

PRESS RELEASE

1 March 2023

Skipton shares more of its financial success than ever before – delivering on its purpose by giving millions to members, communities and colleagues

- Group profits up 9.9% to £298.8m (2021: £271.8m)
- In 2022 more of the profits were reinvested for members and colleagues, specifically:
 - Over £100m given to members through above market average savings rates
 - A free Home Energy Efficiency Report (EPC Plus) offered to all borrowing members and Society colleagues
 - £11.5m awarded to Society colleagues in increased pay and cost of living support, so they can stay focused on delivering for our members and customers
- That resulted in:
 - Society membership growth of 5.0% to 1.14 million
 - Society savings balances growth of 13.6% (2021: 5.8%)
 - Group mortgage balances growth of 9.6% (2021: 6.8%)
- This is underpinned by a solid, sustainable platform for uncertain times:
 - Strong liquidity levels well above regulatory limits
 - The Group's UK residential mortgages in arrears by three months or more stood at only 0.17% of mortgage accounts as at the end of the 2022
 - A strong capital position – A Common Equity Tier 1 (CET 1) ratio of 25.8% and a leverage ratio of 6.8%
 - A robust Group Interest Margin of 1.35% (2021: 1.03%)

In a year that saw the Bank of England's bank base rate increase to 3.50%, inflation climb above 10% and significant turbulence within the UK financial markets, 2022 saw more people turn to one of the UK's leading mutuals to help them buy a home and save for their future.

The Society, part of the Skipton Group which includes the UK's largest estate agency, Connells, has seen Group profit before tax increase to £298.8m, driven by strong growth and improved interest margins in the Society and Skipton International. At a time when people needed trusted support more than ever to navigate the cost of living crisis, the Society saw its membership grow by 54,563 to over 1,137,000.

As a member-owned business, where the long-term best interests of members and customers are the priority, rather than profit maximisation for shareholders, Skipton has shared more of its financial success with members, communities and colleagues than ever before.

Stuart Haire, Skipton Group Chief Executive, said:

"As Skipton's new Group Chief Executive, the attraction of this role was the opportunity to leverage Skipton's Group structure, unique business mix and mutual status to help support our Society members and Group customers now and in the future. Our performance in 2022 casts no doubt on just how valued member-ownership is, particularly during such unprecedented times for people.

It is a privilege to lead a proven purpose-driven business. I cannot take any credit for the performance of the Skipton Group in 2022. However, I can wholeheartedly thank our 18,000+ colleagues who have played their part in helping grow our business while successfully navigating these difficult times. Our Group has helped more people to save for their future, helped more people into homes, and it's also sharing the success of its efforts, giving more back with clear positive impact, and reinvesting in the future for the benefit of all.

Just two months into my role I can clearly see why more people are coming to Skipton and developing deeper relationships with us to help them secure their financial futures. I can also see opportunity to work with my colleagues across the Group to do even more, and for us to further harness the size, depth and experience within the Skipton Group, to be a powerful voice for driving positive societal change.

Skipton Building Society, Principal Office: The Bailey Skipton, BD23 1DN

Skipton Building Society is a member of the Building Societies Association. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, under registration number 153706, for accepting deposits, advising on and arranging mortgages and providing Restricted financial advice. Principal Office, The Bailey, Skipton, North Yorkshire BD23 1DN.

Unlike other financial services businesses, in having the UK's largest estate agency network within our Group, Skipton is uniquely positioned to play a leading role in enabling and supporting homeownership. We have unrivalled insight into the UK housing market, expertise in savings and financial advice, coupled with a financially strong, resilient, and growing core business. We also hold ourselves to the highest standards of personal accountability in authentically and impactfully steering positive social and environmental change; there's arguably never been a more pertinent time to showcase just what mutuality means and what it delivers for society.

In 2023 Skipton will celebrate its 170th anniversary. This has been made possible by the sustainable value created across the blend and diversity of businesses."

Performance highlights in 2022

Helping People into Homes

Helping people realise their homeownership aspirations with interest rates rising and the affordability of housing more challenging than ever, has never been more important. In 2022 the Society supported over 13,800 first time buyers by providing financing to get the keys to their first home. The Group grew its mortgage portfolio by 9.6% to £25.5bn, with net lending accounting for 3.6% of the growth in the UK residential mortgage market compared to Skipton's 1.5% stock share¹.

Making Money Work Harder

Helping members make the most of their hard-earned savings is central to the Society's founding purpose. In 2022, as a result of competitive savings rates, the Society grew its savings balances by a record 13.6% to £22.5bn, paying an average savings rate of 1.16% to savers, 0.52% above the market average - this equates to an extra £104.7m in members' pockets².

Making Membership Matter

Working with Vibrant Energy, a Skipton Group company, the Society offered all borrowing members and Society colleagues a free Home Energy Efficiency Report (EPC Plus), helping them identify ways to increase the energy efficiency and reduce the carbon footprint of their homes. This reflects our ambition to play a leading role in helping green the UK's housing stock, a key issue facing homeowners. To support improving the energy efficiency of the private rental sector, the Society also made this offering available to its buy-to-let customers. Landlords can have up to ten properties assessed to support them on their journey to green their property portfolios - even if only one of their properties is mortgaged through Skipton. In January 2023 the free EPC Plus offer was extended to all Society savings and mortgage members. 2022 also saw the Society launch green additional borrowing products to help finance improvements, together with an improved sustainable investing passive fund.

During the year the Group made charitable donations of over £1.3m, primarily through support by Connells' group of £0.5m to the victims of the conflict in Ukraine, donations to the Skipton Building Society Charitable Foundation and through Skipton's Community Giving scheme. Skipton also introduced a commitment to donate 1% of future Group profits to charities aligned with our values and purpose. This announcement further complements the Society's existing social commitments.

Delivered by focusing on members and customer needs, with great colleagues and increasingly modern capability

Member and customer focus

We monitor our success in providing outstanding experience to our Society members by measuring net customer satisfaction, which in 2022 was 85% (2021: 86%). Our commitment to our members through our products and services has been recognised by independent third parties - we received several awards during the year, including winner of the High Street Savings Provider of the Year at the Moneyfacts Consumer Awards (placed consistently in the top three since 2017).

Brilliant colleagues, fairly paid

The Society aims to deliver an outstanding colleague experience as demonstrated by our overall colleague engagement score which increased to 87% when last measured in November 2022. Furthermore, the Society received recognition as the UK's 3rd best big company to work for in 2022 (7th in 2021), as part of the UK's Best Big Companies To Work For list, whilst proudly retaining our 3-star accreditation from Best Companies; and we have been an Investors In People accredited organisation for over 25 years and are one of the elite few organisations to achieve Platinum status, which we have maintained since 2017.

Already a living wage employer, in January 2022 the Society brought forward its annual pay review for colleagues (excluding the Executive Committee members), awarding on average a 12.9% increase to their pay, keeping pace with market benchmarks in a dynamic employment market, and ensuring all colleagues are fairly rewarded for their role. In addition, to support colleagues with increased costs of living, in September the Society made a one-off payment of £1,500 for each colleague below senior leader level.

Powered by digital, technology and data

¹ Source: Bank of England statistics, 'Lending secured on dwellings' for the 12 months to 31 December 2022

² Source: CACI Current Account & Savings Database, Stock

The Society's digital customer satisfaction score remains high at 82% (31 December 2021: 85%) and as we move through our transformation plan to enhance our service capabilities, we aim to further improve the customer experience.

In 2022 we introduced our first paperless mortgage offers, supporting our green agenda and allowing distribution of key documents to customers in real time. We have also listened to our customers and launched an online help centre to assist them with basic queries and information, which further allows our colleagues to attend to other customers who have more complex queries.

Since the launch of our mobile app in July 2019, over 280,000 members have registered for the app. Our customer feedback is positive scoring 4.7 stars out of 5 stars on the iOS App store and 4.5 stars on the Google Play store as we continue to build out and enhance its functionality.

Financial strength

Key highlights in the year include:

- Skipton's focus on offering competitive mortgages for homebuyers saw the Society's records repeatedly broken - 2022 was our largest ever year with nearly 30,000 completions lending over £5.8bn, including supporting over 17,000 customers switch their existing mortgage with the Society;
- The Bank of England increased bank base rate eight times in the year, from 0.25% at the start of the year to 3.50% at the year end. Given the cost of living crisis for households, the Society passed on 1.50% of the 3.25% base rate increases to our mortgage variable rate borrowers, saving them on average £1,300 per annum;
- For savers, following successive Bank of England bank base rate increases the Society has increased the rate of interest paid on all variable rate savings accounts and now pays a minimum rate of 1.75% at the year end (31 December 2021: 0.05%);
- The Society saw record cash ISA transfer volumes across the tax year end - in April, for new account openings, the Society secured a remarkable 13.8% share of deposits in the fixed rate cash ISA market and 10.7% share of balances in the total cash ISA market³; and
- Being the UK's first and one of the biggest providers of the Cash Lifetime ISA (LISA), Skipton now holds balances of £1.1bn for LISA customers saving hard for their first home or for later life; these customers benefitted from Government bonuses in the period of £59.3m.

Further details of Skipton's performance in 2022 are set out below:

- The Society welcomed more members with its membership rising by 54,563 to 1,137,560 (31 December 2021: 1,082,997);
- The Skipton Group generated a profit before tax (PBT) for the year of £298.8m (2021: £271.8m), and underlying Group PBT⁴ increased from £233.4m to £297.7m;
- The Mortgages and Savings division generated pre-tax profits of £220.1m (2021: £172.2m). Underlying PBT⁴ in the year was £229.9m (31 December 2021: £166.7m) - an increase of £63.2m, due principally to strong growth and improved interest margins;
- The Group's net interest margin, a key measure of performance, was 1.35% (2021: 1.03%);
- An increase of £17.1m in loan impairment provisions was booked in the year (2021: £12.9m release) - the key driver for this charge is revisions to the Group's forward-looking economic assumptions, which reflect a more adverse economic outlook;
- The Group's UK residential mortgages in arrears by three months or more totalled 285 cases representing only 0.17% of mortgage accounts (2021: 371 cases, representing 0.23% of mortgage accounts), which compares very favourably to the industry average of 0.71%⁵ (2021: 0.83%);
- The Group's Estate Agency division, Connells, generated profit before tax for the year of £67.5m (2021: £111.3m). Underlying PBT⁴ was £56.7m (2021: £78.9m). The higher profits in 2021 benefitted from exceptional housing market demand, fuelled by stamp duty relief and people's changing housing needs following the pandemic. The underlying result includes amortisation charges of £20.7m in relation to the intangible assets that were recognised on acquisition of Countrywide (2021: £52.4m);
- Results across Connells reflect more challenging housing market conditions - the number of properties that the division exchanged contracts on during the year was 18% lower than in 2021, primarily impacted by disappointing pipeline conversion rates (due to market-wide delays in conveyancing), together with wider economic headwinds adversely affecting consumer confidence;
- Skipton International Limited continues to make a strong contribution to the Group, with pre-tax profits of £39.9m (2021: £25.5m) and mortgages and savings balances of £2.0bn and £2.2bn respectively (31 December 2021: £1.7bn and £2.1bn respectively);
- Skipton's Liquidity Coverage Ratio (LCR)⁶ was 175% as at 31 December 2022 (31 December 2021: 173%) - liquidity remained well above both the regulatory limit of 100% and the Board set internal limit throughout the year;

³ Source: CACI Current Account & Savings Database

⁴ The following items are excluded from statutory profit to arrive at underlying profit: gains or losses on disposal of Group undertakings, impairment of Group undertakings, fair value movements in relation to the equity release portfolio and fair value movements in equity share investments and share warrants.

⁵ Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) as at 31 December 2021

- Skipton's CET 1 ratio⁶ reduced to 25.8% (31 December 2021: 44.6%), driven primarily by the estimated impact of moving to hybrid internal-ratings based (IRB) models in response to regulatory changes introduced from 1 January 2022⁷. Skipton's leverage ratio⁶ remained stable at 6.8% (31 December 2021: 6.8%); and
- The Society will continue to monitor wholesale funding markets, and intends to assess opportunities for issuance of funding and MREL in 2023.

ENDS

Photos available on request.

For more information, or if you would like insight and data on house prices, mortgages and savings from across the Skipton Group or commentary and case studies please contact:

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Notes to Editors

1. Skipton is the UK's fourth largest building society, with over one million customers, consolidated total assets of £33.6bn and a national presence represented by its network of 87 branches. Skipton offers mortgages, savings and restricted financial advice. It heads the Skipton Building Society Group.
2. Skipton Group is creating an impact at the centre of the UK housing sector. The Group is made up of key businesses from across the housing and financial industry which includes Skipton Building Society, Connells group - the UK's largest estate agency and property services provider, which helps over one in ten individuals buying and selling homes; offshore finance capability through Skipton International; Skipton Business Finance and Jade Software Corporation.
3. Skipton Group is seeking to take a leading role in the acceleration of greening homes across the UK. Skipton Building Society in partnership with Vibrant (also part of the Skipton Group) is offering all of its 1.1 million members a free EPC Plus home assessment and bespoke report for their properties – the first of its kind.
4. The Society was the first Cash Lifetime ISA (LISA) provider and remains one of the biggest providers helping over 159,000 first time buyers save for their first home.
5. The Society has been named the number three Best Big Company to Work For in the final 2022 national league table, and has held 3-star Big Companies accreditation since 2021.
6. The Society is rated by two major credit rating agencies. Moody's assigns a long-term deposit and senior preferred rating of A2 with a stable outlook and a short-term rating of P-1. Fitch assigns a long-term deposit and senior preferred rating of A and a short-term rating of F1, also with a stable outlook.

⁶ The Liquidity Coverage Ratio, CET 1 ratio and leverage ratio are each presented in respect of Skipton's prudential consolidation group; this comprises the entire Group except Connells and a small number of other entities.

⁷ The Society submitted updated IRB models to the PRA in 2021; the process for review and approval is ongoing and therefore the models remain subject to change until the models are approved by the Prudential Regulation Authority (PRA). At present a Temporary Model Adjustment has been applied to estimate what the final impact will be in moving to regulator approved hybrid IRB models.

Skipton Building Society
Results for the year ended 31 December 2022

Consolidated income statement

	2022	2021
	£m	£m
Interest receivable and similar income:		
Accounted for using the effective interest rate method	806.7	457.3
Other	15.8	(2.9)
Total interest receivable and similar income	822.5	454.4
Interest payable and similar charges	(398.1)	(157.7)
Net interest receivable	424.4	296.7
Fees and commissions receivable	1,092.6	1,054.5
Fees and commissions payable	(14.7)	(8.4)
Fair value gains on financial instruments mandatorily held at FVTPL	1.3	10.2
Fair value gains on step-acquisition of Group undertakings	-	26.9
Profit on disposal of subsidiary undertakings	0.1	0.5
Other income	3.9	3.9
Total income	1,507.6	1,384.3
Administrative expenses	(1,188.5)	(1,125.1)
Operating profit before impairment and provisions	319.1	259.2
Impairment (losses) / credit on loans and advances to customers	(17.1)	12.9
Impairment losses on liquid assets	(0.1)	(0.2)
Impairment of goodwill	(0.8)	-
Realised losses on equity release portfolio	(0.7)	(0.5)
Provisions for liabilities	(1.6)	0.4
Profit before tax	298.8	271.8
Tax expense	(67.8)	(55.9)
Profit for the period	231.0	215.9
Profit for the period attributable to:		
Members of Skipton Building Society	231.2	215.8
Non-controlling interests	(0.2)	0.1
	231.0	215.9

Underlying Group PBT for 2022 was £297.7m (2021: £233.4m) as shown below:

	2022	2021
	£m	£m
Total Group profit before tax	298.8	271.8
Less profit on disposal of subsidiary undertakings	(0.1)	(0.5)
Add back / (less) fair value (losses) / gains in relation to the equity release portfolio (note 1)	9.8	(5.5)
Less fair value gains on share warrants and equity share investments (note 2)	(11.6)	(5.5)
Less fair value gains on step-acquisition of Group undertakings	-	(26.9)
Add back impairment of goodwill	0.8	-
Underlying Group profit before tax	297.7	233.4

Notes:

- The £9.8m loss (2021: £5.5m gain) is comprised of fair value losses on the portfolio of £132.3m (2021: £27.3m losses), and fair value gains of £122.5m (2021: £32.8m gains) on the associated derivatives held to economically hedge these fair value movements, as shown in the 'Fair value gains / (losses) on financial instruments mandatorily held at FVTPL' line in the Income Statement.
- As shown in the 'Fair value gains / (losses) on financial instruments mandatorily held at FVTPL' line in the Income Statement.

Skipton Building Society
Results for the year ended 31 December 2022

Consolidated statement of comprehensive income

	2022	2021
	£m	£m
Profit for the financial year	231.0	215.9
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurement (losses) / gains on defined benefit obligations	(6.7)	23.9
(Losses) / gains on equity share investments designated at FVOCI	(8.5)	2.5
Income tax on items that will not be reclassified to profit or loss	0.4	(3.1)
	(14.8)	23.3
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedging reserve:		
Gains taken to equity	47.8	26.8
Realised gains transferred to Income Statement	(12.8)	(0.1)
Movement in fair value reserve (debt securities):		
(Losses) / gains taken to equity	(22.3)	1.6
Impairment loss allowance on debt securities held at FVOCI	-	0.3
Realised losses transferred to Income Statement	-	0.1
Movement in cost of hedging reserve:		
Gains / (losses) taken to equity	3.8	(0.5)
Exchange differences on translation of foreign operations	0.4	(0.4)
Income tax on items that may be reclassified to profit or loss	(4.4)	(8.2)
	12.5	19.6
Other comprehensive (expense) / income for the year, net of tax	(2.3)	42.9
Total comprehensive income for the year	228.7	258.8
Total comprehensive income attributable to:		
Members of Skipton Building Society	228.9	258.7
Non-controlling interests	(0.2)	0.1
	228.7	258.8

Skipton Building Society
Results for the year ended 31 December 2022

Consolidated statement of financial position

	2022	2021
	£m	£m
Assets		
Cash in hand and balances with the Bank of England	3,520.5	2,433.6
Loans and advances to credit institutions	631.9	468.7
Debt securities	2,640.3	2,193.2
Derivative financial instruments	1,355.1	227.9
Loans and advances to customers held at amortised cost	24,452.3	23,024.8
Loans and advances to customers held at FVTPL	1.0	1.2
Equity release portfolio held at FVTPL	278.7	406.6
Current tax asset	18.3	1.0
Deferred tax asset	13.1	33.1
Investments in joint ventures	10.1	9.5
Equity share investments mandatorily held at FVTPL	1.2	1.7
Equity share investments designated at FVOCI	-	8.5
Property, plant and equipment	71.8	73.2
Right-of-use assets	106.7	95.8
Investment property	6.0	6.6
Intangible assets	323.4	345.6
Retirement benefit surplus	-	1.2
Other assets	140.9	135.8
Total assets	33,571.3	29,468.0
Liabilities		
Shares	22,349.6	19,759.8
Amounts owed to credit institutions	2,963.3	2,203.4
Amounts owed to other customers	2,339.2	2,249.2
Debt securities in issue	2,591.6	2,218.1
Derivative financial instruments	415.6	292.1
Current tax liability	1.5	-
Lease liabilities	113.0	114.4
Other liabilities	83.7	114.2
Accruals	93.1	102.3
Deferred income	9.9	5.6
Provisions for liabilities	34.7	36.4
Deferred tax liability	-	0.1
Retirement benefit obligations	29.6	30.1
Subordinated liabilities	311.8	336.3
Subscribed capital	41.6	41.6
Total liabilities	31,378.2	27,503.6
Members' interests		
General reserve	2,176.4	1,951.5
Fair value reserve	(16.9)	7.5
Cash flow hedging reserve	29.6	4.0
Cost of hedging reserve	(1.1)	(3.5)
Translation reserve	4.9	4.5
Attributable to members of Skipton Building Society	2,192.9	1,964.0
Non-controlling interests	0.2	0.4
Total members' interests	2,193.1	1,964.4
Total members' interests and liabilities	33,571.3	29,468.0

Skipton Building Society
Results for the year ended 31 December 2022

Consolidated statement of cash flows

	2022	2021
	£m	£m
Cash flows from operating activities		
Profit before tax	298.8	271.8
Adjustments for:		
Impairment losses / (credits) on financial instruments	18.1	(13.8)
Depreciation and amortisation	76.8	107.1
Impairment of property, plant and equipment, right-of-use assets and investment property	(0.5)	1.3
Loss / (profit) on disposal of property, plant and equipment, investment property and intangible assets	0.7	(0.4)
Fair value losses on certain financial instruments held at FVTPL	120.5	23.1
Interest on subordinated liabilities and subscribed capital	11.8	11.8
Interest on lease liabilities	2.1	1.8
Profit on disposal of subsidiary undertakings	(0.1)	(0.5)
Fair value gains on step acquisition of Group undertakings	-	(26.9)
Other non-cash movements	5.8	44.7
	534.0	420.0
Changes in operating assets and liabilities:		
Net movement in prepayments and accrued income	(3.4)	(16.2)
Net movement in accruals and deferred income	(4.9)	6.0
Net movement in provisions for liabilities	(1.7)	(1.8)
Net movement in fair value of derivatives	(1,003.7)	(317.6)
Net movement in fair value adjustments for hedged risk	664.0	217.5
Fair value movements in debt securities	93.8	33.1
Net movement in loans and advances to customers	(2,223.8)	(1,474.3)
Net movement in shares	2,689.7	1,105.5
Net movement in amounts owed to credit institutions and other customers	849.9	173.8
Repayment of amounts owed to credit institutions acquired on purchase of subsidiary undertaking	-	(93.0)
Net movement in debt securities in issue	368.4	(167.8)
Net movement in loans and advances to credit institutions	(115.9)	236.1
Net movement in other assets	15.0	20.3
Net movement in other liabilities	(22.7)	(71.6)
Income taxes paid	(67.9)	(57.0)
Net cash flows from operating activities	1,770.8	13.0

Skipton Building Society
Results for the year ended 31 December 2022

Consolidated statement of cash flows (continued)

	2022	2021
	£m	£m
Net cash flows from operating activities	1,770.8	13.0
Cash flows from investing activities		
Purchase of debt securities	(1,995.5)	(1,795.4)
Proceeds from maturities and disposals of debt securities	1,447.2	1,074.1
Proceeds from disposal of assets held for sale	-	58.0
Contingent consideration received following disposal of subsidiary undertaking (net of costs)	6.4	6.4
Purchase of subsidiary undertakings in the period, net of cash acquired	-	(121.8)
Other investing activities	(18.1)	(11.7)
Net cash flows from investing activities	(560.0)	(790.4)
Cash flows from financing activities		
Exercise of share options in subsidiary management incentive scheme	(8.9)	(0.8)
Exercise of put options held by non-controlling shareholders	(3.0)	-
Purchase of non-controlling interests	-	(0.6)
Interest paid on subordinated liabilities and subscribed capital	(11.8)	(11.8)
Interest paid on lease liabilities	(2.1)	(1.8)
Payment of lease liabilities	(50.7)	(42.5)
Net cash flows from financing activities	(76.5)	(57.5)
Net increase / (decrease) in cash and cash equivalents	1,134.3	(834.9)
Cash and cash equivalents at 1 January	2,481.0	3,315.8
(Increase) / decrease in impairment loss allowance on cash and cash equivalents	(0.1)	0.1
Cash and cash equivalents at 31 December	3,615.2	2,481.0

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

	2022	2021
	£m	£m
Cash in hand and balances with the Bank of England	3,520.5	2,433.6
Mandatory reserve deposit with the Bank of England	(96.7)	(87.8)
	3,423.8	2,345.8
Loans and advances to credit institutions	191.4	135.2
Cash and cash equivalents at 31 December	3,615.2	2,481.0