PRESS RELEASE **Tuesday 3 August 2021**

SKIPTON REPORTS SIGNIFICANTLY IMPROVED RESULTS WHILST SUPPORTING ITS MEMBERS, COLLEAGUES AND COMMUNITIES DURING ANOTHER PERIOD OF UNCERTAINTY DOMINATED BY THE PANDEMIC

Skipton, the UK's fourth largest building society, today announces its half year results for the six months ended 30 June 2021 as it continues to actively support its members, colleagues and communities.

The last 16 months or so have been dominated by the coronavirus pandemic, directly impacting upon the health and finances of people within our communities. The first half of the year has again seen various levels of national lockdowns in the UK as the pandemic continued to impact different parts of the Group's operations. However, through the resilience and adaptability of Skipton's colleagues, together with its strong capital position and healthy levels of liquidity, the Society has continued to deliver for its members with excellent customer service (net customer satisfaction of 87%).

In a challenging environment, total Group profit before tax (PBT) was £159.2m (six months ended 30 June 2020: £34.4m). The Group recorded underlying profits before tax (as defined below) of £122.4m (six months ended 30 June 2020: £47.9m). Profits in the period, under both performance measures, have benefitted from a credit to loan impairment of £14.8m (six months ended 30 June 2021: charge of £19.1m) reflecting the updates to the economic outlook in light of the improving COVID-19 situation, principally due to the successful roll out of the vaccine.

In the year that the Society marks 25 years of owning its estate agency business Connells, Connells completed the acquisition of Countrywide plc on 8 March 2021, creating the UK's largest estate agency network of 1,235 branches. Connells and the Society believe that a well-invested high street estate agency branch network, coupled with a diversified brand portfolio, will allow the combined business to provide an attractive offering to its customers.

The acquisition of Countrywide will provide further diversification to the Group's business model, and the Society believes that the strong management team at Connells will deliver enhanced returns over the medium and longer term, further enhancing the Society's capital strength at a time when it is likely we shall see margins within the mortgages and savings business come under pressure going forward, primarily due to increased competition in the industry combined with a historical low Bank Base Rate. The higher returns from the estate agency business will support the Society's ongoing investment in its customer proposition and its people, and continue to allow it to offer competitive mortgage products to our borrowing members and competitive savings returns to our savings members, in addition to further enhancing its financial advice proposition.

Profit before tax in our enlarged Estate Agency division increased in the period to £80.2m (six months ended 30 June 2020: £17.2m) partly due to a strong housing market boosted by Stamp Duty Land Tax (SDLT) relief.

Connells' PBT also benefitted from £26.9m[1] of fair value gains on two businesses where both Connells and Countrywide previously held a non-controlling investment, and control was obtained when combined on acquisition, together with a further £3.3m of fair value gains on share warrants and other investments. Underlying profits of Connells were £50.0m (six months ended 30 June 2020: £20.8m).

The Group's policy is not to adjust for amortisation when calculating underlying profits. However, to provide additional context in terms of performance, we report that all of the above mentioned figures for Skipton Group and Connells PBT and underlying profits are after incurring IFRS 3 amortisation accounting charges of £38.3m which will not be repeated in the medium term.

David Cutter, Skipton Group Chief Executive, said:

"At a time of continued uncertainty for our customers, colleagues and their families, Skipton's performance seems a secondary interest while we all adjust to the ongoing impact of the global pandemic. But it is against

[1] Included in the 'Fair value gains on step-acquisition of Group undertakings' line in the Income Statement.

such a challenging social and economic backdrop that we've seen Skipton's mutuality, agility, and first-rate customer service come to the fore and be reflected in our results today.

Skipton's founding purpose in 1853 was to tackle the housing and savings issues Victorian society faced. Today we continue to serve that purpose, albeit evolved, for our one million customers, helping them have a home and to save with confidence for their futures. During the first six months of the year, Skipton has become the UK's eleventh largest mortgage lender, with more people than ever having turned to us to help them have a home.

We continue to play a significant role in getting first time buyers across the UK the keys to their first homes, with Skipton cash Lifetime ISA (LISA) customers benefiting from £64.4m in government bonuses towards their deposits over the last six months alone.

For our savers we've paid on average 0.39% more than the rest of market average on their hard-earned savings over the first five months of the year.

The global pandemic has continued to disrupt all our lives, and our priorities continue to be keeping our customers and colleagues safe and being there when and where they need us. While we continue to adapt to meet evolving customer needs, our financial strength, mutuality and commitment to sustainability, together with excellent customer service and colleague engagement, see us look forward with confidence."

Supporting customers, colleagues and communities through the pandemic

In this rapidly changing world, it's really important Skipton is able to continue to support its members in the ways they expect and need. The challenges faced since March 2020 have only strengthened the Society's resolve to build a better Society; one that is more sustainable – socially, financially, and environmentally.

Customers

- The Society continued to maintain essential services to support its members throughout the various lockdown stages in the period. Skipton has been able to help its customers safely face-to-face in all its 88 COVID-secure branch locations, while offering reviews and new account openings through video using Skipton Link or by telephone using Skipton Direct;
- During quieter times, Skipton branches have utilised spare capacity to support customers in other ways, including talking to over 10,000 savings and mortgage customers each month over the telephone;
- Skipton has continued to support customers seeking mortgages, staying fully open for business and being flexible in our application process to accommodate the unusual trading conditions. This is demonstrated by the strong 4.4% mortgage growth and 16,087 homeowners we've helped to purchase or remortgage their properties in the period;
- The Society is making strong progress towards reaching its aspiration of being accredited Communication Accessible by Communication Access UK, so it can better support colleagues and customers with communication difficulties. Over 1,300 Skipton colleagues have now successfully completed specialist Communications Access training; and
- Skipton is proud to have maintained extremely high customer satisfaction throughout 2021:
    - 93%[2] of customers rated Skipton branches 6 or 7 out of 7 for customer service, with 82% giving the maximum 7 out of 7.
    - Our customer contact centre, Skipton Direct, was shortlisted for The Contact Centre Association (CCA) Excellence Awards, recognising world-class professional achievement in customer service, achieving 'Outstanding Team Award – Bronze'.
    - Many of our Skipton financial advisers have been recognised nationally after appearing in the Financial Times' prestigious Top Rated Financial Advisers Guide; with an outstanding 62 of our advisers featuring.
    - Customers rate our overall service on average 4.6 stars out of 5 on Trustpilot.

[2] Measured between January 2021 and June 2021.

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; and
- Skipton has created digital delivery of bespoke mental health colleague support sessions which are designed in partnership with our corporate charity partner, Mental Health UK.

Communities and the environment

- During the first six months of the year, the Skipton Building Society Charitable Foundation donated £84,262 to 40 charities across the UK;
- All Skipton branches donated to their local foodbanks at the beginning of the year to help much needed food supplies. The Society also match funded colleagues' fundraising efforts, donating £7,850 to their good causes and local communities in the period;
- The Society donated £30,000 to the Skipton Building Society Camerata and £5,000 to Craven Citizens Advice at a time when the arts and money charities desperately needed funding;
- The Society's ongoing commitment to sustainability is set out in the Sustainability Report in the 2020 Annual Report & Accounts, and during 2021 the Society has continued to embrace sustainability in all its forms, setting ourselves challenging targets where we can have the greatest impact on society; and
- In June 2021 the Society announced that it had partnered with the Yorkshire Dales Millennium Trust to plant 15,000 trees, to offset its carbon emissions and make the Society carbon neutral, with work continuing on further reducing the Society's carbon emissions as part of its efforts to take more carbon out of the atmosphere than the Society puts into it by 2025.

Mortgages and Savings division

Absolute Customer Focus

- Skipton continued to support its membership through a difficult time, with member numbers at 30 June 2021 increasing to 1,075,231 (31 December 2020: 1,061,138). On 1 June 2021 4,535 customers of Amber Homeloans Limited and North Yorkshire Mortgages Limited became members of the Society following the hive-up of the operations of those subsidiaries into the Society;
- Skipton continued to offer outstanding customer service to its members in the first half of the year, as demonstrated through its net customer satisfaction score of 87%[3] (31 December 2020: 85%);
- Total LISA balances held with Skipton as at 30 June 2021 were £1,141.0m (31 December 2020: £1,022.8m), with government bonuses of £64.4m being received by our LISA savers during the first half of 2021, providing a significant boost to their homeownership aspirations;
- The Society helped 16,087 homeowners (six months ended 30 June 2020: 12,376) to purchase or remortgage their properties, including 3,932 first time buyers (six months ended 30 June 2020: 2,369) and 3,358 buy-to-let borrowers (six months ended 30 June 2020: 3,627);
- For the five months ended 31 May 2021 the Society paid an average savings rate of 0.71% (12 months ended 31 December 2020: 0.96%) which was 0.39% (12 months ended 31 December 2020: 0.38%) above the rest of market average[4] for which comparable data is available; and
- The Society's financial advisers have provided pensions and investments advice to 2,606 customers (six months ended 30 June 2020: 1,586) on how to achieve their financial goals.

Brilliant People

- The Society aims to deliver an outstanding colleague experience; our overall colleague engagement increased to 90% when last measured in September 2020 (2019: 89%) and this has a direct beneficial impact on the service we provide to our customers;

[3] The net customer satisfaction score is calculated using an in-house survey of c.3,000 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).

[4] Source: CACI's Current Account & Savings Database, latest available comparable market data for the five months ended 31 May 2021.

- In 2021 the Society has held regular 'Pulse' surveys, giving colleagues a chance to be open and honest, to make their feedback count, helping the Society understand what's working well to make the Society a great place to work; and
- The Society received recognition as the UK's 7th best big company to work for in 2021, as part of *The Sunday Times* 25 Best Big Companies to Work For. In addition, in March Skipton was awarded a 3-star accreditation from Best Companies for its levels of employee engagement, being the first time the Society has ever achieved this.

Powered by Digital Technology and Data

- The Society continued to improve the digital experience for members across mortgages, savings and financial advice in the first half of the year. 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 53% of its online customers registered for the Skipton app as at 30 June 2021, with over 223,000 registrations since the launch of the app in July 2019;
- Skipton has achieved record customer satisfaction scores in digital channels at 86%[5]. This includes work over the last 18 months to provide the human touch in its digital interactions;
- Skipton's Mortgage Product Finder went live in 2021, more easily giving customers the information they need to apply for a mortgage directly. The Mortgage Product Finder supports both new and existing customers wanting to apply for a mortgage or switch from an existing product to a new one, allowing them to tailor their search by answering a few simple questions;
- In 2021 Skipton's new customer appointment booking system 'Click to Schedule' went live online, allowing customers to book appointments direct with one of Skipton's mortgage advisers; and
- Data and analytics have been used to improve the efficiency and effectiveness of our mortgage and risk evaluation process, improving capacity whilst enhancing the customer experience.

Financial Strength

- The Mortgages and Savings division reported an underlying PBT of £79.5m (six months ended 30 June 2020: £26.0m). A credit of £14.8m was recognised in the period for loan impairment charges (six months ended 30 June 2020: charge of £18.7m), principally as a result of updates to the economic outlook in light of the improving COVID-19 situation;
- Statutory PBT for the Mortgages and Savings division was £85.8m, compared to £15.6m for the six months to 30 June 2020;
- The Group net interest margin was 0.97% (six months ended 30 June 2020: 0.87%; year ended 31 December 2020: 0.89%). Margins on mortgage applications in late 2020 were significantly stronger than at the start of 2020, hence the mortgage pipeline at the start of 2021 was comparatively stronger than the prior period. However, mortgage margins gradually reduced throughout the six month period ended 30 June 2021 due to increasing competition. Retail margins widened slightly during the period as the market remained awash with surplus liquidity arising from UK savings accrued during the pandemic;
- Skipton International Limited (SIL) continues to make a strong contribution to the division's profits, with PBT of £11.4m (six months ended 30 June 2020: £9.9m) and mortgages and savings balances of £1.7bn and £1.9bn respectively (31 December 2020: £1.6bn and £1.9bn respectively);
- Financial advice income levels have improved in 2021 to £15.2m (six months ended 30 June 2020: £12.7m) after being heavily impacted from limited opportunities to generate new business during COVID-19 restrictions. Through the use of remote technology, servicing and interaction with existing financial advice customers has been maintained at a high standard;
- The Mortgages and Savings division's management expense ratio[6] was 0.60% (six months ended 30 June 2020: 0.60%) and the cost income ratio improved to 56.4% (six months ended 30 June 2020: 62.9%). Carefully managing costs has been a priority and in the prior year the Society took precautionary steps in reducing and/or delaying non-essential spend because of the pandemic. The cost income ratio

[5] 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).
[6] Administrative expenses as a percentage of mean total assets. Mean total assets is the average of total assets as at 31 December 2020 and 30 June 2021 as shown within the Statement of Financial Position.

has improved due to an increase in the division's net interest income, despite delayed 2020 costs being incurred in the first six months of this year;

- Group gross mortgage lending was £3.0bn (six months ended 30 June 2020: £2.1bn), with mortgage balances growing by 4.4% since the end of 2020 (six months ended 30 June 2020: 4.7%);
- The Group's net residential UK mortgage lending accounted for 2.0% of the growth in the UK residential mortgage market (six months ended 30 June 2020: 7.4%) compared to our 1.4%[7] share of UK residential mortgage balances;
- The Group's arrears position, contrary to that of the market as a whole, improved slightly during the period and continues to be well below the industry average. The Group's UK residential mortgages in arrears by three months or more represent only 0.28% of mortgage accounts (31 December 2020: 0.29%), which compares to an industry average of 0.85%[8] (31 December 2020: 0.83%);
- The quality of the SIL mortgage book remains good, with only one case in arrears by three months or more (31 December 2020: one case);
- Society savings balances grew by 3.9% to £19.4bn (six months ended 30 June 2020: 1.4%). The growth in the Society's savings balances in the period accounted for 1.0% of the growth in the UK deposit savings market (six months ended 30 June 2020: 0.8%), compared to our market share of savings balances of 1.1%[9];
- The Liquidity Coverage Ratio was 187% (31 December 2020: 194%), well above both the regulatory minimum of 100% and the internal limit set by the Board throughout the period;
- At 30 June 2021, £1.15bn remained outstanding under the Government's Term Funding Scheme (31 December 2020: £1.25bn). The Society also has access to the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) until October 2021. During the year the Society has not made any new drawing under the scheme and has £850m outstanding (31 December 2020: £850m); and
- The Society's Common Equity Tier 1 (CET 1) ratio at 30 June 2021 improved to 42.2% (31 December 2020: 39.7%) as a result of strong profitability and a reduction in risk weighted assets. The leverage ratio increased to 6.0% (31 December 2020: 5.7%) driven by growth in capital resources. The CET 1 and leverage ratios are well above the Regulator's minimum.

Estate Agency division

- The Connells group reported a PBT of £80.2m (six months ended 30 June 2020: £17.2m) inclusive of the profits attributable to Countrywide since acquisition, and related IFRS 3 charges on the acquisition;
- Growing confidence in the housing market has led to increased sales in the Connells group. The market has been boosted by the stamp duty concessions, which saw a push for completions ahead of the initial reduction in stamp duty cut-off in March 2021, and subsequent extension to June, with a further tapering to September;
- As previously noted, on 8 March 2021, Connells acquired the entire issued share capital of Countrywide for total consideration of £131.8m. Countrywide Limited (formerly Countrywide plc) is one of the UK's largest integrated property services groups, including the largest estate agency and lettings branch network, with over 600 branches across the UK operating through 60 local or national brands;
- The reported PBT of £80.2m includes a £27.1m fair value gain on Connells' 64.7% investment in TM Group (UK) Limited, which the Group subsequently sold on 8 July 2021 for a cash consideration of £58.0m; and a £2.2m gain arising on its 22.9% shareholding in Fixflo, which was sold on 21 May 2021 for a cash consideration of £7.8m;
- The half year results also include IFRS 3 amortisation accounting charges in relation to Countrywide's intangibles recognised on acquisition, including their sales pipeline, totalling £38.3m, together with costs relating to the acquisition of £2.1m within the division; and
- Exchanges were 34% higher[10] in the period compared to the first six months of 2019, a more meaningful comparative period due to the fact the housing market was effectively closed for almost two months in 2020. Confidence in the housing market is strong, with buyer registrations up 49%[11] on the first half of

[7] Source: Bank of England statistics, 'Lending secured on dwellings' for the 6 months to 30 June 2021.
[8] Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) as at 31 March 2021.
[9] Source: Bank of England statistics, 'UK deposits from households' for the 6 months to 30 June 2021.
[10] Stated on a like-for-like basis, taking into account Countrywide's figures prior to its acquisition and adjusted for closed branches.
[11] Connells group excluding Countrywide.

2019. Supported by low interest rates and competitive mortgage products, buyers are driving increased sales activity. However, the availability of stock remains a key market challenge with the number of properties available for sale 14% lower[12] than June 2019.

Other subsidiaries

- Skipton Business Finance (SBF), a provider of debt factoring and invoice discounting to small and medium-sized enterprises, recorded a PBT of £1.9m (six months ended 30 June 2020: £1.1m);
- Following the cessation of the Government backed Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLS), SBF successfully gained accreditation to offer both term loans and invoice finance facilities under the newly introduced Recovery Loan Scheme (RLS). This accreditation enables SBF to offer facilities to small and medium-sized enterprises (SMEs) under this scheme with the Government guaranteeing 80% of any future losses; 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 loss of £0.2m for the period (six months ended 30 June 2020: £0.1m profit).

Outlook

David Cutter, Skipton Group Chief Executive, added:

"The financial results of the Skipton Group for the six months ended 30 June 2021 were outstanding, benefitting from a credit to loan impairment of £14.8m reflecting our updates to the economic outlook in light of the improving COVID-19 situation, principally due to the successful roll out of vaccines, as well as a gain of £27.1m on recognising TM Group as a subsidiary (previously a joint venture) at the date of acquiring Countrywide plc, whilst incurring £38.3m of amortisation accounting charges associated with the acquisition.

The outlook for the Society is positive and it is well positioned to face into the uncertainties that exist as the UK moves to the next stage of living with the pandemic, as social distancing restrictions are eased, government furlough support comes to an end, and evidence emerges on whether inflation increases are transitory or structural.

The significant improvement in the economic outlook since the year end has increased the confidence of both consumers and lenders, increasing the competition in the mortgage market, and we expect the downward pressure on mortgage margins to continue. The hectic housing market in recent months is unlikely to be sustained and is expected to level off in the second half of the year. But societal changes, such as the desire for more space and different commuting habits, appear more permanent and the core fundamentals supporting the housing market remain positive.

The Society's strong financial position, diversified business model and compelling customer proposition mean 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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[12] Stated on a like-for-like basis, taking into account Countrywide's figures prior to its acquisition and adjusted for closed branches.

Editors' notes

1. Skipton is the UK's fourth largest building society, with over one million customers, £29.0bn 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 (LISA) providers, with over 157,000 LISA customers and account balances of over £1bn.
3. In 2021 Skipton was placed 7th in *The Sunday Times* 25 Best Companies to Work For, and was awarded a 3-star accreditation from Best Companies. In 2020 Skipton retained its Investors In People (IIP) Platinum accreditation for the third year running, and is part of the elite 0.5% of organisations which have achieved platinum status.
4. Skipton is rated by two major credit rating agencies. Moody's assigns a long-term local and foreign currency bank deposit rating of A2 with a stable outlook and a short-term rating of P-1. 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 half year ended 30 June 2021

Consolidated income statement

	6 months to 30.06.21	6 months to 30.06.20 Re-presented^	12 months to 31.12.20
	£m	£m	£m
Interest receivable and similar income:			
Accounted for using the effective interest rate method	**221.4**	228.5	441.7
Other	**(2.3)**	(0.2)	(2.1)
Total interest receivable and similar income	**219.1**	228.3	439.6
Interest payable and similar charges	**(81.4)**	(117.1)	(201.7)
Net interest receivable	**137.7**	111.2	237.9
Fees and commissions receivable	**501.3**	185.8	420.8
Fees and commissions payable	**(5.0)**	(3.5)	(7.3)
Fair value (losses) / gains on financial instruments mandatorily held at FVTPL:			
Hedging instruments and hedged items	**(2.1)**	0.5	(0.1)
Derivatives associated with the equity release portfolio	**24.9**	(28.0)	(22.4)
Equity release portfolio	**(18.6)**	17.6	19.7
Share warrants	**1.1**	(0.6)	0.1
Put options held by minority shareholders	**(0.9)**	0.4	(0.3)
Equity share investments	**2.2**	-	0.1
Fair value gains on step-acquisition of Group undertakings	**26.9**	-	-
Realised profits on treasury assets held at FVOCI	**0.1**	-	0.6
Profit on disposal of subsidiary undertakings	**0.3**	0.5	0.8
Share of profits from joint ventures	**0.9**	0.6	3.4
Other income	**1.3**	2.8	1.0
Total income	**670.1**	287.3	654.3
Administrative expenses	**(525.6)**	(230.6)	(506.3)
Operating profit before impairment and provisions	**144.5**	56.7	148.0
Impairment credit / (losses) on loans and advances to customers	**14.8**	(19.1)	(25.7)
Impairment credit / (losses) on liquid assets	**0.1**	0.1	(0.1)
Impairment of goodwill	**-**	(2.0)	(2.0)
Impairment of joint ventures	**-**	(1.0)	(1.5)
Realised losses on equity release portfolio	**(0.2)**	-	(0.1)
Provisions for liabilities	**-**	(0.3)	0.2
Profit before tax	**159.2**	34.4	118.8
Tax expense	**(25.7)**	(6.4)	(21.8)
Profit for the period	**133.5**	28.0	97.0
Profit for the period attributable to:			
Members of Skipton Building Society	**133.4**	28.0	97.0
Non-controlling interests	**0.1**	-	-
	133.5	28.0	97.0

^ The 30 June 2020 comparative amounts for 'Fees and commissions receivable' and 'Provisions for liabilities' have been re-presented. There is no impact on overall profit and no impact on reserves.

Underlying Group PBT for the six months ended 30 June 2021 was £122.4m (six months ended 30 June 2020: £47.9m; year ended 31 December 2020: £124.0m) as shown below:

	6 months to 30.06.21 £m	6 months to 30.06.20 £m	12 months to 31.12.20 £m
Total Group profit before tax	**159.2**	34.4	118.8
Less profit on disposal of subsidiary undertakings	**(0.3)**	(0.5)	(0.8)
(Less) / add back fair value (gains) / losses in relation to the equity release portfolio (note 1)	**(6.3)**	10.4	2.7
Add back impairment of goodwill	**-**	2.0	2.0
Add back impairment of joint ventures	**-**	1.0	1.5
(Less) / add back fair value (gains) / losses on share warrants and equity share investments	**(3.3)**	0.6	(0.2)
Less fair value gains on step-acquisition of Group undertakings	**(26.9)**	-	-
Underlying Group profit before tax	**122.4**	47.9	124.0

Notes

1. The £6.3m gain (six months ended 30 June 2020: £10.4m loss; year ended 31 December 2020: £2.7m loss) is comprised of fair value losses of £18.6m (six months ended 30 June 2020: £17.6m gains; year ended 31 December 2020: £19.7m gains) as shown in the 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL: Equity release portfolio' line in the Income Statement, and fair value gains of £24.9m (six months ended 30 June 2020: £28.0m losses; year ended 31 December 2020: £22.4m losses) on the associated derivatives held to economically hedge these fair value movements, as shown in the 'Fair value (losses) / gains on financial instruments mandatorily held at FVTPL: Derivatives associated with the equity release portfolio' line in the Income Statement.

Skipton Building Society
Results for the half year ended 30 June 2021

Consolidated statement of comprehensive income

	6 months to 30.06.21 £m	6 months to 30.06.20 £m	12 months to 31.12.20 £m
Profit for the period	**133.5**	28.0	97.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement gains / (losses) on defined benefit obligations	**15.9**	(28.8)	(22.7)
Income tax on items that will not be reclassified to profit or loss	**(0.3)**	8.5	7.1
	15.6	(20.3)	(15.6)
Items that may be reclassified subsequently to profit or loss:			
Movement in cash flow hedging reserve:			
Gains / (losses) taken to equity	**13.9**	(10.6)	(12.9)
Realised gains transferred to Income Statement	**(0.1)**	(2.7)	(3.2)
Movement in fair value reserve (debt securities):			
Gains taken to equity	**2.1**	0.9	4.6
Impairment loss allowance on debt securities held at FVOCI	**-**	-	(0.1)
Movement in cost of hedging reserve:			
Gains taken to equity	**0.5**	3.1	0.9
Exchange differences on translation of foreign operations	**(0.3)**	0.3	0.4
Income tax on items that may be reclassified to profit or loss	**(4.2)**	2.7	2.4
	11.9	(6.3)	(7.9)
Other comprehensive income / (expense) for the year, net of tax	**27.5**	(26.6)	(23.5)
Total comprehensive income for the period	**161.0**	1.4	73.5
Total comprehensive income attributable to:			
Members of Skipton Building Society	**160.9**	1.4	73.5
Non-controlling interests	**0.1**	-	-
	161.0	1.4	73.5

Skipton Building Society
Results for the half year ended 30 June 2021
Consolidated statement of financial position

	As at 30.06.21 £m	As at 30.06.20 £m	As at 31.12.20 £m
Assets			
Cash in hand and balances with the Bank of England	**2,286.9**	819.8	3,237.8
Loans and advances to credit institutions	**593.3**	729.5	724.7
Debt securities	**1,999.4**	2,439.7	1,505.0
Derivative financial instruments	**78.2**	90.3	64.1
Loans and advances to customers held at amortised cost	**22,722.1**	21,155.0	21,865.0
Loans and advances to customers held at FVTPL	**1.2**	1.3	1.3
Equity release portfolio held at FVTPL	**414.5**	430.6	433.8
Current tax asset	**-**	0.5	-
Deferred tax asset	**46.1**	48.8	46.4
Investments in joint ventures	**9.1**	12.1	13.3
Equity share investments	**1.5**	1.5	1.7
Assets held for sale	**106.4**	-	-
Property, plant and equipment	**75.9**	75.5	72.5
Right-of-use assets	**101.0**	63.8	60.9
Investment property	**7.8**	9.3	8.1
Intangible assets	**361.9**	159.5	157.7
Retirement benefit surplus	**0.5**	-	-
Other assets	**167.0**	67.4	71.1
Total assets	**28,972.8**	26,104.6	28,263.4
Liabilities			
Shares	**19,432.2**	17,645.1	18,709.4
Amounts owed to credit institutions	**2,066.0**	1,313.5	2,149.2
Amounts owed to other customers	**2,126.9**	1,857.8	2,130.3
Debt securities in issue	**2,293.2**	2,813.5	2,452.5
Derivative financial instruments	**342.0**	514.3	445.9
Current tax liability	**5.3**	4.2	4.0
Lease liabilities	**124.9**	63.9	62.5
Other liabilities	**110.8**	52.6	50.9
Accruals	**90.5**	26.7	42.9
Deferred income	**4.6**	2.0	2.3
Provisions for liabilities	**36.9**	20.7	18.9
Deferred tax liability	**0.2**	2.1	1.2
Liabilities directly associated with assets held for sale	**16.6**	-	-
Retirement benefit obligations	**39.0**	113.0	96.4
Subordinated liabilities	**343.8**	-	349.7
Subscribed capital	**41.6**	41.6	41.6
Total liabilities	**27,074.5**	24,471.0	26,557.7
Members' interests			
General reserve	**1,863.9**	1,641.6	1,715.3
Fair value reserve	**5.2**	2.1	4.1
Cash flow hedging reserve	**(4.6)**	(13.0)	(15.1)
Cost of hedging reserve	**(2.9)**	(1.9)	(3.5)
Translation reserve	**4.6**	4.8	4.9
Attributable to members of Skipton Building Society	**1,866.2**	1,633.6	1,705.7
Non-controlling interests	**32.1**	-	-
Total members' interests	**1,898.3**	1,633.6	1,705.7
Total members' interests and liabilities	**28,972.8**	26,104.6	28,263.4

Skipton Building Society
Results for the half year ended 30 June 2021

Consolidated statement of cash flows

	6 months to 30.06.21 £m	6 months to 30.06.20 £m	12 months to 31.12.20 £m
Cash flows from operating activities			
Profit before tax	**159.2**	34.4	118.8
Adjustments for:			
Impairment (credit) / charge on loans and advances to customers	**(14.8)**	19.1	25.7
Loans and advances written off, net of recoveries	**(0.7)**	(0.1)	(0.7)
Impairment (credit) / losses on liquid assets	**(0.1)**	(0.1)	0.1
Impairment losses on trade receivables	**-**	0.4	0.9
Impairment of goodwill	**-**	2.0	2.0
Impairment of joint ventures	**-**	1.0	1.5
Depreciation and amortisation	**63.8**	18.9	38.1
Impairment of property, plant and equipment, right-of-use assets and investment property	**0.1**	-	2.6
Income Statement charge / (credit) charge for fair value of subsidiary management incentive scheme liability	**8.1**	(0.4)	1.2
Fair value gains on equity share investments	**(2.2)**	-	(0.1)
Interest on subordinated liabilities and subscribed capital	**5.8**	2.2	6.3
Interest on lease liabilities	**0.8**	0.6	1.3
Profit on disposal of property, plant and equipment, investment property and intangible assets	**-**	-	0.5
Profit on disposal of treasury assets	**(0.1)**	-	(0.6)
Share of profits from joint ventures	**(0.9)**	(0.6)	(3.4)
Profit on disposal of subsidiary undertakings	**(0.3)**	(0.5)	(0.8)
Fair value losses / (gains) on equity release portfolio	**18.6**	(17.6)	(19.7)
Fair value gains on step-acquisition of Group undertakings	**(26.9)**	-	-
Fair value (gains) / losses on share warrants	**(1.1)**	0.6	(0.1)
Realised losses on equity release portfolio	**0.2**	-	0.1
Other non-cash movements	**(24.5)**	(13.2)	(20.0)
	185.0	46.7	153.7
Changes in operating assets and liabilities:			
Net movement in prepayments and accrued income	**(21.1)**	2.2	5.8
Net movement in accruals and deferred income	**(2.9)**	(41.4)	(35.1)
Net movement in provisions for liabilities	**(1.2)**	(3.0)	(4.8)
Net movement in fair value of derivatives	**(118.0)**	101.4	59.2
Net movement in fair value adjustments for hedged risk	**102.8**	(110.8)	(39.6)
Fair value movements in debt securities	**16.3**	(12.4)	(14.7)
Net movement in loans and advances to customers	**(961.5)**	(936.7)	(1,725.7)
Net movement in shares	**750.2**	267.4	1,376.3
Net movement in amounts owed to credit institutions and other customers	**(85.2)**	(323.3)	785.7
Repayment of amounts owed to credit institutions acquired on purchase of subsidiary undertaking	**(94.0)**	-	-
Net movement in debt securities in issue	**(116.8)**	490.4	97.7
Net movement in loans and advances to credit institutions	**134.7**	(189.3)	(152.5)
Net movement in other assets	**(2.7)**	5.9	1.3
Net movement in other liabilities	**(65.5)**	(2.1)	(15.6)
Income taxes paid	**(26.6)**	(16.5)	(31.7)
Net cash flows from operating activities	**(306.5)**	(721.5)	460.0

Consolidated statement of cash flows (continued)

	6 months to 30.06.21 £m	6 months to 30.06.20 £m	12 months to 31.12.20 £m
Net cash flows from operating activities	**(306.5)**	(721.5)	460.0
Cash flows from investing activities			
Purchase of debt securities	**(776.9)**	(1,507.4)	(2,414.6)
Proceeds from maturities and disposal of debt securities	**266.3**	1,263.0	3,108.2
Purchase of property, plant and equipment and investment property	**(5.0)**	(6.2)	(11.6)
Purchase of intangible assets	**(3.1)**	(2.0)	(3.9)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**1.4**	0.5	0.9
Dividends received from joint ventures	**2.1**	-	1.1
Contingent consideration received following disposal of subsidiary	**6.4**	6.4	6.4
Purchase of subsidiary undertakings in the year, net of cash acquired	**(121.8)**	-	-
Investment in equity share investments	**(0.1)**	-	(0.1)
Purchase of other business units	**(0.2)**	(1.2)	(1.3)
Proceeds from disposal of associate	**7.8**	-	-
Net cash flows from investing activities	**(623.1)**	(246.9)	685.1
Cash flows from financing activities			
Exercise of share options in subsidiary management incentive scheme	**(0.8)**	(0.6)	(0.6)
Purchase of non-controlling interests	**(0.6)**	-	-
Proceeds from issue of subordinated liabilities	**-**	-	348.6
Interest paid on subordinated liabilities and subscribed capital	**(5.8)**	(2.2)	(4.6)
Interest paid on lease liabilities	**(0.8)**	(0.6)	(1.3)
Payment of lease liabilities	**(20.8)**	(7.7)	(16.3)
Net cash flows from financing activities	**(28.2)**	(11.1)	325.8
Net (decrease) / increase in cash and cash equivalents	**(958.4)**	(979.5)	1,470.9
Cash and cash equivalents at 1 January	**3,315.8**	1,845.1	1,845.1
Decrease / (increase) in impairment loss allowance on cash and cash equivalents	**0.1**	0.2	(0.2)
Cash and cash equivalents at end of period	**2,357.5**	865.8	3,315.8

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

	As at 30.06.21 £m	As at 30.06.20 £m	As at 31.12.20 £m
Cash in hand and balances with the Bank of England	**2,286.9**	819.8	3,237.8
Mandatory reserve deposit with the Bank of England	**(81.1)**	(65.7)	(71.9)
	2,505.8	754.1	3,165.9
Loans and advances to credit institutions	**151.7**	111.7	149.9
Cash and cash equivalents at end of period	**2,357.5**	865.8	3,315.8