PRESS RELEASE **Friday 5 August 2022**

Skipton Building Society helps more people than ever towards their home ownership goals

- Skipton's competitive mortgage products and first rate service drive record applications
- Higher returns for savers, as Skipton passes on benefit of base rate increases while protecting variable rate borrowers

Record mortgage applications and higher returns for savers are just some of Skipton's highlights for the first half of 2022, driving a strong performance at the member-owned building society.

Skipton, the UK's fourth largest building society and parent organisation of the Connells group, the UK's largest estate agency, today shares its performance for the first half of 2022. In a six-month period that has seen profound challenges to household finances, Skipton remains true to its purpose-led mutuality in helping more people to have a place to call home and to save for their future:

- The Skipton Group generated pre-tax profits for the period of £160.0m (six months ended 30 June 2021: £159.2m);
- The Mortgages and Savings division generated pre-tax profits of £128.3m (six months ended 30 June 2021: £86.9m) - an increase of £41.4m compared with the first half of 2021, due principally to increases in net interest income and improved interest margins;
- Skipton's focus on offering competitive mortgages for homebuyers saw the Society's records repeatedly broken – May 2022 was the Society's highest ever month for mortgage applications, totalling £1.1bn;
- This robust performance saw the Group's mortgage portfolio grow 3.1% in the period to reach £24.0bn – its net lending accounted for 2.2% of growth in the UK residential mortgage market, compared to the Society's 1.4%[1] share of UK residential mortgage balances;
- The Society enabled over 6,200 first-time buyers get their first home with a Skipton mortgage. Continuing its efforts to support first-time buyers, Skipton also hosted a special *Keys To Your First Home* event in London, the first in a series of unique experiences designed to bring to life the home buying journey. The event saw a panel of experts including the UK's leading millennial money expert, Iona Bain, together with industry experts and those who've recently bought their first home, share their own experiences and give guidance on the home buying process;
- The Bank of England increased bank base rate four times in the period, from 0.25% at the start of the year to 1.25% by June. Given the immediate cost of living crisis for households, the Society took decisions to protect its mortgage variable rate borrowers from these base rate increases – only 0.1% of the total 1.0% increase was passed on to the Society's variable rate borrowers;
- For savers, the Society has increased the rate of interest paid on all variable rate savings accounts and now pays a minimum rate of 0.85% (31 December 2021: 0.15%) on all variable rate savings accounts. For the five months to 31 May 2022 the average savings rate paid by Skipton was 0.77%, which was 0.44% above the rest of market average for banks and building societies[2];
- Skipton's competitive savings rates resulted in balances growing in the period by 6% (or £1.2bn) to £21.0bn and the Society saw record cash ISA transfer volumes across the tax year-end – that meant in April, for the value of new account openings, the Society secured a remarkable 13.8% share of the fixed rate cash ISA market and a 10.7% share of the total cash ISA market[3];
- And being the UK's first and one of the biggest providers of the Cash Lifetime ISA (LISA), Skipton now holds balances of £1.2bn for LISA customers saving hard either for their first home or for later life – and these customers benefitted from Government bonuses in the period of £45.8m;
- Already a living wage employer – in January the Society brought forward its annual pay review for colleagues (below Executive Committee level), awarding on average an 11% increase to their pay; this was to keep pace with market benchmarks in a dynamic employment market, ensuring all colleagues are fairly rewarded for their role. In addition, to support colleagues with the increased cost of living, the Society has committed to a payment of £1,500 for each colleague (below Senior Leader level), to be paid in September;
- Connells, the Group's estate agency division, delivered underlying pre-tax profits of £29.0m (six months ended 30 June 2021: £50.0m); the higher profits in 2021 benefitted from exceptional housing market demand, fuelled by stamp duty reliefs and people's changing housing needs following the pandemic.

Ian Cornelius, Skipton's Interim Group Chief Executive, said:

"I'm acutely conscious our strong performance comes at a time when household finances are under significant strain. The current economic environment for our members and colleagues is understandably causing concern. Our role at Skipton is to help people navigate these challenging times, and it's very pleasing to see our competitive offering and first-rate service have enabled us in recent months to help more people than ever before.

As a mutual, we're accountable to our members, not shareholders. Our priority will always be the long-term sustainability of our business, not short-term profit maximisation. So it is a relatively straightforward decision that we take to reinvest profits into the business for the benefit of everyone - our customers, our colleagues and our communities. We seek to

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[1] Source: Bank of England statistics, 'Lending secured on dwellings' for the 6 months to 30 June 2022.

[2] Source: CACI Current Account & Savings Database, Stock

[3] Source: CACI Current Account & Savings Database

invest purposefully, from strengthening our IT, digital and data platforms, through to reimagining how we attract and retain talent, to ensure we are fit for the future. And that goes for our green ambitions too, with increased investment to deliver our transition to net zero and support our customers to live in greener and more efficient homes.

These results for the first half of 2022, including the excellent growth achieved in both mortgages and savings, are the result of the great work by colleagues across the Society and their unwavering focus on helping our members at every life stage by offering great value, great service and a strong proposition that meets their needs.

Public and personal finances have rarely been under such pressure as they are today. Whilst faced with significant uncertainties, Skipton is in a robust position to meet the challenges ahead. The trust our customers and colleagues place in us to do the right thing by them will never be taken for granted. We will continue to do everything we can to support them and their families in these extraordinary times."

Further details of Skipton's performance for the first six months of 2022 are set out below:

- The Society welcomed more customers, with its membership rising by 20,655 to over 1,103,600;
- The Group's net interest margin, a key measure of performance, was 1.29% (six months ended 30 June 2021: 0.97%);
- Movements in the impairment allowances held against loans and advances to customers resulted in a credit to the Income Statement of £2.2m (six months ended 30 June 2021: £14.8m credit); this reflects improved arrears positions in our mortgage portfolios, offset in part by the impacts on the impairment allowances of a less favourable economic outlook;
- The Society's residential mortgages in arrears by three months or more represent only 0.20% (31 December 2021: 0.23%) of mortgage accounts, which compares very favourably to the UK Finance industry average of 0.77%[4];
- Skipton International Limited (SIL) continues to make a strong contribution, with pre-tax profits of £18.0m (six months ended 30 June 2021: £11.4m) and mortgages and savings balances of £1.8bn and £2.0bn respectively (31 December 2021: £1.7bn and £2.1bn respectively);
- The Group's Estate Agency division, Connells, generated pre-tax profits for the period of £28.9m (six months ended 30 June 2021: £80.2m). The 2021 pre-tax profits included fair value gains of £29.3m relating to businesses and investments that were subsequently disposed of during that year. Underlying pre-tax profits for the period were £29.0m (six months ended 30 June 2021: £50.0m); the higher profits in 2021 benefitted from exceptional housing market demand, fuelled by stamp duty reliefs and people's changing housing needs following the pandemic. The underlying result includes amortisation charges of £10.4m against the intangible assets that were recognised on acquisition of Countrywide (six months ended 30 June 2021: £38.3m);
- Connells maintained market share at 10% across its 1,250 estate agency branch network and the sales pipeline is up 11% compared with 30 June 2021, showing continued strong buyer demand. However, results across Connells reflect more challenging housing market conditions, impacted by lack of stock, slow pipeline conversion (due to market-wide delays in conveyancing) and wider economic headwinds;
- Skipton's CET 1 ratio[5] reduced to 36.5% (31 December 2021: 44.6%), driven primarily by the move to hybrid IRB models in response to regulatory changes introduced from 1 January 2022[6];
- Skipton's UK leverage ratio[5] remained stable at 6.7% (31 December 2021: 6.8%);
- Skipton's Liquidity Coverage Ratio (LCR)[5] was 177% as at 30 June 2022 (31 December 2021: 173%) – liquidity remained well above both the regulatory limit of 100% and the internal limit set by the Board throughout the period;
- Skipton's people remain its greatest asset - the Society's position as an employer of choice is reinforced by proudly retaining its 3-star rating from Best Companies, which reflects 'world-class' levels of workplace engagement.

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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[4] Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) as at 31 March 2022.

[5] The CET 1 ratio, UK leverage ratio and Liquidity Coverage 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 whose activities are not closely aligned with the core business.

[6] 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.

Editors' notes

1. Skipton is the UK's fourth largest building society, with over one million customers, consolidated total assets of £31.4bn 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 158,000 LISA customers and account balances of £1.2bn.
3. Skipton has maintained its Investors In People (IIP) Platinum accreditation, the highest accolade that can be achieved, since 2017.
4. Skipton 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.
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 2022

Consolidated income statement

	6 months to 30.06.22 £m	6 months to 30.06.21 £m	12 months to 31.12.21 £m
Interest receivable and similar income:			
Accounted for using the effective interest rate method	**307.6**	221.4	457.3
Other	**4.6**	(2.3)	(2.9)
Total interest receivable and similar income	**312.2**	219.1	454.4
Interest payable and similar charges	**(117.9)**	(81.4)	(157.7)
Net interest receivable	**194.3**	137.7	296.7
Fees and commissions receivable	**539.4**	501.3	1,054.5
Fees and commissions payable	**(6.9)**	(5.0)	(8.4)
Fair value gains / (losses) on financial instruments mandatorily held at FVTPL:			
Hedging instruments and hedged items	**0.1**	(2.1)	0.5
Derivatives associated with equity release portfolio	**73.0**	24.9	32.8
Equity release portfolio	**(61.5)**	(18.6)	(27.3)
Share warrants	**(0.8)**	1.1	3.2
Put options held by minority shareholders	**0.3**	(0.9)	(1.3)
Equity share investments	**0.7**	2.2	2.3
Fair value gains on step-acquisition of Group undertakings	**-**	26.9	26.9
Realised profits on treasury assets held at FVOCI	**-**	0.1	0.1
Profit on disposal of subsidiary undertakings	**0.1**	0.3	0.5
Share of profits from joint ventures	**0.4**	0.9	1.2
Other income	**1.8**	1.3	2.6
Total income	**740.9**	670.1	1,384.3
Administrative expenses	**(581.4)**	(525.6)	(1,125.1)
Operating profit before impairment and provisions	**159.5**	144.5	259.2
Impairment credit on loans and advances to customers	**2.2**	14.8	12.9
Impairment (losses) / credit on liquid assets	**(0.1)**	0.1	(0.2)
Realised losses on equity release portfolio	**(0.4)**	(0.2)	(0.5)
Provisions for liabilities	**(1.2)**	-	0.4
Profit before tax	**160.0**	159.2	271.8
Tax expense	**(36.2)**	(25.7)	(55.9)
Profit for the period	**123.8**	133.5	215.9
Profit for the period attributable to:			
Members of Skipton Building Society	**123.8**	133.4	215.8
Non-controlling interests	**-**	0.1	0.1
	123.8	133.5	215.9

Skipton Building Society
Results for the half year ended 30 June 2022

Underlying Group PBT for the six months ended 30 June 2022 was £148.5m (six months ended 30 June 2021: £122.4m; year ended 31 December 2021: £233.4m) as shown below:

	6 months to 30.06.22 £m	6 months to 30.06.21 £m	12 months to 31.12.21 £m
Total Group profit before tax	**160.0**	159.2	271.8
Less profit on disposal of subsidiary undertakings	**(0.1)**	(0.3)	(0.5)
Less fair value gains in relation to equity release portfolio (note 1)	**(11.5)**	(6.3)	(5.5)
Add back / (less) fair value losses / (gains) on share warrants and equity share investments	**0.1**	(3.3)	(5.5)
Less fair value gains on step-acquisition of Group undertakings	**-**	(26.9)	(26.9)
Underlying Group profit before tax	**148.5**	122.4	233.4

Notes

1. The £11.5m gain (six months ended 30 June 2021: £6.3m gain; year ended 31 December 2021: £5.5m gain) is comprised of fair value losses of £61.5m (six months ended 30 June 2021: £18.6m losses; year ended 31 December 2021: £27.3m losses) as shown in the 'Fair value gains / (losses) on financial instruments mandatorily held at FVTPL: Equity release portfolio' line in the Income Statement, and fair value gains of £73.0m (six months ended 30 June 2021: £24.9m gains; year ended 31 December 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: Derivatives associated with equity release portfolio' line in the Income Statement.

Consolidated statement of comprehensive income

	6 months to 30.06.22 £m	6 months to 30.06.21 £m	12 months to 31.12.21 £m
Profit for the period	**123.8**	133.5	215.9
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement (losses) / gains on defined benefit obligations	**(4.0)**	15.9	23.9
Gains on equity share investments designated at FVOCI	**0.9**	-	2.5
Income tax on items that will not be reclassified to profit or loss	**-**	(0.3)	(3.1)
	(3.1)	15.6	23.3
Items that may be reclassified subsequently to profit or loss:			
Movement in cash flow hedging reserve:			
Gains taken to equity	**35.0**	13.9	26.8
Realised gains transferred to Income Statement	**(17.0)**	(0.1)	(0.1)
Movement in fair value reserve (debt securities):			
(Losses) / gains taken to equity	**(12.3)**	2.1	1.6
Impairment loss allowance on debt securities held at FVOCI	**0.1**	-	0.3
Realised losses transferred to Income Statement	**-**	-	0.1
Movement in cost of hedging reserve:			
Gains / (losses) taken to equity	**1.5**	0.5	(0.5)
Exchange differences on translation of foreign operations	**0.1**	(0.3)	(0.4)
Income tax on items that may be reclassified to profit or loss	**(1.9)**	(4.2)	(8.2)
	5.5	11.9	19.6
Other comprehensive income for the period, net of tax	**2.4**	27.5	42.9
Total comprehensive income for the period	**126.2**	161.0	258.8
Total comprehensive income attributable to:			
Members of Skipton Building Society	**126.2**	160.9	258.7
Non-controlling interests	**-**	0.1	0.1
	126.2	161.0	258.8

Skipton Building Society
Results for the half year ended 30 June 2022

Consolidated statement of financial position

	As at 30.06.22 £m	As at 30.06.21 £m	As at 31.12.21 £m
Assets			
Cash in hand and balances with the Bank of England	**2,843.0**	2,286.9	2,433.6
Loans and advances to credit institutions	**471.6**	593.3	468.7
Debt securities	**2,904.9**	1,999.4	2,193.2
Derivative financial instruments	**759.3**	78.2	227.9
Loans and advances to customers held at amortised cost	**23,355.0**	22,722.1	23,024.8
Loans and advances to customers held at FVTPL	**1.1**	1.2	1.2
Equity release portfolio held at FVTPL	**348.0**	414.5	406.6
Current tax asset	**-**	-	1.0
Investments in joint ventures	**9.1**	9.1	9.5
Equity share investments mandatorily held at FVTPL	**2.4**	1.5	1.7
Equity share investments designated at FVOCI	**9.4**	-	8.5
Assets held for sale	**-**	106.4	-
Property, plant and equipment	**70.2**	75.9	73.2
Right-of-use assets	**96.3**	101.0	95.8
Investment property	**6.3**	7.8	6.6
Intangible assets	**334.1**	361.9	345.6
Deferred tax asset	**30.3**	46.1	33.1
Retirement benefit surplus	**1.5**	0.5	1.2
Other assets	**147.1**	167.0	135.8
Total assets	**31,389.6**	28,972.8	29,468.0
Liabilities			
Shares	**20,902.3**	19,432.2	19,759.8
Amounts owed to credit institutions	**2,556.4**	2,066.0	2,203.4
Amounts owed to other customers	**2,182.8**	2,126.9	2,249.2
Debt securities in issue	**2,614.0**	2,293.2	2,218.1
Derivative financial instruments	**323.0**	342.0	292.1
Current tax liability	**1.4**	5.3	-
Lease liabilities	**110.3**	124.9	114.4
Other liabilities	**100.1**	110.8	114.2
Accruals	**72.2**	90.5	102.3
Deferred income	**5.6**	4.6	5.6
Provisions for liabilities	**36.5**	36.9	36.4
Deferred tax liability	**-**	0.2	0.1
Liabilities directly associated with assets held for sale	**-**	16.6	-
Retirement benefit obligations	**30.5**	39.0	30.1
Subordinated liabilities	**322.3**	343.8	336.3
Subscribed capital	**41.6**	41.6	41.6
Total liabilities	**29,299.0**	27,074.5	27,503.6
Members' interests			
General reserve	**2,071.3**	1,863.9	1,951.5
Fair value reserve	**(0.3)**	5.2	7.5
Cash flow hedging reserve	**17.4**	(4.6)	4.0
Cost of hedging reserve	**(2.8)**	(2.9)	(3.5)
Translation reserve	**4.6**	4.6	4.5
Attributable to members of Skipton Building Society	**2,090.2**	1,866.2	1,964.0
Non-controlling interests	**0.4**	32.1	0.4
Total members' interests	**2,090.6**	1,898.3	1,964.4
Total liabilities and members' interests	**31,389.6**	28,972.8	29,468.0

Skipton Building Society
Results for the half year ended 30 June 2022

Consolidated statement of cash flows

	6 months to 30.06.22 £m	6 months to 30.06.21 £m	12 months to 31.12.21 £m
Cash flows from operating activities			
Profit before tax	**160.0**	159.2	271.8
Adjustments for:			
Impairment credit on loans and advances to customers	**(2.2)**	(14.8)	(12.9)
Loans and advances written off, net of recoveries	**(1.3)**	(0.7)	(0.9)
Impairment losses / (credit) on liquid assets	**0.1**	(0.1)	0.2
Impairment credit on trade receivables	**(0.5)**	-	(0.2)
Depreciation and amortisation	**38.4**	63.8	107.1
Impairment of property, plant and equipment, right-of-use assets and investment property	**0.2**	0.1	1.3
Income Statement charge for fair value of subsidiary management incentive scheme liability	**1.0**	8.1	15.5
Fair value gains on equity share investments at FVTPL	**(0.7)**	(2.2)	(2.3)
Interest on subordinated liabilities and subscribed capital	**5.8**	5.8	11.8
Interest on lease liabilities	**1.0**	0.8	1.8
Profit on disposal of property, plant and equipment, investment property and intangible assets	**(0.1)**	-	(0.4)
Profit on disposal of treasury assets	**-**	(0.1)	(0.1)
Share of profits from joint ventures	**(0.4)**	(0.9)	(1.2)
Profit on disposal of subsidiary undertakings	**(0.1)**	(0.3)	(0.5)
Fair value losses on equity release portfolio	**61.5**	18.6	27.3
Fair value gains on step-acquisition of Group undertakings	**-**	(26.9)	(26.9)
Fair value losses / (gains) on share warrants	**0.8**	(1.1)	(3.2)
Realised losses on equity release portfolio	**0.4**	0.2	0.5
Other non-cash movements	**10.2**	(24.5)	31.3
	274.1	185.0	420.0
Changes in operating assets and liabilities:			
Movement in prepayments and accrued income	**(11.3)**	(21.1)	(16.2)
Movement in accruals and deferred income	**(10.1)**	(2.9)	6.0
Movement in provisions for liabilities	**0.1**	(1.2)	(1.8)
Movement in fair value of derivatives	**(500.5)**	(118.0)	(317.6)
Movement in fair value adjustments for hedged risk	**331.1**	102.8	217.5
Fair value movements in debt securities	**58.0**	16.3	33.1
Movement in loans and advances to customers	**(722.7)**	(961.5)	(1,474.3)
Movement in shares	**1,180.2**	750.2	1,105.5
Net movement in amounts owed to credit institutions and other customers	**283.5**	(85.2)	173.8
Repayment of amounts owed to credit institutions acquired on purchase of subsidiary undertaking	**-**	(94.0)	(93.0)
Net movement in debt securities in issue	**394.5**	(116.8)	(167.8)
Net movement in loans and advances to credit institutions	**(13.0)**	134.7	236.1
Net movement in other assets	**(14.3)**	(2.7)	20.3
Net movement in other liabilities	**(6.8)**	(65.5)	(71.6)
Income taxes paid	**(33.1)**	(26.6)	(57.0)
Net cash flows from operating activities	**1,209.7**	(306.5)	13.0

Consolidated statement of cash flows (continued)

	6 months to 30.06.22 £m	6 months to 30.06.21 £m	12 months to 31.12.21 £m
Net cash flows from operating activities	**1,209.7**	(306.5)	13.0
Cash flows from investing activities			
Purchase of debt securities	**(1,140.1)**	(776.9)	(1,795.4)
Proceeds from maturities and disposals of debt securities	**370.3**	266.3	1,074.1
Purchase of property, plant and equipment and investment property	**(4.0)**	(5.0)	(10.8)
Purchase of intangible assets	**(3.0)**	(3.1)	(6.8)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**0.2**	1.4	2.3
Dividends received from joint ventures	**0.8**	2.1	2.1
Proceeds from disposal of assets held for sale	**-**	-	58.0
Contingent consideration received in respect of prior period disposals of subsidiary undertakings (net of costs)	**6.4**	6.4	6.4
Purchase of subsidiary undertakings in the year, net of cash acquired	**-**	(121.8)	(121.8)
Investment in equity share investments	**-**	(0.1)	(6.5)
Purchase of other business units	**(0.2)**	(0.2)	(0.2)
Proceeds from disposal of associate	**-**	7.8	7.8
Proceeds from disposal of equity share investments	**-**	-	0.4
Net cash flows from investing activities	**(769.6)**	(623.1)	(790.4)
Cash flows from financing activities			
Exercise of share options in subsidiary management incentive scheme	**(8.9)**	(0.8)	(0.8)
Exercise of put options held by non-controlling shareholders	**(2.0)**	-	-
Purchase of non-controlling interests	**-**	(0.6)	(0.6)
Proceeds from issue of subordinated liabilities	**-**	-	-
Interest paid on subordinated liabilities and subscribed capital	**(5.8)**	(5.8)	(11.8)
Interest paid on lease liabilities	**(1.0)**	(0.8)	(1.8)
Payment of lease liabilities	**(23.4)**	(20.8)	(42.5)
Net cash flows from financing activities	**(41.1)**	(28.8)	(57.5)
Net increase / (decrease) in cash and cash equivalents	**399.0**	(958.4)	(834.9)
Cash and cash equivalents at 1 January	**2,481.0**	3,315.8	3,315.8
Decrease in impairment loss allowance on cash and cash equivalents	**-**	0.1	0.1
Cash and cash equivalents at end of period	**2,880.0**	2,357.5	2,481.0

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

	As at 30.06.22 £m	As at 30.06.21 £m	As at 31.12.21 £m
Cash in hand and balances with the Bank of England	**2,843.0**	2,286.9	2,433.6
Mandatory reserve deposit with the Bank of England	**(90.9)**	(81.1)	(87.8)
	2,752.1	2,505.8	2,345.8
Loans and advances to credit institutions	**127.9**	151.7	135.2
Cash and cash equivalents at end of period	**2,880.0**	2,357.5	2,481.0