PRESS RELEASE **18 March 2022**

SKIPTON'S STRONG PERFORMANCE SHOWS THE POWER OF MUTUALITY – THE UK'S 4TH LARGEST BUILDING SOCIETY DELIVERS EXCELLENT CUSTOMER SERVICE AND HELPS MORE PEOPLE THAN EVER TO SAVE AND HAVE A HOME OF THEIR OWN

Skipton, the UK's fourth largest building society, today announces its financial results for 2021 as it continues to actively support its members, colleagues and the communities it operates in.

The Society, whose membership rose to 1,082,997, has seen Group profit before tax (PBT) increase by 129% to £271.8m (2020: £118.8m), and underlying Group PBT[1] increase from £124.0m to £233.4m. This has been driven by an improving economy and the continued success of Skipton's Group strategy, delivering on mortgage and savings customers' needs, whilst growing its membership, meaning more members experience the excellent service we provide.

Mortgage and housing market

In the year that the Society marked 25 years of owning its estate agency business, Connells completed the acquisition of Countrywide plc, creating the UK's largest estate agency by far. The combined Connells group delivered dividends totalling £60.0m to the Society, improving its financial strength further, and during 2021 has already repaid £124.8m of the £253.0m which was loaned to Connells as part of the acquisition of Countrywide.

The strong housing market, supported by low interest rates and competitive mortgage products, boosted by Stamp Duty Land Tax (SDLT) relief, has driven increased sales across the enlarged Connells group, and led to record mortgage completions by the Society in excess of £5bn, including record lending to first time buyers. This robust performance has seen Skipton achieve a mortgage portfolio of over £23bn and lending that accounts for 2.0% of the growth in the UK residential mortgage market compared to the Society's 1.4%[2] share of UK residential mortgage balances. Other key highlights include:

- We provided 30,282 mortgages in the year, including 7,893 to first time buyers;
- Mortgage arrears continue to be low, at almost a quarter of the industry average (0.83%[3]), with only 0.22% of residential mortgages in arrears by three months or more; and
- Connells PBT increased by £59.5m to £111.3m, with the enlarged business seeing property exchanges 175% higher than 2020 (50%[4] higher on a like-for-like basis) and buyer registrations up 38% on 2020 on a like-for-like basis. However, shortage of stock remains an industry issue.

Savings

The Society grew its savings balances by over £1bn to £19.8bn, while continuing to pay savers well ahead of market average rates. Despite the prevailing low interest rate environment, in 2021 Skipton paid an average savings rate of 0.65% to savers, 0.37% above the market average[5]. In aggregate, this equates to an extra £70m in our customers' pockets compared to market averages. And as one of the UK's largest providers of cash Lifetime ISAs, with over 156,000 customers and total balances of over £1bn, Skipton's LISA customers

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[1] 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

[2] Source: Bank of England statistics, 'Lending secured on dwellings' for the 12 months to 31 December 2021

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

[4] Stated on a like-for-like basis, excluding exchanges recorded by Countrywide

[5] Source: CACI Current Account & Savings Database, Stock, latest available comparable market data for the 12 months ended 31 December 2021

also received over £76m in government bonuses towards their first homes or retirement. Other savings results include:

- The growth in the Society's savings balances accounted for 0.9% of the growth in the UK deposit savings market, compared to Skipton's 1.0% market share of savings balances[6]; and
- Skipton's exclusive member regular saver account, paying 3.5%, was taken up by over 44,000 members.

Our people

Skipton's people remain its greatest asset, with highly engaged colleagues (85% colleague engagement[7]) driving the year's record performance. Skipton has maintained its Investors in People platinum status accreditation, the highest accolade that can be achieved, since 2017. The Society's position as an employer of choice was further strengthened in 2021 too when the Society became the highest ranked financial services provider in the UK's Best Big Companies To Work For list.

Strategy and sustainability

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 and to continue to support members in the ways they expect and need. 2021 highlights include:

- The Society achieved carbon neutrality for its scope 1, scope 2 and for all of its grey fleet, business air and rail journey scope 3 emissions, together with diverting 99% of its waste from landfill;
- The Society donated £575,000 to charities and community groups across the UK; and
- Skipton was awarded the Disability Smart Customer Service Award by Communication Access UK, together with exceeding the 77% accessibility benchmark set by the Business Disability Forum.

David Cutter, Skipton Group Chief Executive, said:

"It's incredibly pleasing to report these record profits. Today's results are testament to the strength of the Skipton Group business model, high colleague engagement, a strong culture, and our ability to move at pace in spotting and seizing opportunities for the benefit of our customers and our purpose-driven organisation. Coupled with this has been growing economic confidence, together with an incredibly hot housing market during late 2020 into 2021.

Today's results present a significant improvement from 12 months ago, when despite reporting good profits, our results were a clear indication of the challenging times the UK faced in the midst of a global pandemic. As a building society, our consistency in always making decisions based on the long-term best interests of the business and our members, not shareholders, has seen us successfully prepare for and navigate those challenges. And it's exciting that we can utilise these profits to invest in activities that align to our ambitions and further strengthen experiences for both customers and our colleagues.

2021 was a remarkable year for Skipton as all of our people continued to support our customers at the moments that matter, regardless of what the ongoing pandemic threw at everyone. And while the UK adjusts to a post-pandemic future, with new social norms and consumer behaviours, our purpose remains the same - helping people have a home, save for their life ahead, and supporting their long-term financial wellbeing."

Outlook

Despite the long-term impact of the pandemic, and subsequent economic recovery, Skipton has started 2022 from a position of great strength. From this standpoint the Society will continue to invest in the business and in its people to ensure it is well placed to respond to the changing market conditions that lie ahead.

Money markets are predicting further increases in Bank Base Rate, but strong competition in the mortgage market is expected to remain, putting pressure on interest margins. And while late 2020 / early 2021 saw

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[6] Source: Bank of England statistics, 'UK deposits from households' for the 12 months to 31 December 2021

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

strong housing market activity, supported by low interest rates and competitive mortgage products, it remains difficult for many first time buyers to get on the housing ladder. The housing market will likely moderate during 2022, and with Skipton's end-to-end view of this market, thanks to the Society owning the UK's largest estate agency network, it plans to do more to help people get the keys to their first home.

The Society understands its customers' concerns over rising costs of living, potential tax increases, together with uncertainty over how best to save for their and their family's future. Skipton is well placed to respond to these challenges, by investing in the services it offers, how it offers them, and in its diverse and talented workforce - where providing the human touch to navigate such complexities matters to so many.

The Society anticipates the current strong competition in the mortgage market to continue for the foreseeable future due to the major lenders holding very high levels of liquidity. At the time of writing, the Society is also alert to the increasing geopolitical uncertainty created by the events in Ukraine. However, Skipton's financial strength, diversified portfolio of businesses, and focus on exceptional customer and colleague experiences puts it in a strong position to navigate the opportunities and challenges that lie ahead.

A full breakdown of Skipton's financial results can be found in the attached appendix.

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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If outside Press Office hours (8.30am – 5pm, Monday to Friday), please call 07793 699 878.

Editors' notes

1. Skipton is the UK's fourth largest building society, with over one million customers, over £29bn 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 providers (LISA), with over 156,000 LISA customers and account balances of over £1bn;

3. Skipton was named Best National Building Society for the eighth year running in the 2021 What Mortgage awards, Best Overall Mortgage Lender in the Personal Finance Awards 2020/21, Mortgage Lender of the Year in the 2020 Credit Strategy Awards and Building Society of the Year, First Time Buyer Mortgage Lender of the Year and Diversity Initiative of the Year in the 2020 MoneyAge Mortgage Awards;

4. In 2021 Skipton was placed 7th in The UK's Best Big Companies To Work For list, and was awarded a 3-star accreditation from Best Companies. Skipton has retained its Investors In People (IIP) platinum accreditation since 2017; being the highest accolade achievable; and

5. 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 the long-term Issuer Default Rating (IDR) as A- with a stable outlook and a short-term IDR rating as F1.

APPENDIX - FURTHER DETAILS ON THE GROUPS 2021 RESULTS

The Society

Absolute Customer Focus

- The Society maintained essential services to support its growing membership throughout the year, be it face-to-face in one of its 88 COVID-secure branch locations, or through video using Skipton Link or by telephone using Skipton Direct or branches;
- Member numbers at 31 December 2021 increased to 1,082,997 (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 transfer of assets and hive-up of the operations of those subsidiaries;
- Skipton has maintained extremely high customer satisfaction throughout 2021, as demonstrated through its net customer satisfaction score of 86%[8] (31 December 2020: 85%);
- We're proud to have won two awards at the 2021 What Mortgage Awards: Best National Building Society and Best Intermediary Lender; as we continually strive to provide a high level of service to our customers and brokers, and it's fantastic to be recognised by consumers for both. We've won the Personal Finance Awards - Best Overall Mortgage Lender and the Your Mortgage Awards - Best Building Society too;
- 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'; whilst 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;
- 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 6.8% mortgage growth (2020: 8.6%) and 30,282 mortgages we've provided to homeowners helping them to purchase or remortgage their properties in the year (2020: 24,557), including 7,893 to first time buyers (2020: 5,424) and 6,899 to buy-to-let borrowers (2020: 5,955);
- The Society continued to offer an attractive range of savings accounts throughout 2021 and introduced new products including a range of access bonds and an exclusive member regular saver account paying 3.5% which was taken up by over 44,000 members;
- The Society paid an average savings rate of 0.65% in the year (2020: 0.96%) which was on average 0.37% above the rest of market average[5] (2020: 0.38% higher);
- Total Lifetime ISA balances held with Skipton as at 31 December 2021 were £1,087.6m (31 December 2020: £1,022.8m), with government bonuses of £76.2m being received by our LISA savers during 2021, providing a significant boost to their homeownership or retirement aspirations;
- The Society's financial advisers have provided pensions and investments advice to over 4,800 customers (2020: 3,300) on how to achieve their financial goals;
- The Society is making strong progress towards reaching its aspiration of being accredited Communication Accessible, being awarded the Disability Smart Customer Service Award by Communication Access UK, recognising everything we've put in place over the past 12 months, including successful completion of specialist Communications Access training by over 1,600 colleagues; and
- The Business Disability Forum externally assessed how accessible the Society is, and the Society passed the benchmark and hit 77% giving us the Bronze award. We work with AccessAble to provide Accessibility Guides for all our branches and in November we started to offer British Sign Language translation in branch with SignVideo, allowing customers a wider choice of channel to communicate.

[8] The net customer satisfaction score is calculated using an in-house survey of c.7,500 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)

Brilliant People

- The Society has followed the Government's social distancing guidelines throughout the pandemic, providing a safe and collaborative working environment. This has included supporting colleagues with working from home provisions for those that are able to, flexible working to allow for suitable hours of work, and ensuring the highest levels of safety in all working practices;
- The Society aims to deliver an outstanding colleague experience as demonstrated by our overall colleague engagement score of 85%[7] when last measured in September 2021 (2020: 90%), despite the upheavals of the pandemic;
- Throughout 2021 the Society has held regular 'Pulse' surveys whereby colleagues have been asked their opinions, in particular about wellbeing and new ways of working. This all helps to make the Society a great place to work;
- The Society received recognition as the UK's 7th best big company to work for in 2021, as part of The UK's Best Big Companies To Work For list. 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; 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 (MHUK).

Powered by digital technology and data

- The Society continued to improve the digital experience for members across mortgages, savings and financial advice in the year. Investment in enhanced digital capability continues to be a particular area of focus with data and analytics having been used to improve the efficiency and effectiveness of our mortgage and risk evaluation process, improving capacity whilst enhancing the customer experience;
- Skipton has achieved a digital customer satisfaction score of 85%[9] which is testament to the work undertaken over the last 18-24 months to continuously develop and enhance the digital customer experience;
- The Society has 54% of its online customers registered for the Skipton app as at 31 December 2021, with over 235,000 registrations since the launch of the app in July 2019. A significant new feature was added to our customer app at the beginning of September allowing customers to open an account in just two minutes – delivering an exceptional customer experience;
- 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; and
- 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 via our video service Skipton Link, which is proving a popular choice when face-to-face, in person appointments has been more difficult.

Communities and the environment

- During the year, Mental Health UK has gone above and beyond to support public wellbeing during the pandemic. Through our three-year partnership we set a target to donate £500,000 to MHUK by the end of 2022 and have already donated £430,000 over the last two years;
- The Skipton Building Society Charitable Foundation donated £236,764 to 111 charities in the year that support children, young people and the elderly. A further £32,530 has been donated to foodbanks across the UK. The Society match funded colleagues' fundraising efforts, donating £15,343 to 33 charities close to their hearts, whilst we also donated 250 laptops and 25 iPads to local schools;
- This year our Community Giving initiative invited brokers and employees of intermediary firms to nominate a housing or homelessness cause they care about, with 40 entrants selected to each receive a £1,000 donation. In addition, 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;

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[9] The digital satisfaction score is the weighted overall satisfaction score (60% app; 30% portal; 10% webchat) calculated using an in-house survey of c.38,000 Society members and shows the percentage of members who are satisfied (those scoring satisfaction as 6-7 on a scale of 1-7)

- To demonstrate our commitment to being a sustainable and responsible business, the Society together with Skipton International have signed up to the UN Principles for Responsible Banking (PRBs) providing the framework for a sustainable banking system, which has clear benefits that align to our vision to build a better society; and
- Since 2018 we've supported the Sustainable Development Goals, aiming to end poverty, fight inequality and stop climate change by 2030 - the Society's ongoing commitment to sustainability will be set out in detail within the Responsible Business Report to be published alongside the 2021 Annual Report & Accounts. 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. Particular initiatives include:
  - We have maintained that 99% of our waste does not go to landfill. We have also continued to reduce single use plastic throughout our operations, with the plan to remove 75% of single use plastics by 2025; since 2019 we've removed 30% of single use plastic, and we aim to reduce a further 10% by the end of 2022; and
  - We have set ourselves the challenge to shift 50% of all customer facing processes to paperless by the end of 2023 - this will be a key enabler towards our wider goals of automating, digitising and optimising our key operational processes.

Financial Strength

- The Group net interest margin was 1.03% (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 rates across the industry gradually reduced throughout the year due to increasing competition. Savings rates in the market reduced slightly during the period as the market remained awash with surplus liquidity arising from UK savings accrued during the pandemic;
- Group gross mortgage lending was £5.4bn (2020: £4.5bn), with mortgage balances growing by 6.8% (2020: 8.6%);
- The Group's net residential UK mortgage lending accounted for 2.0% of the growth in the UK residential mortgage market (2020: 3.9%) compared to our 1.4%[3] share of UK residential mortgage balances;
- The Group's arrears position improved during the year and continues to be well below the industry average. The Group's UK residential mortgages in arrears by three months or more totalled 372 cases representing only 0.22% of mortgage accounts (2020: 456 cases, representing 0.29% of mortgage accounts), which compares to an industry average of 0.83% (2020: 0.91%);
- The Mortgages and Savings division reported an underlying PBT of £165.3m (2020: £67.3m). A credit of £13.0m was recognised in the period for loan impairment provisions (2020: a charge of £25.2m), 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 £170.8m, compared to £64.6m in 2020;
- The Mortgages and Savings division's management expense ratio[10] was 0.61% (2020: 0.60%) and the cost income ratio improved to 53.0% (2020: 63.3%). 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 has improved due to an increase in the division's net interest income, despite delayed 2020 costs being incurred in the year;
- Skipton International Limited (SIL) continues to make a strong contribution to the division's profits, with PBT of £25.5m (2020: £19.9m) and mortgages and savings balances of £1.7bn and £2.1bn respectively (2020: £1.6bn and £1.9bn respectively). The quality of the SIL mortgage book remains good, with only one case in arrears by three months or more (2020: one case);
- Financial advice income levels have improved in 2021 to £32.2m (2020: £25.2m) with funds under management growing to £4.1bn (2020: £3.5bn) 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;

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

- Society savings balances grew by 5.8% to £19.8bn (2020: 7.7%). The growth in the Society's savings balances in the period accounted for 0.9% of the growth in the UK deposit savings market (2020: 0.8%), compared to our market share of savings balances of 1.0%;
- The Liquidity Coverage Ratio was 173% (2020: 194%), well above both the regulatory minimum of 100% and the internal limit set by the Board throughout the period;
- The Society was upgraded two 'notches' by Moody's in July, taking our long-term deposit and senior preferred rating to A2, highlighting our financial strength and the great position we're now in and how well we're set up for the future;
- At 31 December 2021, £2.0bn was outstanding under the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) (31 December 2020: £850m) having refinanced all of the remaining £1.15bn from the original Term Funding Scheme (TFS) in October 2021 (31 December 2020: £1.25bn of original TFS was outstanding); and
- The Society's Common Equity Tier 1 (CET 1) ratio at 31 December 2021 improved to 44.6% (31 December 2020: 38.5% restated[11]) as a result of strong profitability and a reduction in risk weighted assets. The CRR leverage ratio increased to 6.2% (31 December 2020: 5.7%) driven by growth in capital resources. The CET 1 ratio and CRR leverage ratio are both well above the Regulator's minimum.

Exceptionally strong performance from enlarged Estate Agency business

- As previously noted, on 8 March 2021, Connells acquired the entire issued share capital of Countrywide plc for total consideration of £131.8m, and created the UK's largest estate agency measured by both market share and number of branches. At 31 December 2021, Connells trade under 81 brands from 1,179 (2020: 581) estate agency branches. The acquisition has complemented the Connells group's existing services, enhanced its value proposition for customers and benefitted consumers as a whole;
- Connells and the Society continue to 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, whilst providing further diversification to the Group's business model, and delivering enhanced returns over the medium and longer term;
- The UK housing market remained strong during the majority of 2021. Following the re-opening of the market in May 2020 after the first COVID-19 lockdown, the Government announced a partial stamp duty holiday, initially from 15 July 2020 to 31 March 2021, but subsequently extended to 30 June 2021. This, together with pent up demand following Brexit and the pandemic, continuing low interest rates and the "race for space" created excellent market conditions with transaction volumes reaching levels not seen for many years. Whilst various local and national restrictions continued to be imposed periodically throughout the year, the housing market remained open throughout and the Connells group was able to continue trading and take advantage of the buoyant conditions.
- Profit before tax in the enlarged Estate Agency division increased to £111.3m (2020: £51.8m);
- Connells' PBT benefitted from £26.9m[12] of fair value gains on two businesses, TM Group (UK) Limited and Vibrant Energy Matters Limited, where both Connells and Countrywide previously held a non-controlling investment, and where control was obtained when combined on acquisition; together with a further £5.5m of fair value gains on share warrants and other investments. Connells subsequently sold its investment in TM Group (UK) Limited on 8 July 2021 for a cash consideration of £58.0m. The annual results also include amortisation charges totalling £52.4m in relation to Countrywide's intangibles recognised on acquisition[13], which will not be repeated in the medium term;
- Underlying profits of the Connells group were £78.9m (2020: £55.1m). The Group's policy is not to adjust for the aforementioned amortisation charges when calculating underlying profits, however the fair value

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[11] On 8 March 2021 Connells Limited, a subsidiary of the Society, completed the acquisition of Countrywide plc. As disclosed at the time of the acquisition, the cash consideration payable by Connells pursuant to the acquisition had been funded from an intra-group credit facility provided by the Society to Connells Limited. As at 31 December 2020 the credit facility was in place but not drawn down. The 2020 capital figures have been restated to appropriately recognise this facility. As Connells Limited is outside the Society's Prudential Group the intra-group credit facility is risk weighted at 100%, a conversion factor of 50% is also applied as the exposure was undrawn. This reduces the Society's CET1 ratio reported as at 31 December 2020 from 39.7% to 38.5%

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

[13] Intangible assets of Countrywide comprise goodwill arising on acquisition of £81.9m, together with the total fair value of other intangible assets acquired, representing brands, sales pipeline, customer contracts and relationships, and computer software, totalling £160.3m. The latter were subject to amortisation in the year, and are included in the 'Intangible assets' line in the Statement of Financial Position

gain on investment in TM Group (UK) Limited and Vibrant Energy Matters Limited, and other fair value gains on equity share investments and share warrants, are excluded when arriving at underlying profits;

- Exchanges were 175% higher in the year compared to 2020, and 50% higher on a like-for-like basis excluding exchanges by Countrywide, as the Connells group capitalised on market conditions. Confidence in the housing market has been strong as noted, with buyer registrations up 38% (on a like-for like basis excluding Countrywide) on 2020. Supported by low interest rates and competitive mortgage products, buyers took advantage of the market. However, the availability of stock to sell remains a key market challenge;
- The Connells group's other income, namely fees and commissions receivable, increased by £624.4m to £1,000.1m for the year (2020: £375.7m), and the majority of the increase is attributable to Countrywide, where the results include ten months' trading post-acquisition, coupled with the strong housing market in the year; and
- Connells' administrative expenses increased by £591.6m to £915.6m for the year (2020: £324.0m). The vast majority of this increase again is attributable to the acquisition of Countrywide, which doubled the size of the division.

Connells' annual results for 2021 and further details can be found here.

Other subsidiaries

- Skipton Business Finance (SBF), a provider of debt factoring and invoice discounting to small and medium-sized enterprises, recorded a PBT of £5.4m (2020: £3.6m);
- Throughout the pandemic SBF has offered its customers the Government backed Coronavirus Business Interruption Loan Scheme (CBILS), Bounce Back Loan Scheme (BBLS) and Recovery Loan Scheme (RLS) facilities to help support both new and existing clients during these difficult and unprecedented times. Alongside their business as usual facilities, these Government backed schemes have allowed SBF to provide much needed cash flow support to multiple clients across numerous sectors during periods of increased restrictions and economic uncertainty. Whilst exploitation of such schemes has been widely publicised, to date, SBF is not aware of any fraudulent activity in obtaining such loans; 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) broke even in the year (2020: broke even).

Skipton Building Society
Results for the year ended 31 December 2021

Consolidated income statement

	2021	2020
	£m	£m
Interest receivable and similar income:		
Accounted for using the effective interest rate method	**457.3**	441.7
Other	**(2.9)**	(2.1)
Total interest receivable and similar income	**454.4**	439.6
Interest payable and similar charges	**(157.7)**	(201.7)
Net interest receivable	**296.7**	237.9
Fees and commissions receivable	**1,054.5**	420.8
Fees and commissions payable	**(8.4)**	(7.3)
Fair value gains / (losses) on financial instruments mandatorily held at FVTPL:		
Hedging instruments and hedged items	**0.5**	(0.1)
Derivatives associated with the equity release portfolio	**32.8**	(22.4)
Equity release portfolio	**(27.3)**	19.7
Share warrants	**3.2**	0.1
Put options held by minority shareholders	**(1.3)**	(0.3)
Equity share investments	**2.3**	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	**0.5**	0.8
Share of profits from joint ventures	**1.2**	3.4
Other income	**2.6**	1.0
Total income	**1,384.3**	654.3
Administrative expenses	**(1,125.1)**	(506.3)
Operating profit before impairment and provisions	**259.2**	148.0
Impairment credit / (losses) on loans and advances to customers	**12.9**	(25.7)
Impairment losses on liquid assets	**(0.2)**	(0.1)
Impairment of goodwill	**-**	(2.0)
Impairment of joint ventures	**-**	(1.5)
Realised losses on equity release portfolio	**(0.5)**	(0.1)
Provisions for liabilities	**0.4**	0.2
Profit before tax	**271.8**	118.8
Tax expense	**(55.9)**	(21.8)
Profit for the period	**215.9**	97.0
Profit for the period attributable to:		
Members of Skipton Building Society	**215.8**	97.0
Non-controlling interests	**0.1**	-
	215.9	97.0

Underlying Group PBT for 2021 was £233.4m (2020: £124.0m) as shown below:

	2021	2020
	£m	£m
Total Group profit before tax	**271.8**	118.8
Less profit on disposal of subsidiary undertakings	**(0.5)**	(0.8)
(Less) / add back fair value (gains) / losses in relation to the equity release portfolio (note 1)	**(5.5)**	2.7
Add back impairment of goodwill	**-**	2.0
Add back impairment of joint ventures	**-**	1.5
Less fair value gains on share warrants and equity share investments	**(5.5)**	(0.2)
Less fair value gains on step-acquisition of Group undertakings	**(26.9)**	-
Underlying Group profit before tax	**233.4**	124.0

Notes:

1. The £5.5m gain (2020: £2.7m loss) is comprised of fair value losses of £27.3m (2020: £19.7m gains) 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 £32.8m (2020: £22.4m losses) 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 the equity release portfolio' line in the Income Statement.

Skipton Building Society
Results for the year ended 31 December 2021

Consolidated statement of comprehensive income

	2021	2020
	£m	£m
Profit for the financial year	**215.9**	97.0
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurement gains / (losses) on defined benefit obligations	**23.9**	(22.7)
Gains on equity share investments designated at FVOCI	**2.5**	-
Income tax on items that will not be reclassified to profit or loss	**(3.1)**	7.1
	23.3	(15.6)
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedging reserve:		
Gains / (losses) taken to equity	**26.8**	(12.9)
Realised gains transferred to Income Statement	**(0.1)**	(3.2)
Movement in fair value reserve (debt securities):		
Gains taken to equity	**1.6**	4.6
Impairment loss allowance on debt securities held at FVOCI	**0.3**	(0.1)
Realised losses transferred to Income Statement	**0.1**	-
Movement in cost of hedging reserve:		
(Losses) / gains taken to equity	**(0.5)**	0.9
Exchange differences on translation of foreign operations	**(0.4)**	0.4
Income tax on items that may be reclassified to profit or loss	**(8.2)**	2.4
	19.6	(7.9)
Other comprehensive income / (expense) for the year, net of tax	**42.9**	(23.5)
Total comprehensive income for the year	**258.8**	73.5
Total comprehensive income attributable to:		
Members of Skipton Building Society	**258.7**	73.5
Non-controlling interests	**0.1**	-
	258.8	73.5

Skipton Building Society
Results for the year ended 31 December 2021

Consolidated statement of financial position

	2021 £m	2020 £m
Assets		
Cash in hand and balances with the Bank of England	**2,433.6**	3,237.8
Loans and advances to credit institutions	**468.7**	724.7
Debt securities	**2,193.2**	1,505.0
Derivative financial instruments	**227.9**	64.1
Loans and advances to customers held at amortised cost	**23,024.8**	21,865.0
Loans and advances to customers held at FVTPL	**1.2**	1.3
Equity release portfolio held at FVTPL	**406.6**	433.8
Current tax asset	**1.0**	-
Deferred tax asset	**33.1**	46.4
Investments in joint ventures	**9.5**	13.3
Equity share investments mandatorily held at FVTPL	**1.7**	1.7
Equity share investments designated at FVOCI	**8.5**	-
Property, plant and equipment	**73.2**	72.5
Right-of-use assets	**95.8**	60.9
Investment property	**6.6**	8.1
Intangible assets	**345.6**	157.7
Retirement benefit surplus	**1.2**	-
Other assets	**135.8**	71.1
Total assets	**29,468.0**	28,263.4
Liabilities		
Shares	**19,759.8**	18,709.4
Amounts owed to credit institutions	**2,203.4**	2,149.2
Amounts owed to other customers	**2,249.2**	2,130.3
Debt securities in issue	**2,218.1**	2,452.5
Derivative financial instruments	**292.1**	445.9
Current tax liability	**-**	4.0
Lease liabilities	**114.4**	62.5
Other liabilities	**114.2**	50.9
Accruals	**102.3**	42.9
Deferred income	**5.6**	2.3
Provisions for liabilities	**36.4**	18.9
Deferred tax liability	**0.1**	1.2
Retirement benefit obligations	**30.1**	96.4
Subordinated liabilities	**336.3**	349.7
Subscribed capital	**41.6**	41.6
Total liabilities	**27,503.6**	26,557.7
Members' interests		
General reserve	**1,951.5**	1,715.3
Fair value reserve	**7.5**	4.1
Cash flow hedging reserve	**4.0**	(15.1)
Cost of hedging reserve	**(3.5)**	(3.5)
Translation reserve	**4.5**	4.9
Attributable to members of Skipton Building Society	**1,964.0**	1,705.7
Non-controlling interests	**0.4**	-
Total members’ interests	**1,964.4**	1,705,7
Total members' interests and liabilities	**29,468.0**	28,263.4

Skipton Building Society
Results for the year ended 31 December 2021

Consolidated statement of cash flows

	2021	2020
	£m	£m
Cash flows from operating activities		
Profit before tax	**271.8**	118.8
Adjustments for:		
Impairment (credit) / charge on loans and advances to customers	**(12.9)**	25.7
Loans and advances written off, net of recoveries	**(0.9)**	(0.7)
Impairment losses on liquid assets	**0.2**	0.1
Impairment (credit) / losses on trade receivables	**(0.2)**	0.9
Impairment of goodwill	**-**	2.0
Impairment of joint ventures	**-**	1.5
Depreciation and amortisation	**107.1**	38.1
Impairment of property, plant and equipment, right-of-use assets and investment property	**1.3**	2.6
Income Statement charge for fair value of subsidiary management incentive scheme liability	**15.5**	1.2
Fair value gains on equity share investments at FVTPL	**(2.3)**	(0.1)
Interest on subordinated liabilities and subscribed capital	**11.8**	6.3
Interest on lease liabilities	**1.8**	1.3
(Profit) / loss on disposal of property, plant and equipment, investment property and intangible assets	**(0.4)**	0.5
Profit on disposal of treasury assets	**(0.1)**	(0.6)
Share of profits from joint ventures	**(1.2)**	(3.4)
Profit on disposal of subsidiary undertakings	**(0.5)**	(0.8)
Fair value losses / (gains) on equity release portfolio	**27.3**	(19.7)
Fair value gains on step acquisition of Group undertakings	**(26.9)**	-
Fair value gains on share warrants	**(3.2)**	(0.1)
Realised losses on equity release portfolio	**0.5**	0.1
Other non-cash movements	**31.3**	(20.0)
	420.0	153.7
Changes in operating assets and liabilities:		
Net movement in prepayments and accrued income	**(16.2)**	5.8
Net movement in accruals and deferred income	**6.0**	(35.1)
Net movement in provisions for liabilities	**(1.8)**	(4.8)
Net movement in fair value of derivatives	**(317.6)**	59.2
Net movement in fair value adjustments for hedged risk	**217.5**	(93.6)
Fair value movements in debt securities	**33.1**	(14.7)
Net movement in loans and advances to customers	**(1,474.3)**	(1,725.7)
Net movement in shares	**1,105.5**	1,376.3
Net movement in amounts owed to credit institutions and other customers	**173.8**	785.7
Repayment of amounts owed to credit institutions acquired on purchase of subsidiary undertaking	**(93.0)**	-
Net movement in debt securities in issue	**(167.8)**	97.7
Net movement in loans and advances to credit institutions	**236.1**	(152.5)
Net movement in other assets	**20.3**	1.3
Net movement in other liabilities	**(71.6)**	(15.6)
Income taxes paid	**(57.0)**	(31.7)
Net cash flows from operating activities	**13.0**	460.0

Skipton Building Society
Results for the year ended 31 December 2021

Consolidated statement of cash flows (continued)

	2021	2020
	£m	£m
Net cash flows from operating activities	**13.0**	460.0
Cash flows from investing activities		
Purchase of debt securities	**(1,795.4)**	(2,414.6)
Proceeds from maturities and disposals of debt securities	**1,074.1**	3,108.2
Purchase of property, plant and equipment and investment property	**(10.8)**	(11.6)
Purchase of intangible assets	**(6.8)**	(3.9)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**2.3**	0.9
Proceeds from disposal of equity share investments	**0.4**	-
Dividends received from joint ventures	**2.1**	1.1
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)**	-
Investment in equity share investments	**(6.5)**	(0.1)
Purchase of other business units	**(0.2)**	(1.3)
Proceeds from disposal of assets held for sale	**58.0**	-
Proceeds from disposal of associates	**7.8**	-
Net cash flows from investing activities	**(790.4)**	685.1
Cash flows from financing activities		
Exercise of share options in subsidiary management incentive scheme	**(0.8)**	(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	**(11.8)**	(4.6)
Interest paid on lease liabilities	**(1.8)**	(1.3)
Payment of lease liabilities	**(42.5)**	(16.3)
Net cash flows from financing activities	**(57.5)**	325.8
Net (decrease) / increase in cash and cash equivalents	**(834.9)**	1,470.9
Cash and cash equivalents at 1 January	**3,315.8**	1,845.1
Decrease / (increase) in impairment loss allowance on cash and cash equivalents	**0.1**	(0.2)
Cash and cash equivalents at 31 December	**2,481.0**	3,315.8

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

	2021	2020
	£m	£m
Cash in hand and balances with the Bank of England	**2,433.6**	3,237.8
Mandatory reserve deposit with the Bank of England	**(87.8)**	(71.9)
	2,345.8	3,165.9
Loans and advances to credit institutions	**135.2**	149.9
Cash and cash equivalents at 31 December	**2,481.0**	3,315.8

Key ratios

	2021	2020
	%	%
Group net interest margin	**1.03**	0.89
Mortgages and Savings division management expenses / mean total assets	**0.61**	0.60
Mortgages and Savings division cost income ratio	**53.0**	63.3
Group profit after tax / mean total assets	**0.75**	0.36
Total asset growth	**4.3**	10.9
Group loans and advances growth	**6.8**	8.6
Group share account growth	**5.8**	7.7
Liquidity Coverage Ratio	**173**	194
Funding ratio	**80.2**	79.0
Gross capital ratio	**8.86**	8.24
Free capital ratio	**6.89**	7.07
Group Common Equity Tier 1 (CET 1) capital ratio	**44.6**	38.5
Total capital ratio	**45.6**	39.5
CRR leverage ratio	**6.2**	5.7

Definitions

Management expenses represent administrative expenses.

Mean total assets are the average of the 2021 and 2020 total assets as shown within the Statement of Financial Position.

The Liquidity Coverage Ratio measures the proportion of highly liquid assets held by financial institutions in order to ensure their ongoing ability to meet short term obligations. The regulatory limit is 100%.

The funding ratio measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals. In line with the treatment of subordinated liabilities, whereby the notes were issued specifically to be MREL (minimum requirement for own funds and eligible liabilities) compliant, this instrument is not classed as wholesale funding but is a form of capital and as such is excluded from the wholesale funding ratio. We have also taken advantage of the relief set out in SI 2007/No 860, effective from April 2007, to exclude retail offshore deposits from the total of wholesale funds.

The gross capital ratio measures gross capital as a percentage of shares, deposits and borrowings. Gross capital represents the general reserve together with the fair value reserve, cash flow hedging reserve, cost of hedging reserve, translation reserve, subordinated liabilities and subscribed capital, as shown within the Statement of Financial Position.

The free capital ratio measures free capital as a percentage of shares, deposits and borrowings. Free capital represents gross capital less property, plant and equipment, right-of-use assets, investment property and intangible assets as shown within the Statement of Financial Position.

The Group CET 1 capital ratio measures CET 1 capital as a percentage of risk weighted assets at a prudential consolidation group level (the key level at which the Society is regulated). CET 1 capital consists primarily of internally generated capital from retained profits less intangible assets and goodwill.

The total capital ratio measures total regulatory capital resources as a percentage of risk weighted assets. Total regulatory capital resources comprises CET 1 capital plus other securities in issue which qualify as additional Tier 1 and Tier 2 capital.

The CRR leverage ratio measures total Tier 1 capital as a percentage of total exposure i.e. total assets per the prudential consolidated position (subject to some regulatory adjustments). This ratio is calculated on an end-point basis with IFRS 9 transitional arrangements applied.