 months ended 30 November 2020.

[3] The digital satisfaction score is calculated using an in-house survey of c.31,000 Society members and shows the percentage of members who are satisfied (those scoring satisfaction as 6-7 on a scale of 1-7).

- Virtual analytics teams and change hubs have been established using agile methodologies and self-service capabilities which give greater access to data and insight for our colleagues. In addition, some of the Society's data storage is being moved to the Cloud, which will give the Society increased functionality and resilience.

Financial Strength

- The Mortgages and Savings division reported an underlying PBT of £67.3m (2019: £103.9m). The fall in profits is predominantly due to loan impairment charges in the division of £25.2m (2019: £0.3m) as a consequence of the worsening economic outlook arising from COVID-19 and the Government restrictions imposed on households and businesses to help mitigate health impacts of the pandemic;
- Statutory PBT for the division was £64.6m, compared to £100.8m in 2019;
- The Group net interest margin was 0.89% (2019: 0.98%). The decrease seen was driven by the two Bank Base Rate cuts announced in March 2020 and a competitive mortgage and savings market early in the year. Margins in the second half of the year were marginally higher than the first half as competition in the savings market reduced and demand for mortgages increased, reflecting a stronger housing market;
- Skipton International Limited continues to make a strong contribution to the division's profits, with PBT of £19.9m (2019: £21.2m) and mortgage balances increasing from £1.4bn to £1.6bn;
- Financial advice income levels were impacted by more limited opportunities to generate new business during COVID-19 restrictions, especially due to a reduction in branch transactions and interactions. Nevertheless, through the use of remote technology, servicing and interaction with existing financial advice customers was maintained;
- The division's management expense ratio[4] was 0.60% (2019: 0.65%) and the cost income ratio was 63.3% (2019: 60.2%). Carefully managing costs has been a priority but costs have increased overall as safety measures and home-working provisions were introduced;
- Group total assets increased by 10.9% during the year to £28.3bn (2019: £25.5bn);
- Group gross mortgage lending was £4.5bn (2019: £4.9bn), with mortgage balances growing by 8.6% since the end of 2019 (2019: 10.3%);
- The Group's net residential UK mortgage lending accounted for 3.9% of the growth in the UK residential mortgage market (2019: 4.0%) compared to our 1.4%[5] share of UK residential mortgage balances;
- Society savings balances grew by 7.7% (2019: 7.6%) to £18.7bn by the end of 2020. Despite this strong growth, due to the stronger growth in the UK savings market overall, the growth in the Society's savings balances in the year accounted for 0.8% of the growth in the UK deposit savings market (2019: 1.9%), compared to our market share of savings balances of 1.1%[6];
- Although likely not at the peak of this severe economic cycle, the Group's arrears position continues to be well below the industry average. The Group's UK residential mortgages in arrears by three months or more represent only 0.29% of mortgage accounts (31 December 2019: 0.25%), which compares to an industry average of 0.83%[7] (2019: 0.72%). We are providing support to customers who have been financially affected by COVID-19 and mortgage payment deferrals granted in this respect may suppress the impact of the pandemic on arrears in the short term;
- The Liquidity Coverage Ratio was 194% (2019: 207%), well above both the regulatory limit of 100% and the internal limit set by the Board throughout the period;
- In February 2020, the Society successfully completed its fifth securitisation transaction through Darrowby No. 5 plc, raising £500m of wholesale funding. A further £350m of funding was raised in October through a senior non-preferred transaction that contributes to the Society's MREL funding requirements;
- The Society has repaid £400m of funding from the Government's Term Funding Scheme (TFS) during the year and at the end of the year had an amount outstanding of £1,250m (2019: £1,650m). The Society also has access to the Bank of England's Term Funding Scheme with additional incentives for SMEs

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[4] Administrative expenses as a percentage of mean total assets. Mean total assets is the average of total assets as at 31 December 2020 and 31 December 2019 as shown within the Statement of Financial Position.
[5] Source: Bank of England statistics, 'Lending secured on dwellings' for the 12 months to 31 December 2020.
[6] Source: Bank of England statistics, 'UK deposits from households' for the 12 months to 31 December 2020.
[7] Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) as at 31 December 2020.

(TFSME) until October 2021 and during the year the Society has drawn down £850m (2019: £nil) under the scheme;

- The Society's Common Equity Tier 1 (CET 1) ratio at 31 December 2020 remained strong at 39.7% (2019: 39.1%). An expected deterioration in the economy in 2021 means we expect the CET 1 ratio to reduce during 2021. However, we expect to remain well above our regulatory minimum capital requirements; and
- The leverage ratio was 5.7% (2019: 6.0%), well above the Regulator's expected minimum.

Estate Agency division

- The Estate Agency division delivered a robust performance and reported PBT of £51.8m (2019: £50.1m) with underlying profits of £55.1m (2019: £50.1m);
- Following a buoyant start to the year, Connells navigated unprecedented terrain as it closed its branches to the public on 23 March for two months, in line with Government guidelines, to help efforts in preventing the spread of coronavirus;
- With virtually no transactional business during lockdown, the number of properties that Connells exchanged contracts on during the year was 16% lower than in 2019 and total income fell by 11% to £378.6m (2019 re-presented: £427.7m);
- Connells moved effectively to home working and took swift and decisive action to manage its cost base and liquidity position; it utilised the Government's Coronavirus Job Retention Scheme ('CJRS') and placed 78% (at the peak) of its colleagues on furlough. Connells supported its people during the furlough period by paying them 100% of basic pay from March to July and any commissions due during this time to those not required to work; well above the Government's support of 80% (capped at £2,500 per month per employee). In total Connells benefitted from £25.7m of Government support from the CJRS, business rates relief and the Retail Cash Grant Scheme during the year. No other parts of the Skipton Group received direct government support in relation to the pandemic;
- The Connells group saw a positive recovery on the initial reopening of the housing market in May. Activity levels improved considerably, helped by the stamp duty holiday announced by the Government from 15 July 2020 to 31 March 2021;
- Despite various local and national restrictions being imposed by the Government during the second half of the year, top line results remained ahead of the prior year during this period;
- Connells' financial services proposition continued to perform strongly and the number of mortgages arranged fell by only 2% despite the lockdown and reduction in the number of properties sold. During the first lockdown, in particular, Connells worked with its customers to help them, particularly with re-mortgaging; and
- The total value of lending generated for UK mortgage providers during 2020 increased to £10.9bn (2019: £10.7bn) and the Connells group remains focused on helping more customers to buy homes or reduce their mortgage outgoings by providing them with a good experience and outcome.

Connells' annual results for 2020 and further details can be found here.

Other subsidiaries

- Skipton Business Finance (SBF), a provider of debt factoring and invoice discounting to small and medium-sized enterprises, recorded a PBT of £3.6m (2019: £4.0m);
- Its loan impairment charges in the period were £0.5m reflecting the challenges being faced by clients as a result of COVID-19 (2019: £0.2m);
- SBF successfully gained accreditation to partake in the Government's Coronavirus Business Interruption Loan Scheme (CBILS) and the Government's Bounce Back Loans Scheme (BBLS). This enables SBF to offer BBLS loans with the Government guaranteeing 100% of all future losses, and CBILS loans with the Government guaranteeing 80% of any future losses, in order to help its SME clients through these challenging economic times; and
- Jade Software Corporation (a software solutions provider based in New Zealand that specialises in digital solutions and large IT enterprise solutions, as well as being the provider of the Society's core database and software development language) broke even in the year (2019: broke even).

Outlook

David Cutter, Skipton Group Chief Executive, stated:

"The COVID-19 pandemic continues to cause significant social and economic disruption, and although the UK Government has taken extraordinary steps to support people, public services and businesses, the impact on the general population is colossal and will be felt for many more years to come. While it is early to predict how the UK will recover from such disruption, the encouraging rollout of vaccines should result in an improvement in consumer and business confidence.

We welcome the fact that the UK Government agreed a Brexit deal with the EU at the end of 2020. Unlike some industries, the Society is not directly impacted by the trading relationship between the UK and EU, however we are interested in any potential secondary or tertiary impacts on the housing, mortgage and savings markets.

In December, Connells reached an agreement with the Countrywide plc board and its major shareholders to acquire Countrywide. The combination of the two businesses is an excellent opportunity to extend Connells' presence across the UK. The enlarged scale of the Society's estate agency operations should deliver enhanced returns for the Society, and hence its members, over the medium and longer term. However, financial results in 2021 will be impacted by one-off costs associated with the combination of the two businesses.

The outlook for the Society is positive but will be dependent upon the performance of the UK economy as the pandemic evolves, vaccines are rolled out and the Government takes measures to protect public health and support the economy. The Society's strong financial position, diversified business model, and compelling customer propositions means it is well placed to continue to deliver for its members during these uncertain times."

ENDS

For further information, or to arrange interviews, please contact the Skipton Press Office on 03456 017247, email newsline@skipton.co.uk or visit the press section of our website at www.skipton.co.uk.

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Stacey Stothard, Head of Corporate Communications
Stacey.stothard@skipton.co.uk ; @SkiptonBS_press
If outside Press Office hours (8.30am – 5pm, Monday to Friday), please call 07793 699 878.

Editors' notes

1. Skipton is the UK's fourth largest building society, with over one million customers, £28.3bn of assets and a national presence represented by its network of 88 branches. Skipton offers mortgages, savings and restricted financial advice. It heads the Skipton Building Society Group, whose subsidiary companies include Skipton International Limited and significant interests in estate agency and related businesses through the Connells group;
2. Skipton is one of the UK's biggest Cash Lifetime ISA providers (LISA), with over 156,000 LISA customers and account balances of over £1bn;
3. Skipton was named *Best National Building Society* for the seventh year running in the 2020 What Mortgage awards, Best Overall Mortgage Lender in the Personal Finance Awards 2020/21, Mortgage Lender of the Year in the 2020 Credit Strategy Awards and Building Society of the Year, First Time Buyer Mortgage Lender of the Year and Diversity Initiative of the Year in the 2020 MoneyAge Mortgage Awards.
4. Skipton is rated by two major credit rating agencies. Moody's assigns a long-term local and foreign currency bank deposit rating of Baa1 with a stable outlook and a short-term rating of P-2. Fitch assigns the long-term Issuer Default Rating (IDR) as A- with a negative outlook and a short-term IDR of F1;
5. Skipton is based in the market town whose name it shares since it was established in 1853. And as a mutual, Skipton doesn't have shareholders to answer to. This means the Society can make decisions based on the long term best interests of its members, both current and future – and that includes being a good and sustainable corporate citizen.

Skipton Building Society
Results for the year ended 31 December 2020

Consolidated income statement

	2020	2019 Re-presented*
	£m	£m
Interest receivable and similar income:		
Accounted for using the effective interest rate method	**441.7**	510.0
Other	**(2.1)**	4.9
Total interest receivable and similar income	**439.6**	514.9
Interest payable and similar charges	**(201.7)**	(276.8)
Net interest receivable	**237.9**	238.1
Fees and commissions receivable	**420.8**	477.2
Fees and commissions payable	**(7.3)**	(8.2)
Fair value (losses) / gains on financial instruments mandatorily held at FVTPL:		
Hedging instruments and hedged items	**(0.1)**	1.2
Other derivatives	**(22.4)**	2.6
Equity release portfolio	**19.7**	(6.0)
Share warrants	**0.1**	-
Put options held by minority shareholders	**(0.3)**	-
Equity share investments	**0.1**	-
Realised profits on treasury assets held at FVOCI	**0.6**	2.4
Profit on disposal of subsidiary undertakings	**0.8**	1.1
Share of profits from joint ventures	**3.4**	1.7
Other income	**1.0**	0.8
Total income	**654.3**	710.9
Administrative expenses	**(506.3)**	(554.0)
Operating profit before impairment and provisions	**148.0**	156.9
Impairment losses on loans and advances to customers	**(25.7)**	(0.5)
Impairment (losses) / credit on liquid assets	**(0.1)**	0.2
Impairment of goodwill	**(2.0)**	-
Impairment of joint ventures	**(1.5)**	-
Realised losses on equity release portfolio	**(0.1)**	(0.5)
Provisions for liabilities	**0.2**	(2.9)
Profit before tax	**118.8**	153.2
Tax expense	**(21.8)**	(30.8)
Profit for the financial year attributable to members of Skipton Building Society	**97.0**	122.4

* Certain fees and commissions receivable that were previously presented gross of associated clawback provisions have been re-presented on a net basis. This is considered to more fairly reflect the substance of the arrangements and the comparative figures above have been re-presented accordingly. This results in a £15.2m decrease in 'Fees and commissions receivable' and a corresponding £15.2m decrease in the charge for provisions for liabilities and therefore there is no impact on profits and no impact on reserves.

Underlying Group PBT for 2020 was £124.0m (2019: £155.2m) as shown below:

	2020	2019
	£m	£m
Total Group profit before tax	**118.8**	153.2
Less profit on disposal of subsidiary undertakings	**(0.8)**	(1.1)
Add back fair value losses in relation to the equity release portfolio	**2.7**	3.4
Add back impairment of goodwill	**2.0**	-
Add back impairment of joint ventures	**1.5**	-
Less fair value gains on share warrants and equity share investments	**(0.2)**	-
Less credit for FSCS levy	**-**	(0.3)
Underlying Group profit before tax	**124.0**	155.2

Skipton Building Society
Results for the year ended 31 December 2020

Consolidated statement of comprehensive income

	2020 £m	2019 £m
Profit for the financial year	**97.0**	122.4
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurement (losses) / gains on defined benefit obligations	**(22.7)**	0.5
Income tax on items that will not be reclassified to profit or loss	**7.1**	0.3
	(15.6)	0.8
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedging reserve:		
(Losses) / gains taken to equity	**(12.9)**	3.1
Realised gains transferred to Income Statement	**(3.2)**	(6.9)
Movement in fair value reserve (debt securities):		
Gains / (losses) taken to equity	**4.6**	(0.3)
Impairment loss allowance on debt securities held at FVOCI	**(0.1)**	(0.1)
Movement in cost of hedging reserve:		
Gains / (losses) taken to equity	**0.9**	(5.2)
Exchange differences on translation of foreign operations	**0.4**	(0.7)
Income tax on items that may be reclassified to profit or loss	**2.4**	2.5
	(7.9)	(7.6)
Other comprehensive expense for the year, net of tax	**(23.5)**	(6.8)
Total comprehensive income for the year attributable to members of Skipton Building Society	**73.5**	115.6

Skipton Building Society
Results for the year ended 31 December 2020

Consolidated statement of financial position

	2020	2019
	£m	£m
Assets		
Cash in hand and balances with the Bank of England	**3,237.8**	1,793.1
Loans and advances to credit institutions	**724.7**	546.6
Debt securities	**1,505.0**	2,182.9
Derivative financial instruments	**64.1**	38.5
Loans and advances to customers held at amortised cost	**21,865.0**	20,065.6
Loans and advances to customers held at FVTPL	**1.3**	1.5
Equity release portfolio held at FVTPL	**433.8**	410.0
Current tax asset	**-**	1.0
Deferred tax asset	**46.4**	38.6
Investments in joint ventures	**13.3**	12.5
Equity share investments	**1.7**	1.5
Property, plant and equipment	**72.5**	75.7
Right-of-use assets	**60.9**	67.4
Investment property	**8.1**	9.4
Intangible assets	**157.7**	162.6
Other assets	**71.1**	82.5
Total assets	**28,263.4**	25,489.4
Liabilities		
Shares	**18,709.4**	17,364.1
Amounts owed to credit institutions	**2,149.2**	1,678.3
Amounts owed to other customers	**2,130.3**	1,816.9
Debt securities in issue	**2,452.5**	2,302.6
Derivative financial instruments	**445.9**	361.1
Current tax liability	**4.0**	16.0
Lease liabilities	**62.5**	66.6
Other liabilities	**50.9**	52.6
Accruals	**42.9**	42.3
Deferred income	**2.3**	2.7
Provisions for liabilities	**18.9**	23.7
Deferred tax liability	**1.2**	1.7
Retirement benefit obligations	**96.4**	87.0
Subordinated liabilities	**349.7**	-
Subscribed capital	**41.6**	41.6
Total liabilities	**26,557.7**	23,857.2
Members' interests		
General reserve	**1,715.3**	1,633.9
Fair value reserve	**4.1**	1.4
Cash flow hedging reserve	**(15.1)**	(3.3)
Cost of hedging reserve	**(3.5)**	(4.3)
Translation reserve	**4.9**	4.5
Attributable to members of Skipton Building Society	**1,705.7**	1,632.2
Total members' interests and liabilities	**28,263.4**	25,489.4

Skipton Building Society
Results for the year ended 31 December 2020

Consolidated statement of cash flows

	2020	2019
	£m	£m
Cash flows from operating activities		
Profit before tax	**118.8**	153.2
Adjustments for:		
Impairment charge on loans and advances to customers	**25.7**	0.5
Loans and advances written off, net of recoveries	**(0.7)**	(2.2)
Impairment losses / (credit) on liquid assets	**0.1**	(0.2)
Impairment losses / (credit) on trade receivables	**0.9**	(0.1)
Impairment of goodwill	**2.0**	-
Impairment of joint ventures	**1.5**	-
Depreciation and amortisation	**38.1**	37.7
Impairment of property, plant and equipment, right-of-use assets and investment property	**2.6**	0.5
Income Statement charge for fair value of subsidiary management incentive scheme liability	**1.2**	1.8
Fair value gains on equity share investments	**(0.1)**	-
Interest on subordinated liabilities and subscribed capital	**6.3**	4.5
Interest on lease liabilities	**1.3**	1.4
Loss / (profit) on disposal of property, plant and equipment, investment property and intangible assets	**0.5**	(0.6)
Profit on disposal of treasury assets	**(0.6)**	(2.4)
Share of profits from joint ventures	**(3.4)**	(1.7)
Profit on disposal of subsidiary undertakings	**(0.8)**	(1.1)
Fair value (gains) / losses on equity release portfolio	**(19.7)**	6.0
Fair value gains on share warrants	**(0.1)**	-
Realised losses on equity release portfolio	**0.1**	0.5
Other non-cash movements	**(20.0)**	(17.7)
	153.7	180.1
Changes in operating assets and liabilities:		
Movement in prepayments and accrued income	**5.8**	(4.4)
Movement in accruals and deferred income	**(35.1)**	(4.0)
Movement in provisions for liabilities	**(4.8)**	-
Movement in fair value of derivatives	**59.2**	115.5
Movement in fair value adjustments for hedged risk	**(39.6)**	(93.6)
Fair value movements in debt securities	**(14.7)**	0.7
Movement in loans and advances to customers	**(1,725.7)**	(1,866.4)
Movement in shares	**1,376.3**	1,231.5
Net movement in amounts owed to credit institutions and other customers	**785.7**	(74.1)
Net movement in debt securities in issue	**97.7**	919.1
Net movement in loans and advances to credit institutions	**(152.5)**	(98.1)
Net movement in other assets	**1.3**	(2.1)
Net movement in other liabilities	**(15.6)**	(8.7)
Income taxes paid	**(31.7)**	(32.7)
Net cash flows from operating activities	**460.0**	262.8

Consolidated statement of cash flows (continued)

	2020	2019
	£m	£m
Net cash flows from operating activities	**460.0**	262.8
Cash flows from investing activities		
Purchase of debt securities	**(2,414.6)**	(2,611.5)
Proceeds from maturities and disposals of debt securities	**3,108.2**	1,813.4
Purchase of property, plant and equipment and investment property	**(11.6)**	(12.7)
Purchase of intangible assets	**(3.9)**	(7.7)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**0.9**	3.7
Dividends received from joint ventures	**1.1**	1.4
Contingent consideration received following disposal of subsidiary undertaking (net of costs)	**6.4**	6.2
Investment in equity share investments	**(0.1)**	(0.7)
Purchase of other business units	**(1.3)**	(0.3)
Deferred consideration paid in respect of prior year acquisitions of subsidiary undertakings and business assets	**-**	(0.1)
Net cash flows from investing activities	**685.1**	(808.3)
Cash flows from financing activities		
Exercise of share options in subsidiary management incentive scheme	**(0.6)**	(9.3)
Share options issued in subsidiary management incentive scheme	**-**	0.7
Exercise of put options held by non-controlling shareholders	**-**	(0.6)
Proceeds from issue of subordinated liabilities	**348.6**	-
Interest paid on subordinated liabilities and subscribed capital	**(4.6)**	(4.5)
Interest paid on lease liabilities	**(1.3)**	(1.4)
Payment of lease liabilities	**(16.3)**	(16.3)
Net cash flows from financing activities	**325.8**	(31.4)
Net increase / (decrease) in cash and cash equivalents	**1,470.9**	(576.9)
Cash and cash equivalents at 1 January	**1,845.1**	2,421.9
(Increase) / decrease in impairment loss allowance on cash and cash equivalents	**(0.2)**	0.1
Cash and cash equivalents at 31 December	**3,315.8**	1,845.1

Analysis of the cash balances as shown within the Statement of Financial Position:

	2020	2019
	£m	£m
Cash in hand and balances with the Bank of England	**3,237.8**	1,793.1
Mandatory reserve deposit with the Bank of England	**(71.9)**	(57.8)
	3,165.9	1,735.3
Loans and advances to credit institutions	**149.9**	109.8
Cash and cash equivalents at 31 December	**3,315.8**	1,845.1

Skipton Building Society

Key ratios

	2020	2019
	%	%
Group net interest margin	**0.89**	0.98
Mortgages and Savings division management expenses / mean total assets	**0.60**	0.65
Mortgages and Savings division cost income ratio	**63.3**	60.2
Group profit after tax / mean total assets	**0.36**	0.50
Total asset growth	**10.9**	9.9
Group loans and advances growth	**8.6**	10.3
Group share account growth	**7.7**	7.6
Liquidity Coverage Ratio	**194**	207
Funding ratio	**79.0**	79.8
Gross capital ratio	**8.24**	7.23
Free capital ratio	**7.07**	5.87
Group Common Equity Tier 1 (CET 1) capital ratio	**39.7**	39.1
Total capital ratio	**40.8**	40.1
Leverage ratio	**5.7**	6.0

Definitions

Mean total assets are the average of the 2020 and 2019 total assets as shown within the Statement of Financial Position.

Management expenses represent administrative expenses.

The Liquidity Coverage Ratio measures the proportion of highly liquid assets held by financial institutions in order to ensure their ongoing ability to meet short term obligations. The regulatory limit is 100%.

The funding ratio measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals. We have taken advantage of the relief set out in SI 2007/No 860, effective from April 2007, to exclude retail offshore deposits from the total of wholesale funds.

The gross capital ratio measures gross capital as a percentage of shares, deposits and borrowings. Gross capital represents the general reserve together with the fair value reserve, cash flow hedging reserve, cost of hedging reserve, translation reserve, subordinated liabilities and subscribed capital, as shown within the Statement of Financial Position.

The free capital ratio measures free capital as a percentage of shares, deposits and borrowings. Free capital represents gross capital and provisions for collective impairment losses on loans and advances to customers, less property, plant and equipment, right-of-use assets, investment property and intangible assets as shown within the Statement of Financial Position.

The Group CET 1 capital ratio measures CET 1 capital as a percentage of risk weighted assets at a prudential consolidation group level (the key level at which the Society is regulated). CET 1 capital consists primarily of internally generated capital from retained profits less intangible assets and goodwill.

The total capital ratio measures total regulatory capital resources as a percentage of risk weighted assets. Total regulatory capital resources comprises CET 1 capital plus other securities in issue which qualify as additional Tier 1 and Tier 2 capital.

The leverage ratio measures total Tier 1 capital as a percentage of total exposure i.e. total assets per the prudential consolidated position (subject to some regulatory adjustments). This ratio is calculated on an end-point basis with IFRS 9 transitional arrangements applied.