PRESS RELEASE **Tuesday 1 August 2017**

INTERIM RESULTS: SKIPTON REPORTS STRONG RESULTS FOR THE FIRST HALF OF THE YEAR

Skipton Building Society today publishes its interim results covering the six month period from 1 January to 30 June 2017.

The UK's fourth largest building society announces a strong performance for the first half of 2017, increasing its membership with a 25,907 increase in customers to 886,310, recording a Group profit before tax of £67.0m, a 19% increase in underlying Group profit before tax to £87.4m, and increasing its Common Equity Tier 1 ratio to 28.9%.

The Society's already strong capital position was further strengthened following the disposal of a £220m portfolio of non-performing or recently non-performing loans. This initiative to reduce risk resulted in a £15.0m loss on disposal.

Savings balances increased by £0.5bn (a growth rate of 3.7% during the six month period) and mortgage balances increased by £0.7bn (a growth rate of 4.4% during the six month period). Gross mortgage lending was £2.4bn, a 20.7% increase compared to the comparable period to 30 June 2016.

The Society broadened its wholesale funding base and lengthened its maturity, by returning to the senior unsecured market for the first time in a decade, raising £350m for a five year term.

The Society was the first, and to date only, financial services provider to launch a Cash Lifetime ISA, helping 17,711 people in the first month of its launch in June to save for their first home or longer term financial needs.

In the six months to 30 June 2017 Skipton's key performance highlights included:

Robust performance

- Total Group profit before tax (PBT) was £67.0m (six months ended 30 June 2016: £76.8m);
- Underlying Group PBT[1] was £87.4m (six months ended 30 June 2016: £73.2m);
- The Society continued to grow its membership with a 25,907 increase in customers to 886,310 (six months ended 30 June 2016 an increase of 20,839);
- Group gross mortgage lending increased to £2.4bn (six months ended 30 June 2016: £1.9bn);
- Mortgage balances grew by £0.7bn, a growth rate of 4.4% since the end of 2016 (six months ended 30 June 2016: by £0.5bn, a growth rate of 3.8%) despite the disposal of a £220m mortgage portfolio during the period, as mentioned above;

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[1] Underlying Group PBT excludes items within the statutory profit figure that are not generated from the Group's core strategic operations to give greater transparency of the performance of the Group's ongoing trading activities. The underlying Group PBT excludes Financial Services Compensation Scheme charges, gains and losses on disposal of Group undertakings and impairment of Group undertakings. In 2017 it also excludes the loss on sale of the portfolio of non-performing or recently non-performing loans which occurred during the period, as the sale of mortgage assets is not considered to be an ongoing trading activity of the Group. See page 7 of this document for a full reconciliation of statutory Group PBT to underlying Group PBT.

- Savings balances grew by £0.5bn to £14.6bn, a growth rate of 3.7% since the end of 2016 (six months ended 30 June 2016: by £1.1bn, a growth rate of 8.7%);
- The Group net interest margin reduced to 1.11% (six months ended 30 June 2016: 1.18%; year ended 31 December 2016: 1.18% (restated)), a reflection of a more competitive mortgage market and the ongoing low Bank Base Rate environment;
- Group administrative expenses totalled £253.9m (six months ended 30 June 2016: £243.0m), of which £169.1m relates to the Connells estate agency group (six months ended 30 June 2016: £162.7m);
- Loan loss provisions continued to reduce, resulting in a net credit of £4.2m (six months ended 30 June 2016: £1.3m);
- Group total assets increased by 5.8% since the year end to £20.1bn (31 December 2016: £19.0bn);
- The Society's Common Equity Tier 1 (CET 1) ratio[2] at 30 June 2017 was strong at 28.9% (31 December 2016: 23.9%). At 30 June 2016 the Society reported its capital ratios under the standardised basis, and its CET 1 ratio at that date was 17.0%;
- The leverage ratio[2], calculated on an IRB basis, stood at 5.9% (31 December 2016: 5.9%), comfortably ahead of the regulator's expected minimum;
- During the period, the Society repaid and cancelled £50.0m of its Permanent Interest Bearing Shares (PIBS) and £65.4m of its subordinated debt on their respective call dates;
- Liquidity as a percentage of shares, deposits and borrowings was 17.4% (31 December 2016: 15.9%); and
- In April 2017, global ratings agency Moody's upgraded the Society's long term rating to Baa1 (stable outlook) from Baa2 (positive outlook) and affirmed its short term rating of P-2. This reflects the continued improvement of the Society's financial position.

David Cutter, Skipton's Group Chief Executive, said:

"Skipton has delivered another strong performance during the first six months of 2017, further strengthening its CET 1 capital ratio to 28.9%, growing savings balances by £0.5bn, mortgage balances by £0.7bn, and underlying profit before tax by 19.4% to £87.4m. Customer numbers increased by 25,907, and for the third year in a row the Society was included in the Sunday Times *Top 100 Companies to Work For.*

The robustness of the business was recognised by the global credit rating agency Moody's, who upgraded the Society for the third time in four years."

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

- The Society was the first, and to date only, financial services provider to launch a Cash Lifetime ISA, helping 17,711 people in the first month of its launch in June to save for their first home or longer term financial needs;
- The Society helped 13,118 homeowners during the six month period to purchase or remortgage their properties, including 2,374 first time buyers – 809 of those through our participation in the Government's Help to Buy equity loan scheme;
- We paid an average savings rate of 1.23%, nearly five times the Bank Base Rate, during the six months ended 30 June 2017 (six months ended 30 June 2016: 1.60%). For the four months ended

[2] The CET 1 and leverage ratios are calculated on the PRA regulated prudential group basis. The prudential group is the full Group excluding Connells, Jade Software Corporation, Northwest Investments NZ Limited and Skipton Trustees Limited. These ratios are reported under CRD IV (which is a set of EU legislative requirements covering prudential rules for banks, building societies and investment firms) on a 'fully loaded' basis. The fully loaded position represents the CRD IV end-point definition applicable from 1 January 2022. The 2017 CET 1 and leverage ratios are based upon the Internal Ratings Based (IRB) approach.

30 April 2017 the Society paid an average of 1.24% which was 0.51% above the industry average for which comparable data is available[3];

- The attractiveness of our mortgage and savings products was endorsed by 69 independent media best-buy table mentions during the period, as well as numerous editorial mentions; and
- The Society achieved a net customer satisfaction score of 92%[4] (six months ended 30 June 2016: 92%; year ended 31 December 2016: 90%).

Mortgages and Savings division

- The division produced a PBT of £41.5m, compared to £45.7m for the six months ended 30 June 2016;
- The division reported an underlying PBT of £58.8m (six months ended 30 June 2016: £49.5m);
- The division's administrative costs increased to £68.8m from £66.1m in the same period in 2016 as the Society continues to invest in various areas of the business to meet customers' expectations and support growth;
- The cost income ratio of the Mortgages and Savings division was 55.3% (six months ended 30 June 2016: 57.6%), whilst the management expense ratio of the division was 0.72% (six months ended 30 June 2016: 0.74%)[5];
- The Society remains primarily funded by retail savings, representing 87.3% of total funding (31 December 2016: 89.6%);
- In June, the Society raised £350m of unsecured wholesale funding for a five year term, broadening the Society's funding base and lengthening its funding maturity;
- The division also accepts deposits through its Guernsey based subsidiary, Skipton International Limited (SIL). Offshore deposits increased by 15.9% to £1.4bn from £1.2bn at 31 December 2016;
- SIL increased PBT by £1.4m (19.7%) to £8.5m from £7.1m for the six months ended 30 June 2016;
- The Group's prudent approach to lending is demonstrated by the number of Group residential mortgages in arrears by three months or more. These represent only 0.37% of mortgage accounts (31 December 2016: 0.73%), the reduction benefitting from the £220m portfolio disposal of non-performing or recently non-performing loans, and compares to an industry average of 0.91%[6];
- The Society's three months or more arrears levels fell from 0.38% at 31 December 2016 to 0.35% at 30 June 2017. The quality of the SIL mortgage book remains excellent with only two cases in arrears by three months or more (31 December 2016: nil);
- The percentage of cases in Amber Homeloans and North Yorkshire Mortgages in arrears by three months or more at 30 June 2017 were 1.43% and 0.08% respectively (31 December 2016: 5.95% and 4.31%), a significant reduction predominantly due to the aforementioned portfolio disposal. Both books are closed to new business and have been in run-off since 2008;
- The average indexed loan-to-value of residential mortgages across the division at 30 June 2017 was 48.5% (31 December 2016: 47.9%); and
- The Society drew down £500m of funding under the Government's Term Funding Scheme (TFS) during the period (six months ended 30 June 2016: £nil; year ended 31 December 2016: £300m) and at the end of the period had drawn a total of £800m (31 December 2016: £300m). In addition the Society had £400m of the Government's Funding for Lending Scheme (FLS) outstanding at 30 June 2017 (31 December 2016: £980m).

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[3] Source: CACI Savings Market Database, latest available comparable market data for the four months ended 30 April 2017.

[4] As measured from an independent survey by a customer experience management services provider of 1,200 Society members. The net customer satisfaction score is calculated by subtracting dissatisfied customers (those scoring satisfaction with the Society as 1-3 on a scale of 1-7) from those who are satisfied (those scoring satisfaction as 5-7 on the same scale).

[5] Administrative expenses as a percentage of mean total assets. Mean total assets is the average of the total assets as at 30 June 2017 and 31 December 2016 as shown within the Statement of Financial Position. Both the cost income and management expense ratios, including the comparative figures, assume that the Group's financial advice activities previously carried out by Skipton Financial Services Limited, which were integrated into the Society on 1 August 2016, have always been part of the Mortgages and Savings division.

[6] Source: Council of Mortgage Lenders, industry arrears data (mortgages in arrears by more than three months) at 31 March 2017.

Robust performance from estate agency in a challenging market

- Connells, our estate agency division, reported PBT of £31.5m, compared to £31.3m for the six months ended 30 June 2016;
- EBITDA[7] for the period was £38.1m compared to £38.7m for the six months ended 30 June 2016;
- The Connells group retains a good spread of revenue generating activities and, despite a fall in the number of house sales of 3% during the period, total income across the division increased by 4.0% compared to the first half of 2016, to £204.8m. Lettings income (up 14.5%), mortgage services revenue (up 11.8%) and surveying income (up 4.5%) all increased during the period; and
- Administrative expenses increased by 3.9% during the period (six months ended 30 June 2016: 19.0% increase).

Other subsidiaries

- Skipton Business Finance recorded a PBT of £1.6m (six months ended 30 June 2016: £1.5m);
- Jade Software Corporation (JSC), the provider of the Society's core database and software development language, recorded a PBT of £0.2m (six months ended 30 June 2016: a loss of £0.5m); and
- On 30 June 2017, the Society increased its shareholding in JSC from 56.4% to 99.9%. In addition, the Group disposed of a small group of companies held by JSC, Jade Logistics Holding Company and its subsidiary undertakings, resulting in a loss on disposal of £4.9m. The disposal of this subsidiary allows JSC to focus on further strengthening its core solutions business.

Giving something back to our communities

- In January this year, the Society selected the Alzheimer's Society and Alzheimer's Scotland as their charity partner for 2017 and 2018. As part of this partnership Skipton colleagues are going through training to become "dementia friends", helping them to better understand those living with dementia; and
- In May, Skipton's award winning Grassroots Giving community funding scheme was launched for the year, having first started in 2013, and will give £500 each to 164 small community groups across the UK voted for by the public.

Delivering through our people

- A key factor in the Society's strong performance seen during the period and the ongoing high satisfaction of our customers is our people. The Society is focused on ensuring its people are highly engaged and motivated to deliver a great experience for our customers both now and in the future;
- In June this year, the Society achieved an employee engagement score of 88%[8] (2016: 90%), well above financial services industry norms; and
- For the third year in a row the Society was included in the Sunday Times *Top 100 Companies to Work For.*

[7] EBITDA is calculated as profit before tax, interest and other finance income, depreciation, amortisation and income from joint ventures. It also excludes a number of other items including profits and losses on disposal of group undertakings, profits on disposal of fixed assets, dividends to non-controlling interests and one-off legal costs.

[8] As measured by Willis Towers Watson, an independent company who provides benchmarking on employee surveys in both the UK and globally.

David Cutter, Skipton's Group Chief Executive, added:

"These are yet another set of strong results for Skipton, and we have seen continued strong growth in our mortgage and savings balances whilst continuing to build our capital base.

The more challenging economic environment coincides with a period of increased political uncertainty, as not only is the Government in the early stages of negotiating the UK's withdrawal from the European Union, but an unexpected General Election resulted in a hung Parliament. These conditions make forecasting difficult and create a need for caution. We remain vigilant regarding potential economic headwinds, but the capital and funding actions taken during the period mean we are well placed to manage the risks that we face and to capitalise upon any opportunities that may arise for the benefit of our members."

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.

Follow us on Twitter: @SkiptonBS_press

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If outside Press Office hours (9am – 5pm, Monday to Friday), please call 07793 699 878.

Editors' notes

1. Skipton is the UK's fourth largest building society, with over 880,000 customers, £20bn of assets and a national presence represented by its network of 95 branches and 3 agencies. 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. In April 2017, global ratings agency Moody's upgraded Skipton's long term local and foreign currency bank deposit ratings to Baa1 with a stable outlook, and affirmed its short term ratings at P-2. Skipton Building Society is also rated by Fitch – rating the Society's long-term Issuer Default Rating (IDR) as A- with a stable outlook and its short-term IDR rated F1.
3. 2017 saw Skipton named for the third year running as one of the UK's Top 100 Companies to Work For. The Sunday Times list is widely acknowledged as the most searching and extensive research into employee engagement carried out in the country.
4. Skipton Building Society was also named best building society by What Mortgage in 2017.
5. 2016 saw the Society awarded a long service award from Investors in People in recognition of twenty years accreditation. Investors in People is recognised worldwide and holding Gold standard puts Skipton in the top 7% of all accredited organisations.

Skipton Building Society
Results for the half year ended 30 June 2017

Condensed Consolidated Income Statement

	Unaudited 6 months to 30.06.17	Unaudited 6 months to 30.06.16	Unaudited 12 months to 31.12.16 Restated*
	£m	£m	£m
Interest receivable and similar income	**194.9**	219.9	430.2
Interest payable and similar charges	**(87.1)**	(112.7)	(214.6)
Net interest receivable	**107.8**	107.2	215.6
Fees and commissions receivable	**230.6**	219.8	452.9
Fees and commissions payable	**(4.3)**	(4.8)	(9.6)
Fair value gains / (losses) on financial instruments	**1.6**	(4.7)	(3.7)
Profit on treasury assets	**2.7**	0.3	1.4
Loss on disposal of mortgage assets	**(15.0)**	-	-
(Loss) / profit on disposal of subsidiary undertakings	**(3.9)**	9.4	15.8
Profit on disposal of joint ventures	**0.9**	-	-
Loss on disposal of associate	**-**	(0.9)	(0.9)
Profit on part disposal of equity share investments	**-**	-	17.0
Dividend income from equity share investments	**0.6**	0.7	0.7
Share of profits from joint ventures	**1.0**	1.1	1.8
Share of losses from associate	**-**	(2.4)	(2.4)
Other income	**2.3**	1.0	2.4
Total income	**324.3**	326.7	691.0
Administrative expenses	**(253.9)**	(243.0)	(499.1)
Operating profit before impairment losses and provisions	**70.4**	83.7	191.9
Impairment credit on loans and advances to customers	**4.2**	1.3	0.3
Impairment losses on associate	**-**	(1.1)	(1.1)
Impairment losses on equity share investments	**(0.1)**	-	(11.3)
Provisions for liabilities	**(7.5)**	(7.1)	(10.9)
Profit before tax	**67.0**	76.8	168.9
Tax expense	**(16.5)**	(17.5)	(39.1)
Profit for the period	**50.5**	59.3	129.8
Profit for the period attributable to:			
Members of Skipton Building Society	**50.5**	59.6	130.1
Non-controlling interests	**-**	(0.3)	(0.3)
	50.5	59.3	129.8

* The comparative figures have been restated due to a change in accounting policy relating to the netting of gains on and costs arising from the sale of treasury assets. The gain or loss on disposal of treasury assets was previously presented separately (in ‘Profit on treasury assets’) to the associated cost of unwinding the hedging instrument in relation to these assets on disposal, which was recognised through ‘Interest receivable and similar income’. The gain or loss on disposal and the cost of unwinding the hedging instrument on disposal are now presented on a net basis in the Income Statement and so the prior period has been restated accordingly, resulting in a £3.2m increase in ‘Interest receivable and similar income’ and a £3.2m reduction in ‘Profit on treasury assets’. The restatement has not resulted in any change to profit before tax. There were no disposals of hedged treasury investments that included a cost of unwinding the associated hedging instrument for the six months ended 30 June 2016 and so no comparatives for this period have been restated.

Skipton Building Society
Results for the half year ended 30 June 2017

Underlying Group PBT for the six months ended 30 June 2017 was £87.4m (six months ended 30 June 2016: £73.2m; year ended 31 December 2016: £151.5m) as follows:

	Unaudited 6 months to 30.06.17 £m	Unaudited 6 months to 30.06.16 £m	Unaudited 12 months to 31.12.16 £m
Total Group profit before tax	**67.0**	76.8	168.9
Add back loss / less profit on disposal of subsidiary undertakings*	**3.9**	(9.4)	(15.8)
Less profit / add back loss on full or part disposal of other Group undertakings	**(0.9)**	0.9	(16.1)
Add back loss on disposal of mortgage assets	**15.0**	-	-
Add back impairment of associate and equity share investments	**0.1**	1.1	12.4
Add back FSCS levy	**2.3**	3.8	2.1
Underlying Group profit before tax	**87.4**	73.2	151.5

* The loss on disposal of subsidiary undertakings in the period includes a £4.9m loss on disposal of Jade Logistics Holding Company, and £1.0m profit in respect of the sale of Homeloan Management Limited (HML) which occurred in 2014. The sale of HML included contingent consideration dependent on HML's performance over a period following the disposal and this will result in amounts being receivable by the Group between 2018 and 2022. The profit recognised in the period relates to the unwinding of the discounted cash flows of the contingent consideration receivable (£0.3m) and the release of a provision held in relation to the disposal which was no longer required (£0.7m).

Skipton Building Society
Results for the half year ended 30 June 2017

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30.06.17 £m	Unaudited 6 months to 30.06.16 £m	Audited 12 months to 31.12.16 £m
Profit for the period	**50.5**	59.3	129.8
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement gains / (losses) on defined benefit obligations	**5.9**	(29.4)	(50.0)
Movement in reserves attributable to non-controlling interests	**-**	0.6	0.9
Income tax on items that will not be reclassified to profit or loss	**(1.3)**	6.7	10.2
	4.6	(22.1)	(38.9)
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments: valuation gains taken to equity	**6.6**	4.5	6.5
Available-for-sale investments: realised gains transferred to Income Statement	**(2.8)**	(0.4)	(6.2)
Cash flow hedges: (losses) / gains taken to equity	**(1.0)**	7.2	8.9
Cash flow hedges: realised gains transferred to Income Statement	**-**	(0.4)	(0.2)
Cash flow hedges: gains reclassified to Income Statement	**(1.7)**	-	-
Exchange differences on translation of foreign operations	**-**	1.2	1.7
Translation loss transferred to Income Statement on deemed disposal of associate	**-**	0.5	0.5
Income tax on items that may be reclassified to profit or loss	**(0.6)**	(2.4)	(2.2)
	0.5	10.2	9.0
Other comprehensive expense for the period, net of tax	**5.1**	(11.9)	(29.9)
Total comprehensive income for the period	**55.6**	47.4	99.9
Total comprehensive income attributable to:			
Members of Skipton Building Society	**55.6**	47.1	99.3
Non-controlling interests	**-**	0.3	0.6
	55.6	47.4	99.9

Skipton Building Society
Results for the half year ended 30 June 2017

Condensed Consolidated Statement of Financial Position

	Unaudited as at 30.06.17 £m	Unaudited as at 30.06.16 £m	Audited as at 31.12.16 £m
Assets			
Cash in hand and balances with the Bank of England	**1,856.6**	1,588.8	1,212.7
Loans and advances to credit institutions	**397.4**	419.5	409.6
Debt securities	**870.0**	1,224.2	1,055.1
Derivative financial instruments	**101.5**	139.9	116.1
Loans and advances to customers	**16,380.6**	15,054.0	15,781.6
Deferred tax asset	**30.3**	26.2	30.4
Investments in joint ventures	**11.8**	11.7	12.5
Equity share investments	**41.2**	56.7	36.4
Property, plant and equipment	**79.6**	73.9	77.8
Investment property	**14.5**	15.5	15.0
Intangible assets	**162.9**	163.4	164.8
Other assets	**115.7**	121.1	107.7
Total assets	**20,062.1**	18,894.9	19,019.7
Liabilities			
Shares	**14,655.3**	14,006.0	14,152.5
Amounts owed to credit institutions	**895.1**	705.3	655.3
Amounts owed to other customers	**1,713.4**	1,371.8	1,493.2
Debt securities in issue	**733.2**	647.1	534.2
Derivative financial instruments	**330.2**	456.5	412.3
Current tax liability	**15.6**	15.8	19.7
Other liabilities	**160.9**	128.5	106.2
Accruals and deferred income	**45.8**	36.5	52.6
Provisions for liabilities	**26.1**	28.8	23.3
Deferred tax liability	**13.8**	12.7	12.2
Retirement benefit obligations	**104.7**	90.7	110.9
Subordinated liabilities	**-**	77.0	77.2
Subscribed capital	**41.6**	93.2	92.6
Total liabilities	**18,735.7**	17,669.9	17,742.2
Members' interests			
General reserve	**1,285.0**	1,183.2	1,236.6
Available-for-sale reserve	**34.4**	35.1	32.0
Cash flow hedging reserve	**1.4**	1.9	3.3
Translation reserve	**5.6**	6.1	6.6
Attributable to members of Skipton Building Society	**1,326.4**	1,226.3	1,278.5
Non-controlling interests	**-**	(1.3)	(1.0)
Total members' interests	**1,326.4**	1,225.0	1,277.5
Total members' interests and liabilities	**20,062.1**	18,894.9	19,019.7

Skipton Building Society
Results for the half year ended 30 June 2017

Condensed Consolidated Statement of Cash Flows

	Unaudited 6 months to 30.06.17	Unaudited 6 months to 30.06.16	Unaudited 12 months to 31.12.16 Restated*
	£m	£m	£m
Cash flows from operating activities			
Profit before tax	**67.0**	76.8	168.9
Adjustments for:			
Impairment credit on loans and advances to customers	**(4.2)**	(1.3)	(0.3)
Loans and advances written off, net of recoveries	**(1.1)**	(1.3)	(4.7)
Depreciation and amortisation	**10.2**	9.9	20.6
Impairment losses on associate	**-**	1.1	1.1
Impairment losses on equity share investments	**0.1**	-	11.3
Dividend income from equity share investments	**(0.6)**	(0.7)	(0.7)
Interest on subscribed capital and subordinated liabilities	**4.5**	5.7	11.4
Profit on sale of property, plant and equipment, investment property and intangible assets	**(1.5)**	-	(0.1)
Profit on treasury assets	**(2.7)**	(0.3)	(1.4)
Loss on disposal of mortgage assets	**15.0**	-	-
Share of (profits) / losses from joint ventures and associates	**(1.0)**	1.3	0.6
(Profit) / loss on disposal of associates and joint ventures	**(0.9)**	0.9	0.9
Profit on part disposal of equity share investments	**-**	-	(17.0)
Loss / (profit) on disposal of subsidiary undertakings	**3.9**	(9.4)	(15.8)
Net (losses) / gains from changes in fair value of cash flow hedges	**(1.0)**	7.2	8.9
Remeasurement gains / (losses) on defined benefit obligations	**5.9**	(29.4)	(50.0)
Other non-cash movements	**(4.2)**	1.8	7.8
	89.4	62.3	141.5
Changes in operating assets and liabilities:			
Movement in prepayments and accrued income	**(0.6)**	(8.3)	(4.2)
Movement in accruals and deferred income	**(32.5)**	(20.2)	7.4
Movement in provisions for liabilities	**3.5**	2.3	(3.4)
Movement in fair value of derivatives	**(67.5)**	114.8	94.4
Movement in fair value adjustments for hedged risk	**63.5**	(85.1)	(79.9)
Fair value movements in debt securities	**9.6**	(17.9)	(9.6)
Movement in loans and advances to customers	**(893.2)**	(543.2)	(1,298.4)
Disposal of mortgage assets	**197.3**	-	-
Movement in shares	**551.5**	1,131.4	1,284.6
Income Statement charge for fair value of management incentive scheme liability	**2.5**	3.3	1.0
Net movement in amounts owed to credit institutions and other customers	**457.1**	(49.9)	25.5
Net movement in debt securities in issue	**202.5**	38.1	(74.5)
Net movement in loans and advances to credit institutions	**21.8**	(67.8)	(94.9)
Net movement in other assets	**(12.5)**	(11.1)	1.4
Net movement in other liabilities	**54.6**	18.5	24.3
Income taxes paid	**(20.8)**	(18.1)	(37.0)
Net cash flows from operating activities	**626.2**	549.1	(21.8)

* The comparative figures have been restated due to a change in accounting policy relating to the netting of gains on and costs arising from the sale of treasury assets.

Condensed Consolidated Statement of Cash Flows - continued

	Unaudited 6 months to 30.06.17	Unaudited 6 months to 30.06.16	Unaudited 12 months to 31.12.16 Restated*
	£m	£m	£m
Net cash flows from operating activities	**626.2**	549.1	(21.8)
Cash flows from investing activities			
Purchase of debt securities	**(403.4)**	(599.5)	(1,130.2)
Proceeds from disposal of debt securities	**581.8**	497.9	1,190.0
Purchase of property, plant and equipment and investment property	**(10.0)**	(11.6)	(22.6)
Purchase of intangible assets	**(3.2)**	(1.8)	(5.7)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**3.4**	0.4	1.3
Dividends received from equity share investments	**0.6**	0.7	0.7
Exercise of share options in management incentive scheme	**(6.5)**	(10.0)	(10.0)
Proceeds from disposal of equity share investments	**-**	-	18.2
Proceeds from disposal of joint ventures	**1.0**	-	-
Dividends received from joint ventures	**1.6**	2.2	2.1
Purchase of subsidiary undertakings, net of cash acquired	**-**	(4.3)	(6.6)
Purchase of non-controlling interest	**(6.6)**	-	-
Cash paid on disposal of subsidiary	**(1.5)**	-	-
Investment in joint ventures and equity share investments	**-**	(0.4)	(0.4)
Investment in associate	**-**	(2.5)	(2.5)
Purchase of other business units, net of cash acquired	**-**	(7.4)	(7.1)
Net cash flows from investing activities	**157.2**	(136.3)	27.2
Cash flows from financing activities			
Redemption of subordinated liabilities	**(10.0)**	-	-
Repurchase of subordinated liabilities	**(65.4)**	-	-
Repurchase of subscribed capital	**(50.0)**	-	-
Interest paid on subordinated liabilities	**(1.2)**	(1.5)	(3.0)
Interest paid on subscribed capital	**(3.3)**	(4.2)	(8.4)
Net cash flows from financing activities	**(129.9)**	(5.7)	(11.4)
Net increase / (decrease) in cash and cash equivalents	**653.5**	407.1	(6.0)
Cash and cash equivalents at 1 January	**1,285.6**	1,291.6	1,291.6
Cash and cash equivalents at end of period	**1,939.1**	1,698.7	1,285.6

* The comparative figures have been restated due to a change in accounting policy relating to the netting of gains on and costs arising from the sale of treasury assets.

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

	Unaudited 6 months to 30.06.17	Unaudited 6 months to 30.06.16	Audited 12 months to 31.12.16
	£m	£m	£m
Cash in hand and balances with the Bank of England	**1,856.6**	1,588.8	1,212.7
Mandatory reserve deposit with the Bank of England	**(25.1)**	(23.7)	(25.4)
	1,831.5	1,565.1	1,187.3
Loans and advances to credit institutions	**107.6**	133.6	98.3
Cash and cash equivalents at end of period	**1,939.1**	1,698.7	1,285.6