PRESS RELEASE **Tuesday 11 August 2020**

SKIPTON STANDS STRONG FOR ITS CUSTOMERS AND COLLEAGUES AS THE MUTUAL WEATHERS UNPRECEDENTED OPERATING ENVIRONMENT

Skipton, the UK's fourth largest building society, today announces its half year results for the six months ended 30 June 2020.

The COVID-19 pandemic has delivered one of the biggest shocks to the UK and global economy in several generations. However, Skipton can report it continues to stand firm for its members and customers due to its strong capital and liquidity position and the dedication and agility of its colleagues.

The pandemic affected every part of the Group's operations, with lockdown measures applied in the UK, Guernsey and New Zealand. Connells 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. The Society, being a provider of essential services as defined by the Government, ensured around 95% of its 88 branches remained open at any one time, albeit under reduced operating hours. Meanwhile, 90% of the Society's 1,500 head office colleagues worked from home, providing a contact centre facility for 50 hours every week. During this period Skipton continued to offer outstanding customer service to its members, as demonstrated through its net customer satisfaction score of 87%[1] (31 December 2019: 86%), whilst supporting the ongoing safety and well-being of its members, customers and colleagues.

Despite the challenging environment, the Group recorded underlying profits before tax (as defined on page 8) of £47.9m (six months ended 30 June 2019 restated: £78.9m). Total profit before tax (PBT) was £34.4m (six months ended 30 June 2019 restated: £67.0m). Profits have been heavily impacted in the short term by a worsening of the economic outlook arising from the effects of the COVID-19 outbreak, significantly impacting the Group's loan impairment charges which, in line with the accounting rules, need to be booked upfront before they are incurred.

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 mortgage impairments and requires significant levels of estimates and judgement, based on limited observable data at the reporting date. In particular, the existence of the Job Retention Scheme supported by the Government, and the granting of mortgage payment deferrals of up to three months (which can be extended for a similar period), introduce further layers of complexity and uncertainty.

- Skipton was one of the first organisations to set up a dedicated mortgage payment deferral mailbox, enabling customers to quickly log requests for help. In addition to quickly arranging over 22,000 mortgage payment deferrals, the Society proactively called customers who had arranged a mortgage payment deferral to check they had all the information and support they needed;
- At its peak, 15% of the Group's borrowers had a mortgage payment deferral. As at 30 June 2020, this figure had reduced to 5%;

[1] The net customer satisfaction score is calculated using an in-house survey of c.6,000 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).

- By 30 June 2020, 67% of the Society's borrowers who had been granted a mortgage payment deferral had reached the end of their deferral period. Of these, 13% elected to extend their deferral for up to another three months;
- Of the remaining 87% of Society borrowers who did not extend their mortgage payment deferral, 98% paid the full monthly amount due on their mortgage in the following month.

David Cutter, Skipton Group Chief Executive, said:

"We went into this pandemic in a strong position with healthy levels of capital and liquidity, however undoubtedly profits are lower in a period where our focus has rightly been on the safety and well-being of our customers and colleagues.

"It is testament to the first-rate efforts of our people – all of whom have been impacted like everybody else across the country in so many different ways – that we have been able to quickly adapt and respond to continue to serve our customers well throughout these unprecedented times.

"Our Skipton Link video appointment service and the Skipton app really came into their own during the first six months of the year. Video appointments increased fivefold during the period and the number of mobile app users increased to 166,000. This enabled our customers to maintain face to face contact with us, together with having access to their accounts from their mobile phone. We also managed to help and reassure many more people through our social media and web chat customer services support, noticing big increases in customers reaching out to us through our digital platforms.

"It's fair to say our financial results reflect a difficult time; 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 have to close for two months. However, the resilience of Skipton's business model has allowed the Society to maintain strong capital ratios throughout."

Key performance highlights in the six months to 30 June 2020

- Group gross mortgage lending was £2.1bn (six months ended 30 June 2019: £2.5bn), with mortgage balances growing by 4.7% since the end of 2019 (six months ended 30 June 2019: 5.9%);
- Savings balances grew by 1.4% since the end of 2019 (six months ended 30 June 2019: 3.6%);
- Skipton continued to support its membership through a difficult time, with member numbers at 30 June 2020 of 1,045,969 (31 December 2019: 1,046,294). Mortgage customer numbers increased by 9,456 in the period to 226,947 (31 December 2019: 217,491), however the Bank Base Rate reductions together with changing customer needs in these uncertain times led to a reduction in the number of savings customers of 9,625 to 828,283 (31 December 2019: 837,908);
- The Group net interest margin was 0.87% (six months ended 30 June 2019: 1.02%; year ended 31 December 2019: 0.98%);
- Despite the challenging environment, the Group recorded underlying profits before tax (as defined on page 8) of £47.9m (six months ended 30 June 2019 restated: £78.9m). Total profit before tax (PBT) was £34.4m (six months ended 30 June 2019 restated: £67.0m). Profits have been heavily impacted in the short term by a worsening of the economic outlook arising from the effects of the COVID-19 outbreak and subsequent measures to prevent transmission;
- The Society's Common Equity Tier 1 (CET 1) ratio at 30 June 2020 remained strong at 37.5% (31 December 2019: 39.1%) and the leverage ratio was 6.0% (31 December 2019: 6.0%); and
- The Liquidity Coverage Ratio was 173% (31 December 2019: 207%), well above both the regulatory limit of 100% and the internal limit set by the Board throughout the period. The Society also has access to the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME).

Enabling our members to achieve home ownership and save for their life ahead aspirations

- Skipton is the UK's largest provider of the Cash Lifetime ISA, with 9,277 new customers gained in the period, bringing the total number of LISA customers to 159,743 as at 30 June 2020 (31 December 2019: 158,850) and total balances as at 30 June 2020 to £1,082.0m (31 December 2019: £876.5m). Government bonuses of £63.2m were received by our LISA savers during the first half of 2020, providing a significant boost to their homeownership aspirations;
- The Society helped 12,376 homeowners (six months ended 30 June 2019: 14,641) to purchase or remortgage their properties, including 2,369 first time buyers (six months ended 30 June 2019: 2,640) and 3,627 buy-to-let borrowers (six months ended 30 June 2019: 4,619);
- The Group's net residential UK mortgage lending accounted for 7.4% of the growth in the UK residential mortgage market compared to our 1.3%[2] share of UK residential mortgage balances;
- For the five months ended 31 May 2020 the Society paid an average savings rate of 1.12% (five months ended 31 May 2019: 1.32%) which was 0.40% (five months ended 31 May 2019: 0.57%) above the industry average[3] for which comparable data is available; and
- The Society's financial advisers have advised 1,586 customers (six months ended 30 June 2019: 2,404) on how to achieve their financial goals.

Mortgages and Savings division

- The division produced a Profit Before Tax (PBT) of £15.6m, compared to £39.0m (restated) for the same period in 2019. On an underlying basis the division reported PBT of £26.0m (six months ended 30 June 2019 restated: £51.5m). The fall in profits is predominantly due to loan impairment charges in the division of £18.7m (six months ended 30 June 2019: £nil) as a consequence of the worsening economic outlook arising from COVID- 19 and the Government restrictions imposed to help mitigate health impacts of the pandemic. In addition, the two Bank Base Rate cuts announced by the Bank of England in March 2020, leaving the rate at an historic low of 10 basis points, has contributed to a reduction in net interest income during the period;
- 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 Group net interest margin was 0.87% for the first half of 2020 (six months ended 30 June 2019: 1.02%; year ended 31 December 2019: 0.98%). Although unforeseen factors have impacted margins in the first half of the year, margin pressures were expected in 2020 due to the intense competition in the mortgage marketplace, which was particularly prevalent at the start of the year and seen in the mortgage pipeline at 31 December 2019;
- Although at a very early stage in this severe economic cycle, and backed by extraordinary Government support, 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 0.27% of mortgage accounts (31 December 2019: 0.25%), which compares to an industry average of 0.74%[4]. 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;

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[2] Source: Bank of England statistics, 'Lending secured on dwellings' for the 6 months to 30 June 2020.

[3] Source: CACI's Current Account & Savings Database, latest available comparable market data for the five months ended 31 May 2020.

[4] Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) as at 31 March 2020, being the latest available comparable market data.

- The division's management expense ratio[5] was 0.60% (six months ended 30 June 2019: 0.65%) and the cost income ratio was 62.9% (six months ended 30 June 2019 restated: 59.5%). Precautionary steps in carefully managing costs has been a priority and despite increased costs as safety measures and home-working provisions were introduced, costs are broadly flat in the period at £76.4m (six months ended 30 June 2019: £75.9m);
- In February 2020, the Society successfully completed its fifth securitisation transaction through Darrowby No. 5 plc, raising £500m of wholesale funding;
- At 30 June 2020, £1.25bn remained outstanding under the Government's Term Funding Scheme (31 December 2019: £1.65bn); and
- Measures taken in response to the pandemic included:
    - Skipton was one of the first organisations to set up a dedicated mortgage payment deferral mailbox enabling customers to quickly log requests for help;
    - In less than two weeks the Society adapted to 90% of head office colleagues working from home, enabling its customer contact centre to remain open for 50 hours a week, while maintaining low call wait times together with high customer satisfaction levels as demonstrated through the Society's net customer satisfaction score of 87% (31 December 2019: 86%). Around 95% of the Society's branch network across the UK remained open throughout the lockdown;
    - 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 pay for three months, personal contributions from Skipton's executive committee and colleagues across the UK and £130,000 from the Society;
    - In April the Society reduced the payment terms for its small and medium sized enterprise (SMEs) suppliers by two thirds, aiming to pay any invoices within ten days, to help SMEs' cashflow during the pandemic;
    - 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; and
    - In April, the Society's Executive team voluntarily withdrew from their 2020 bonus scheme.

Estate Agency division

- The Connells group reported a PBT of £17.2m (six months ended 30 June 2019: £26.2m; year ended 31 December 2019: £50.1m);
- Following a buoyant start to the year, Connells has 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, house sales (exchanges) for the half year were 29% below the comparative period in 2019 and total income fell by 24% to £168.7m (six months ended 30 June 2019: £221.7m);
- 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 almost 5,300 (76%) of its colleagues on furlough, the majority of whom have now returned to work. Connells supported its people during the furlough period by paying them 100% of basic pay throughout March to July, well above the Government's support of 80% (capped at £2,500 per month per employee). In total Connells received £18.1m of CJRS support from the

[5] Administrative expenses as a percentage of mean total assets. Mean total assets is the average of total assets as at 30 June 2020 and 31 December 2019 as shown within the Statement of Financial Position.

Government in the period, benefited £1.3m from business rates relief and received £0.8m from the Retail Cash Grant Scheme. Connells also deferred £11.5m of its May 2020 VAT liability; and
- The Connells group saw a positive recovery on the initial reopening of the housing market, which has continued into the summer. Compared with the same period last year, trading in July shows new applicant registrations and mortgage appointments up 37% and 56% respectively, and sales agreed up by 33%. Homeowners continue to show a desire to re-enter the market, with market appraisal activity up by 23% and new instructions increasing by 25%. The Stamp Duty Land Tax holiday will provide further impetus to the market.

Connells' results for the first half of 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 £1.1m (six months ended 30 June 2019: £1.8m; year ended 31 December 2019: £4.0m);
- Loan impairment charges in the period were £0.4m reflecting the challenges being faced by clients as a result of COVID-19 (six months ended 30 June 2019: £nil);
- 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) reported a profit of £0.1m for the period (six months ended 30 June 2019: £0.2m loss; year ended 31 December 2019: broke even).

David Cutter, Skipton Group Chief Executive, added:

"The COVID-19 pandemic has caused major 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. Whilst there remain significant uncertainties in assessing the long term social and financial impacts of the pandemic, Skipton remains forward-looking and focused on its purpose of meeting the short and long term interests of its members.

"Profits for the whole of 2020 will be significantly down on last year, and although Connells' trading has been strong since the estate agency market re-opened, it is not yet clear whether this will be sustained or whether it is just due to pent up demand.

"Forecasting the outlook for house prices, unemployment and the housing market is extremely difficult at this moment in time. But the Society remains financially robust with a strong capital position and healthy levels of liquidity, and is in a good position to face the challenges ahead."

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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Editors' notes

1. Skipton is the UK's fourth largest building society, with over one million customers, £26.1bn 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 the UK's biggest Cash Lifetime ISA provider (LISA), with over 159,000 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;
4. In 2020 Skipton placed eighth in the Sunday Times 25 Best Big Companies to Work For list. Skipton is also *Investors in People Platinum* (IIP) accredited – part of the elite 2% of IIP accredited organisations in achieving platinum status;
5. 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;
6. 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 the business – and that includes being a good and sustainable corporate citizen.

Consolidated income statement

	6 months to 30.06.20	6 months to 30.06.19 Restated^	12 months to 31.12.19
	£m	£m	£m
Interest receivable and similar income:			
Accounted for using the effective interest rate method	**228.5**	253.5	510.0
Other	**(0.2)**	1.2	4.9
Total interest receivable and similar income	**228.3**	254.7	514.9
Interest payable and similar charges	**(117.1)**	(134.8)	(276.8)
Net interest receivable	**111.2**	119.9	238.1
Fees and commissions receivable	**190.5**	246.7	492.4
Fees and commissions payable	**(3.5)**	(4.1)	(8.2)
Fair value gains / (losses) on financial instruments:			
Hedging instruments and hedged items	**0.5**	(5.2)	1.2
Other derivatives	**(28.0)**	(12.2)	2.6
Equity release portfolio	**17.6**	(0.3)	(6.0)
Share warrants	**(0.6)**	-	-
Put options held by minority shareholders	**0.4**	-	-
Realised profits on treasury assets	**-**	2.4	2.4
Profit on disposal of subsidiary undertakings	**0.5**	0.6	1.1
Share of profits from joint ventures	**0.6**	0.9	1.7
Other income	**2.8**	0.8	0.8
Total income	**292.0**	349.5	726.1
Administrative expenses	**(230.6)**	(274.7)	(554.0)
Operating profit before impairment and provisions	**61.4**	74.8	172.1
Impairment losses on loans and advances to customers	**(19.1)**	-	(0.5)
Impairment credit / (losses) on liquid assets	**0.1**	(0.6)	0.2
Impairment of goodwill	**(2.0)**	-	-
Impairment of joint ventures	**(1.0)**	-	-
Realised losses on equity release portfolio	**-**	(0.4)	(0.5)
Provisions for liabilities	**(5.0)**	(6.8)	(18.1)
Profit before tax	**34.4**	67.0	153.2
Tax expense	**(6.4)**	(12.4)	(30.8)
Profit for the period attributable to members of Skipton Building Society	**28.0**	54.6	122.4

^ The half year comparative figures have been restated to reflect a change, as reported in the 2019 Annual Report and Accounts, in the recognition of the fair value of hedged items on entering a hedge relationship, which is now amortised over the life of the hedge, resulting in a £5.3m decrease to the 'Fair value gains / (losses) on hedging instruments and hedged items' line.

Underlying Group PBT for the six months ended 30 June 2020 was £47.9m (six months ended 30 June 2019 restated: £78.9m; year ended 31 December 2019: £155.2m) as shown below:

	6 months to 30.06.20	6 months to 30.06.19	12 months to 31.12.19
	£m	£m	£m
Total Group profit before tax	**34.4**	67.0	153.2
Less profit on disposal of subsidiary undertakings	**(0.5)**	(0.6)	(1.1)
Add back fair value losses in relation to the equity release portfolio (note 1)	**10.4**	12.5	3.4
Add back fair value losses on share warrants	**0.6**	-	-
Add back impairment of goodwill	**2.0**	-	-
Add back impairment of joint ventures	**1.0**	-	-
Less credit for FSCS levy	**-**	-	(0.3)
Underlying Group profit before tax	**47.9**	78.9	155.2

Notes

1. The £10.4m is comprised of fair value gains of £17.6m as shown in the 'Fair value gains / (losses) on financial instruments: Equity release portfolio' line in the Income Statement, and fair value losses of £28.0m on the associated derivatives held to economically hedge these fair value movements, as shown in the 'Fair value gains / (losses) on financial instruments: Other derivatives' line in the Income Statement.
2. No additional adjustments have been made in respect of the direct or indirect impacts of COVID-19 for the six months to 30 June 2020.

Skipton Building Society
Results for the half year ended 30 June 2020

Consolidated statement of comprehensive income

	6 months to 30.06.20	6 months to 30.06.19 Restated^	12 months to 31.12.19
	£m	£m	£m
Profit for the period	**28.0**	54.6	122.4
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement (losses) / gains on defined benefit obligations	**(28.8)**	(1.6)	0.5
Income tax on items that will not be reclassified to profit or loss	**8.5**	0.6	0.3
	(20.3)	(1.0)	0.8
Items that may be reclassified subsequently to profit or loss:			
Movement in cash flow hedging reserve:			
(Losses) / gains taken to equity	**(10.6)**	(3.7)	3.1
Realised (gains) / losses transferred to Income Statement	**(2.7)**	0.6	(6.9)
Movement in fair value reserve (debt securities):			
Gains / (losses) taken to equity	**0.9**	0.2	(0.3)
Impairment loss allowance on debt securities held at FVOCI	**-**	0.2	(0.1)
Movement in cost of hedging reserve:			
Gains / (losses) taken to equity	**3.1**	(1.9)	(5.2)
Exchange differences on translation of foreign operations	**0.3**	0.1	(0.7)
Income tax on items that may be reclassified to profit or loss	**2.7**	1.1	2.5
	(6.3)	(3.4)	(7.6)
Other comprehensive expense for the year, net of tax	**(26.6)**	(4.4)	(6.8)
Total comprehensive income for the period attributable to members of Skipton Building Society	**1.4**	50.2	115.6

^ The half year comparative amounts have been restated to reflect the change in approach to the recognition of the fair value of hedged items on entering a hedge relationship, which is now amortised over the life of the hedge.

Skipton Building Society
Results for the half year ended 30 June 2020
Consolidated statement of financial position

	As at 30.06.20	As at 30.06.19 Restated^	As at 31.12.19
	£m	£m	£m
Assets			
Cash in hand and balances with the Bank of England	**819.8**	1,573.5	1,793.1
Loans and advances to credit institutions	**729.5**	563.3	546.6
Debt securities	**2,439.7**	1,916.9	2,182.9
Derivative financial instruments	**90.3**	53.0	38.5
Loans and advances to customers held at amortised cost	**21,155.0**	19,262.9	20,065.6
Loans and advances to customers held at FVTPL	**1.3**	1.6	1.5
Equity release portfolio held at FVTPL	**430.6**	412.0	410.0
Current tax asset	**0.5**	-	1.0
Deferred tax asset	**48.8**	37.4	38.6
Investments in joint ventures	**12.1**	11.7	12.5
Equity share investments	**1.5**	1.4	1.5
Property, plant and equipment	**75.5**	75.3	75.7
Right-of-use assets	**63.8**	64.5	67.4
Investment property	**9.3**	9.7	9.4
Intangible assets	**159.5**	161.0	162.6
Other assets	**67.4**	84.1	82.5
Total assets	**26,104.6**	24,228.3	25,489.4
Liabilities			
Shares	**17,645.1**	16,710.7	17,364.1
Amounts owed to credit institutions	**1,313.5**	1,698.0	1,678.3
Amounts owed to other customers	**1,857.8**	1,654.1	1,816.9
Debt securities in issue	**2,813.5**	1,927.9	2,302.6
Derivative financial instruments	**514.3**	347.7	361.1
Current tax liability	**4.2**	10.0	16.0
Lease liabilities	**63.9**	62.6	66.6
Other liabilities	**52.6**	53.6	52.6
Accruals	**26.7**	38.1	42.3
Deferred income	**2.0**	3.0	2.7
Provisions for liabilities	**20.7**	21.5	23.7
Deferred tax liability	**2.1**	1.1	1.7
Retirement benefit obligations	**113.0**	91.6	87.0
Subscribed capital	**41.6**	41.6	41.6
Total liabilities	**24,471.0**	22,661.5	23,857.2
Members' interests			
General reserve	**1,641.6**	1,564.3	1,633.9
Fair value reserve	**2.1**	1.9	1.4
Cash flow hedging reserve	**(13.0)**	(2.7)	(3.3)
Cost of hedging reserve	**(1.9)**	(2.0)	(4.3)
Translation reserve	**4.8**	5.3	4.5
Attributable to members of Skipton Building Society	**1,633.6**	1,566.8	1,632.2
Total members' interests and liabilities	**26,104.6**	24,228.3	25,489.4

^ The comparative half year figures for loans and advances to customers held at amortised cost (£16.7m decrease), shares (£2.6m decrease), amounts owed to other customers (£0.1m increase), current tax liability (£1.6m decrease), general reserve (£11.8m decrease) and cash flow hedging reserve (£0.8m decrease) have been restated to reflect the change in approach to the recognition of the fair value of hedged items on entering a hedge relationship, which is now amortised over the life of the hedge.

Skipton Building Society
Results for the half year ended 30 June 2020

Consolidated statement of cash flows

	6 months to 30.06.20	6 months to 30.06.19 Restated^	12 months to 31.12.19
	£m	£m	£m
Cash flows from operating activities			
Profit before tax	**34.4**	67.0	153.2
Adjustments for:			
Impairment charge on loans and advances to customers	**19.1**	-	0.5
Loans and advances written off, net of recoveries	**(0.1)**	(0.9)	(2.2)
Impairment (credit) / losses on liquid assets	**(0.1)**	0.6	(0.2)
Impairment losses / (credit) on trade receivables	**0.4**	0.2	(0.1)
Impairment of goodwill	**2.0**	-	-
Impairment of joint ventures	**1.0**	-	-
Depreciation and amortisation	**18.9**	18.8	37.7
Impairment of property, plant and equipment and investment property	**-**	0.3	0.5
Income Statement (credit) / charge for fair value of subsidiary management incentive scheme liability	**(0.4)**	(0.1)	1.8
Interest on subscribed capital	**2.2**	2.2	4.5
Interest on lease liabilities	**0.6**	0.7	1.4
Profit on disposal of property, plant and equipment, investment property and intangible assets	**-**	(0.6)	(0.6)
Profit on disposal of treasury assets	**-**	(2.4)	(2.4)
Share of profits from joint ventures	**(0.6)**	(0.9)	(1.7)
Profit on disposal of subsidiary undertakings	**(0.5)**	(0.6)	(1.1)
Fair value (gains) / losses on equity release portfolio	**(17.6)**	0.3	6.0
Fair value losses on share warrants	**0.6**	-	-
Realised losses on equity release portfolio	**-**	0.4	0.5
Other non-cash movements	**(13.2)**	(5.5)	(17.7)
	46.7	79.5	180.1
Changes in operating assets and liabilities:			
Movement in prepayments and accrued income	**2.2**	1.6	(4.4)
Movement in accruals and deferred income	**(41.4)**	(23.9)	(4.0)
Movement in provisions for liabilities	**(3.0)**	(2.5)	-
Movement in fair value of derivatives	**101.4**	87.6	115.5
Movement in fair value adjustments for hedged risk	**(110.8)**	(51.5)	(93.6)
Fair value movements in debt securities	**(12.4)**	(1.3)	0.7
Movement in loans and advances to customers	**(936.7)**	(1,065.2)	(1,866.4)
Movement in shares	**267.4**	601.3	1,231.5
Net movement in amounts owed to credit institutions and other customers	**(323.3)**	(220.4)	(74.1)
Net movement in debt securities in issue	**490.4**	492.9	919.1
Net movement in loans and advances to credit institutions	**(189.3)**	(87.6)	(98.1)
Net movement in other assets	**5.9**	(8.7)	(2.1)
Net movement in other liabilities	**(2.1)**	(3.1)	(8.7)
Income taxes paid	**(16.5)**	(19.6)	(32.7)
Net cash flows from operating activities	**(721.5)**	(220.9)	262.8

Consolidated statement of cash flows (continued)

	6 months to 30.06.20	6 months to 30.06.19 Restated^	12 months to 31.12.19
	£m	£m	£m
Net cash flows from operating activities	**(721.5)**	(220.9)	262.8
Cash flows from investing activities			
Purchase of debt securities	**(1,507.4)**	(1,531.7)	(2,611.5)
Proceeds from disposal of debt securities	**1,263.0**	1,001.6	1,813.4
Purchase of property, plant and equipment and investment property	**(6.2)**	(4.8)	(12.7)
Purchase of intangible assets	**(2.0)**	(3.0)	(7.7)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**0.5**	3.1	3.7
Dividends received from joint ventures	**-**	1.4	1.4
Contingent consideration received following disposal of subsidiary (net of costs)	**6.4**	6.2	6.2
Investment in equity share investments	**-**	(0.6)	(0.7)
Purchase of other business units	**(1.2)**	-	(0.3)
Deferred consideration paid in respect of prior year acquisitions of subsidiary undertakings and business assets	**-**	(0.1)	(0.1)
Net cash flows from investing activities	**(246.9)**	(527.9)	(808.3)
Cash flows from financing activities			
Exercise of share options in subsidiary management incentive scheme	**(0.6)**	(9.3)	(9.3)
Share options issued in subsidiary management incentive scheme	**-**	-	0.7
Exercise of put options held by non-controlling shareholders	**-**	(0.2)	(0.6)
Interest paid on subscribed capital	**(2.2)**	(2.2)	(4.5)
Interest paid on lease liabilities	**(0.6)**	(0.7)	(1.4)
Payment of lease liabilities	**(7.7)**	(7.5)	(16.3)
Net cash flows from financing activities	**(11.1)**	(19.9)	(31.4)
Net decrease in cash and cash equivalents	**(979.5)**	(768.7)	(576.9)
Cash and cash equivalents at 1 January	**1,845.1**	2,421.9	2,421.9
Decrease / (increase) in impairment loss allowance on cash and cash equivalents	**0.2**	(0.4)	0.1
Cash and cash equivalents at end of period	**865.8**	1,652.8	1,845.1

^ The comparative amounts have been restated to reflect the change in approach to the recognition of the fair value of hedged items on entering a hedge relationship, which is now amortised over the life of the hedge.

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

	As at 30.06.20	As at 30.06.19	As at 31.12.19
	£m	£m	£m
Cash in hand and balances with the Bank of England	**819.8**	1,573.5	1,793.1
Mandatory reserve deposit with the Bank of England	**(65.7)**	(51.0)	(57.8)
	754.1	1,522.5	1,735.3
Loans and advances to credit institutions	**111.7**	130.3	109.8
Cash and cash equivalents at end of period	**865.8**	1,652.8	1,845.1