SKIPTON BUILDING SOCIETY
Since 1853

Half-Yearly Financial Report 2023

Contents

Forward-looking statements

This half-yearly financial report may contain forward-looking statements based on current expectations of, and assumptions and forecasts made by, Group management. Various known and unknown risks, uncertainties and other factors including, but not limited to: changes in general economic and business conditions in the UK and internationally; political and economic uncertainties created by the events in Ukraine; and natural disasters or other widespread emergencies and similar contingencies outside the Group’s control, could lead to substantial differences between the actual future results, financial situation, development or performance of the Group and the estimates and historical results given herein. Undue reliance should not be placed on forward-looking statements which apply only as of the date of this document.

The Group accepts no obligation to publicly revise or update these forward-looking statements or adjust them for future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Group Chief Executive's Review of the Half Year

Our founding purpose is to help more people have a home, help people save for life ahead and support long-term financial wellbeing. We have a compelling strategy with three clear priorities to make a difference, centred on leveraging Skipton Group's unique business mix for the long-term best interest of our members.

- Priority number one is **Helping More People Have a Home** - where we will continue to develop new capability to support more people into homeownership and improve the customer journey for buying and selling homes, whilst continuing to grow our lettings business.
- Priority number two is **Making Money Work Harder** - where we will invest more to continue to ensure our members receive above-market interest rates for their savings and have access to free financial advice to help them plan their financial futures.
- Our third priority is **Making Membership Matter** - where our members will see and feel the value of Skipton membership.

In May we took a stand, by launching a new option for aspiring first-time buyers that no lender has before - our Track Record mortgage helps those trapped in expensive rents to get access to a mortgage. I feel very strongly that we can and should do more to support our potential and current members with this massive housing challenge; it links clearly to our founding purpose and why building societies exist. I could not be prouder of the impact it is having, with our support to first-time buyers increasing by 43% year on year.

In June we launched a new highly competitive member benefit product in the form of a regular saver that pays an interest rate of 7.5%, allowing members to make the most of their hard-earned savings. Earlier this year we offered all our members a free Home Energy Efficiency Assessment Report (EPC Plus), to help them on their journey to greening their homes and making them more energy efficient.

Group performance highlights

Celebrating our 170th anniversary, the Skipton Group, which includes the UK's largest estate agency, performed strongly in the first half of 2023 with Group profit before tax (PBT) of £148.9m (30 June 2022: £160.0m).

Whilst the rising interest rate environment created opportunities in the period for the Society to generate higher net income enabled by our competitive customer proposition, and optimise our funding mix, it has dampened consumer confidence in the housing market impacting the results of the Connells group.

Our Group financial performance is underpinned by our strong asset quality, capitalisation, liquidity and funding profiles and these firm, sustainable foundations have enabled us to deliver: growth in membership of 3.1% to 1.17m; Society savings balances growth of 5.2% to £23.6bn; an increase of 27% in mortgage advances; helped 43% more first-time buyers; and overall Group mortgage balances growth of 6.8% to £27.2bn. Despite the mortgage growth seen, Group UK residential mortgages in arrears by three months or more represent only 0.18% of mortgage accounts at the end of June 2023. Liquidity levels remain well above regulatory limits with a liquidity coverage ratio (LCR) of 186% at June 2023; and we have maintained our strong capital position with Common Equity Tier 1 (CET 1) and leverage ratios of 26.3% and 6.9% respectively.

Individual Business Performance

Skipton Building Society's pre-tax profit increased by £25.9m to £127.8m. Performance is split between our Home Financing business, which is designed to provide finance in order to access the housing market and 'Help More People Have a Home'; and our Money business which helps our members' 'Money Work Harder' and combines our savings and financial advice offerings with our online, branch and contact centre capabilities.

The economic headwinds of high inflation and rising bank base rate has impacted the results of the Connells group which incurred a loss before tax of £(5.8)m, as consumer confidence in the housing market fell amidst rising borrowing costs; with the number of properties that Connells group exchanged contracts on being down 23% on the same period last year, albeit we have seen some recovery from Q1 to Q2. Earnings before interest, tax, depreciation and amortisation (EBITDA), as defined on page 9, was £16.4m.

Our Channel Islands business, Skipton International (SIL), has a UK mortgage proposition specifically for UK buy-to-let investors resident overseas, whilst they also offer some of the best offshore interest rates and are committed to providing personal service - a winning combination which helps SIL continue to make a strong contribution to the Group, with PBT of £24.5m in the period.

Further details of our performance in the first six months of 2023 can be found in the Business Review on pages 9 to 13.

Delivering on our strategy in 2023

We are making good progress in both growth and transformation initiatives across our three strategic priorities - Helping More People Have a Home; Making Money Work Harder; and Making Membership Matter. Key highlights in the period include:

Helping More People Have a Home

We have an ambition to make a positive impact through Buying & Selling Homes with our Estate Agencies and by financing homes through our Home Financing business, in order to tackle the UK's housing crisis by enabling more first-time buyers to realise their homeownership aspirations without access to 'the bank of Mum and Dad'. The launch of our life-changing Track Record mortgage enables people trapped in rental cycles to access the property ladder for the first time, via the only deposit-free 100% mortgage. Not only does this help people realise their homeownership aspirations, they are saving money too compared to more expensive rental payments. The value of this product has been clearly demonstrated, with applications totalling over £28m since its launch in May, whilst we have helped 43% more first-time buyers in the first half of 2023 compared to the same period last year.

Making Money Work Harder

In the first five months of the year (being the latest available data) we paid 0.61% above the market average to savers – this equates to an extra £57.5m in our members' pockets. We are committed to paying a fair savings rate which is why we launched our new highly competitive member benefit regular saver paying an interest rate of 7.5%. We are also able to provide free financial advice to our members, helping them decide on their saving and investment options, and ultimately to make their money work harder. With access to a financial adviser in every one of our branches, this is a service that sets us apart from competitors; with financial advice customers up 3.2% in the period.

Making Membership Matter

In January, Skipton extended the offer of a free EPC Plus to all Society savings and mortgage members, furthering our ambition to play a leading role in helping green the UK's housing stock.

We have continued to deliver on our core values to support a better society today, for a better future tomorrow; making Environmental, Social and Governance (ESG), including climate resilience, central to our decision making; and in 2023 we have strengthened the wider Group's engagement with our minimum standards.

See pages 5 to 7 of the Business Review for further details of our strategic priorities.

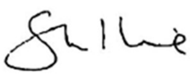
Enablers to deliver our strategy

- ***Investments and outcomes in digital and data:*** We are embarking on our Transformation Programme in order to further upgrade our digital capability to complement our human touch and member centric service.
- ***Colleague propositions:*** We have increased the number of customer-facing colleagues against the backdrop of more members wanting to talk to us. We have also ensured they have the skills to support members who are struggling in these difficult times.
- ***Aligning structure with our purpose:*** Our Group structure and the leadership team has been strengthened in the first half of 2023 to help turn our three priorities, and all our Group potential, into a reality. It is our Group platform that allows us to support members and customers in every stage of the home-owning process - saving, buying, protecting, greening, selling and investing.
- ***Duty to our members and customers:*** As a business owned by our members, we have a responsibility to ensure that the services we provide are fair, open and transparent. We have invested in this to ensure compliance in both the spirit and definition of the new Consumer Duty Regulations.

Conclusion and outlook

The Skipton Group touches each aspect of the property journey like no other organisation; from first-to-market savings products like the cash Lifetime Individual Savings Account (Lifetime ISA); to innovative mortgage products; combined with the UK's largest estate agency supporting members, sellers and buyers alike. We are making good progress to leverage the Group's structure, unique mix of businesses and, of course, our proud mutual status to be there during the moments that matter to our members. Our Society's performance in the first half of 2023 casts no doubt on just how valued it is - with growth in member numbers, mortgage and savings balances. Again, I want to thank my colleagues for all their hard work.

I joined Skipton Group with a passion to collaborate with like-minded colleagues who want to help as many people as possible in achieving their financial and home security dreams. Looking ahead, we are uniquely placed to help even more people have a home, save for their life ahead and deal with these testing financial times.



Stuart Haire

Group Chief Executive

1 August 2023

Business Review

Background and context

In 2023, amidst stubborn inflation buoyed by ever higher food prices, and a cost of living crisis, we continue to see pressure on household finances and the impact this is having on all our members. In the period to 30 June 2023, we have seen four further increases to the Bank of England's bank base rate, most recently an unprecedented thirteenth consecutive rise to 5.0% in June - the highest level seen in 15 years.

With the cost of living crisis and economic uncertainty, homeownership is becoming increasingly challenging - particularly for first-time buyers. Whilst for savers, fair returns are expected on their investments amidst the higher interest rate environment. It is against this backdrop that we are acutely focused on our duty to deliver for our members whilst continuing to prudently run the Skipton Group. Central to the Skipton Group's longevity and success has been our unwavering focus on making decisions that are in the long-term best interests of our members and customers.

Business model and Group structure

The Skipton Group is headed by the UK's fourth largest building society, and includes the UK's largest estate agency, with consolidated total assets of £35.6bn, 1,172,333 members and 10% share of the estate agency market (based on available properties); helping one in ten individuals buy and sell homes in the UK.

In our 170th year, we remain true to our founding purpose in 1853, to help more people have a home, help people save for life ahead and support long-term financial wellbeing - it's what we do and why we're here.

The Skipton Group primarily comprises our Home Financing and Money businesses within the Society, mortgage lending and deposit taking by Skipton International and Buying & Selling Homes through our estate agency business, and is how we collectively achieve our purpose.

Our Home Financing business provides loans to borrowers to purchase and own their own home, whilst also supporting the private rental sector through the provision of buy-to-let mortgages to landlords. This is further strengthened through our mortgage lending by Skipton International in the Channel Islands.

Our Money business brings together the secure place for our members' savings with the provision of high-quality free financial advice, offering guidance to our customers to support their long-term financial wellbeing; this sets us apart from many of our peers.

Our Estate Agency business is focused on delivering for customers and clients throughout the process of buying, selling and renting homes. Through its network of brands and branches nationwide, Connells group combines residential sales expertise with a range of consumer and corporate services including new homes, mortgage services and conveyancing. The Connells group also supports customers to have a home through its lettings business, and is also one of the largest providers of residential survey and valuation services in the UK.

To supplement our core activities, we also source some of our funding from the wholesale markets, which diversifies our funding base and supports our financial stability; and we use the additional capital generated by the Group to think innovatively about how we can make the biggest difference to support our members and customers now, and in the future - by doing so we will build a stronger, purposeful, and impactful Group.

Objectives and Key Performance Indicators

The Group's long-term strategic objectives are focused on three key priorities: Helping More People Have a Home, Making Money Work Harder, and Making Membership Matter; these are set out below.

The Board and senior management use the Key Performance Indicators (KPIs) listed on pages 8 and 9 to monitor business performance against the Group's strategic objectives. These are reported to the Board on an ongoing basis and are key to the Board's oversight of the business and to its decision making process.

Helping More People Have a Home – we will continue to develop new capability to support more people into homeownership and improve the customer journey for buying and selling homes, whilst continuing to grow our lettings business.

Members, and brokers on behalf of members, want us to provide finance to help them buy homes. We will invest to create innovative products to help those trying to get onto the housing ladder, specifically focusing on first-time buyers.

We want to make societal change by facing into the UK's housing crisis and enable more first-time buyers without access to 'the bank of Mum and Dad' to realise their homeownership aspirations. In May we launched a unique life-changing Track Record mortgage that enables people trapped in rental cycles to access the property ladder for the first time, via the only deposit-free 100% mortgage. The value of this product has been clearly demonstrated, with applications totalling £28.2m already received since its launch.

We support one in ten individuals to buy and sell homes in the UK through our estate agency network; whilst in the first half of 2023, the Society Home Financing business has supported 43% more first-time buyers, providing specific financing for 8,951 first-time buyers in the period (including a record 1,038 completions in June). This contributes towards our aim of helping 80,000 first-time buyers access 50,000 homes by 2027.

Skipton International Limited, SIL (based in Guernsey) has a UK mortgage proposition specifically for UK buy-to-let investors resident overseas. The offering is simple and hassle-free - no product fees when your existing rate matures; approved in principle within 10 minutes online, by phone or video (Zoom or Teams); and a personal point of contact throughout the whole process.

This has all helped grow mortgage advances by 27% and our Group mortgage portfolio by 6.8% at 30 June 2023 (30 June 2022: 3.1%; 31 December 2022: 9.6%), whilst maintaining our prudent credit risk appetite. Despite the UK mortgage market being stagnant in the first six months of the year, Skipton Group has increased its market share of balances to 1.60% (30 June 2022: 1.42%; 31 December 2022: 1.49%) (Source: Bank of England statistics, 'Lending secured on dwellings' for the five months to May 2023).

The Group's UK residential mortgages in arrears by three months or more remained low at 30 June 2023, representing only 0.18% of mortgage accounts (30 June 2022: 0.19%; 31 December 2022: 0.16%), which compares very favourably to the industry average of 0.72% (Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) at 31 March 2023 - being the latest available data). This is testament to our strong up-front lending controls and proactive credit management, whereby we closely monitor and manage mortgages that have fallen into arrears, working with borrowers to find solutions that are appropriate for their individual circumstances. Furthermore, we have signed up to the Mortgage Charter, which outlines the standards lenders have agreed to uphold for customers affected by the increase in mortgage rates and the elevated cost of living.

During the period, the Society has shielded our variable rate mortgage customers from base rate rises, with only 0.5% of the 1.5% rise in the period passed on to our Mortgage Variable Rate (MVR) and Standard Variable Rate (SVR) borrowers. Consequently, we have one of the lowest mortgage revert rates in the market at 6.79% (as at 1 August 2023).

At the same time, the Home Financing business has enhanced its focus on how we monitor our success to ensure we are always providing outstanding experience to our members and customers. This is reflected in the Home Financing business' strong net customer satisfaction score of 94% (six months to 30 June 2022: 93%; year ended 31 December 2022: 93%) (being the percentage of members and customers surveyed that scored satisfaction as 5, 6 or 7 minus those scoring 1, 2 or 3 on a scale of 1-7). Our service remained strong despite large application volumes, with average time to offer of 8.6 days.

The Connells' group mortgage services proposition continues to perform well and the number of mortgages arranged by the group decreased by only 3.6%, despite the prevailing market conditions. Total lending generated for UK mortgage providers during the period was £14.8bn (six months ended 30 June 2022: £16.2bn).

The Connells group lettings business manages properties on behalf of landlords, with the number of properties under management at 30 June 2023 increasing to 125,025 (30 June 2022: 122,355; 31 December 2022: 122,614).

Making Money Work Harder – we will continue to invest more to ensure our members receive above-market interest rates for their savings and have access to free financial advice to help them plan their financial futures.

Helping people save is a founding purpose of our Society and the centre piece of our mutual status, and the Skipton Group has the ability to offer savings and financial advice. Our aim is to help customers make sure their money is in the best place to meet their long-term financial wellbeing, identifying opportunities to make their money work 'harder'.

As part of our commitment to paying a competitive savings rate we have passed on an average of 1.13% of the 1.5% change in base rate increases seen in the period to our savers, meaning our minimum variable savings rate has increased from 1.75% to 3.0% at the reporting date. Furthering our commitment, in June we launched a new highly competitive member benefit product in the form of a regular saver that pays an interest rate of 7.5%, enabling members to make the most of their hard-earned money.

On average, we paid 0.61% higher interest (2022 full year: 0.52% higher interest) than the rest of market average for banks and building societies in the five months to 31 May 2023, being the latest period for which comparable data is available (Source: CACI Current Account & Savings Database, Stock) - this equates to an extra £57.5m in our members' pockets.

The Money business' competitive savings rates resulted in balances growing in the period by 5.2% to £23.6bn (30 June 2022: 6.0% to £21.0bn; 31 December 2022: 13.6% to £22.5bn), compared to the UK savings market where net savings grew by only 1.7% (Source: Bank of England Statistics, May 2023).

We have achieved this growth without compromising on service - our Money business achieved a net customer satisfaction rating of 86% in the first half of the year (six months to 30 June 2022: 88%; year ended 31 December 2022: 88%) (being the percentage of members and customers surveyed that scored satisfaction as 5, 6 or 7 minus those scoring 1, 2 or 3 on a scale of 1-7).

SIL is an integral part of our Group and offers some of the best offshore interest rates whilst being committed to providing personal service - a winning combination when depositing money in an offshore savings account. SIL offers Sterling and US Dollar savings in fixed rate bonds, notice and easy access accounts.

Being the UK's first and one of the biggest providers of the cash Lifetime ISA (LISA), the Society now holds balances of £1.2bn (30 June 2022: £1.2bn; 31 December 2022: £1.1bn) for LISA customers saving hard for their first home or for later life; these customers benefitted from Government bonuses in the period of £38.3m (six months ended 30 June 2022: £45.8m; year ended 31 December 2022: £59.3m).

We have transitioned our financial advice offering to be able to provide free financial advice to our members that choose to take it, helping with their savings and investment goals, to make their money work harder. In the first half of 2023, we supported 5,649 customers with financial advice (six months ended 30 June 2022: 4,027; year ended 31 December 2022: 7,835).

Making Membership Matter – our members will see and feel the value of Skipton membership.

We want to make membership matter by delivering value to our members and customers through great products that serve real needs alongside top quality customer service.

Key to our strategy is to grow the Society's membership in a sustainable manner, bringing the benefits of membership to an increasing number of people going forward. In the six months to 30 June 2023, Society membership numbers grew by 34,773, taking our total membership base to 1,172,333 (30 June 2022: 1,103,652; 31 December 2022: 1,137,560).

The branch network continues to play a key role in the Group's future plans. The Society currently has 87 branches, with the wider Group totalling over 1,200 branches including those of Connells. In September, five of the Society's branches will close following a review of member usage, nearby alternatives and associated costs to maintain presence at these locations; we concluded this did not represent good value to members in these areas. However, we will continue to invest in our network to ensure our branches remain relevant now and in the future, as well as helping our members and customers in the different ways they choose to interact with us, such as by telephone and Skipton Link.

In 2022 we launched our EPC Plus proposition, partnering with Vibrant Energy, a Skipton Group company, to offer a free EPC Plus report which includes advice on how to improve the energy efficiency and carbon footprint of homes. This offer of a free EPC Plus was extended to all Society savings and mortgage members in January, as we look to scale and develop this proposition, furthering our ambition to play a leading role in greening the UK's housing stock. Since launch in November 2022, over 7,198 surveys have been conducted providing £492k of benefit to our members, with a further 133 scheduled (as of 30 June).

As part of our continued focus on maintaining very high service standards for our members and customers, over the last few months the Society has been investing more in our colleagues. Increased headcount has allowed us to increase contact volumes, meeting the needs of our customers without compromising on service standards, whilst also providing additional capacity for colleagues to truly 'add value'. Year-to-date the average time taken to answer mortgage-related calls and webchats is 105 seconds, whilst for savings-related calls and webchats it is 140 seconds, despite increased call volumes seen over ISA season. This has enabled us to maintain our Trustpilot rating of 4.4 stars out of 5 as at 30 June 2023.

In the period, the Society was awarded the CCA Global Accreditation for Customer Experience recognising our commitment to driving service excellence; whilst Skipton International has been awarded the Platinum Trusted Service Provider Award by Feefo. Our commitment to our members through our products and services has also been recognised by independent third parties, being awarded Top Rated lender in the Mortgage Finance Gazette & Mortgage Solutions Rated for Service Awards 2023 - we were one of only five lenders voted 'Top Rated' in every category.

We continue to enhance our service capabilities and improve the customer experience. Through our Transformation Programme we are further upgrading the Society's digital capability which sits alongside our human touch and member centric service. Focus this year is on the foundations to support our transformation, including confirmation of payee; a new digital way for authentication; increasing the use of digital customer communications; and new Skipton App capability. During the first half of the year we have also launched the prototype of our Customer Conversation Tool enabling fantastic and informative conversations between colleagues and customers in order to help them better understand their financial needs and goals. Much of this work is undertaken by Jade, our software business in New Zealand. Jade are becoming an increasingly important part of our future thoughts through their investment in AI technology.

Championing a fairer move to a sustainable future, the Skipton Group continues to help deliver a better society today, for a better future tomorrow. We are adapting our services in order to become more accessible and inclusive. Amongst many initiatives, for Society members and customers we have added British Sign Language (BSL) interpretation to the disclosure videos in branch and started to introduce service counters that now have a lowered central section, making them more accessible; whilst in June we joined the Hidden Disabilities scheme.

The Skipton Group is committed to donating 1% of its pre-tax profit to charity each year. For 2023 this means donating over £2.9m to good causes and we're working to ensure members can have their say over who we support. We will deliver these funds through purposeful and aligned charity partnerships, the Skipton Building Society Charitable Foundation (which has now donated over £3m since its launch in 2000) and through colleague and community schemes.

Key Performance Indicator	Strategic Goal	6 months to 30.06.23	6 months to 30.06.22	12 months to 31.12.22
HELPING MORE PEOPLE HAVE A HOME				
Group gross mortgage advances	To help more people have a home through prudent and controlled lending	**£3,387m**	£2,675m	£6,304m
Group net mortgage growth	To help more people have a home through prudent and controlled lending	**£1,720m**	£725m	£2,226m
Number of first-time buyers the Society supported	To help more people on to the housing ladder	**8,951**	6,275	13,803
Home Financing net customer satisfaction score (note 1)	To put our members and customers at the heart of our business	**94%**	93%	93%
Group residential mortgages in arrears by three months or more	To manage and monitor our arrears and credit risk management, to ensure appropriate solutions for our borrowers	**0.18%**	0.19%	0.16%
Letting properties under management by Connells	To help more people access the rental market and have a home	**125,025**	122,355	122,614
MAKING MONEY WORK HARDER				
Rate of interest paid above market average (Society only) (note 2)	To ensure we are paying a fair and competitive savings rate to our members and customers	**+0.61%**	+0.44%	+0.52%
Increase in member savings balances (Society only)	To help more members save for their future	**£1,160m**	£1,195m	£2,690m
Money net customer satisfaction score (note 1)	To put our members and customers at the heart of our business	**86%**	88%	88%
Number of financial advice customers	To help more customers plan their financial futures	**48,237**	47,080	46,715
MAKING MEMBERSHIP MATTER				
Total member numbers (Society only)	To ensure we are attracting and retaining members	**1,172,333**	1,103,652	1,137,560
Growth in membership numbers (Society only)	To ensure we are attracting and retaining members	**34,773**	20,655	54,563
Free EPC Plus reviews carried out to date (note 3)	To help green homes and make them more energy efficient	**7,198**	N/A	1,236
Percentage of online customers registered for the Skipton app	To ensure our customers have access to the best aspects of digital technology	**61%**	57%	58%
Society Financial Ombudsman Service (FOS) complaints - change in outcome rate (note 4)	To ensure we are treating customers fairly	**23%**	28%	26%
Society Trustpilot rating (out of 5 stars)	To put our members and customers at the heart of our business	**4.4**	4.5	4.4
Other financial KPIs				
Total Group profit before tax	To ensure we generate the necessary capital to grow the business	**£148.9m**	£160.0m	£298.8m
Underlying Group profit before tax (as defined on pages 9-10)	To ensure we generate the necessary capital to grow the business regardless of costs or benefits not arising from the Group's ongoing trading operations	**£143.8m**	£148.5m	£297.7m
Group net interest margin (% of mean assets)	To manage the earnings of our business	**1.62%**	1.29%	1.35%
Society cost income ratio (note 5)	To maintain a manageable cost base to ensure our core business remains efficient	**45.1%**	49.9%*	50.5%*
Society cost to mean asset ratio	To maintain a manageable cost base to ensure our core business remains efficient	**0.72%**	0.63%*	0.66%*

Business Review (continued)

Key Performance Indicator (cont.)	Strategic Goal	**6 months to 30.06.23**	6 months to 30.06.22	12 months to 31.12.22
Other financial KPIs (cont.)				
Group retail funding as a % of total funding	To ensure we fund the majority of our mortgages through retail savings, in line with our customer proposition	**78.7%**	79.6%	78.9%
Liquidity Coverage Ratio	To ensure we hold sufficient levels and quality of overall liquidity	**186%**	177%	175%
Group Common Equity Tier 1 (CET 1) ratio (note 6)	To ensure we remain financially strong by having a strong (risk weighted) capital base	**26.3%**	37.5%^	25.8%^
Group Leverage ratio (note 6)	To ensure we remain financially strong by having a strong (non-risk weighted) capital base	**6.9%**	6.8%^	6.8%^

* These comparative figures are restated to show the Society only position (previously the Mortgage and Savings division position) following a revision of the Group's reportable segments with effect from 1 January 2023, as set out in Note 20.

^ These comparative figures are restated following a review of the interpretations and capital calculations in relation to treasury exposures. The impact of the restatement is an increase to CET 1 ratio of 1.0% and increase to leverage ratio of 0.1% at 30 June 2022. There were no reportable changes to the CET 1 and leverage ratios at 31 December 2022.

Notes

1. As measured from an in-house relationship survey of c.4,000 Home Financing and c.4,000 Money members and customers. The customer satisfaction scores are calculated as the percentage of customers who are satisfied (those scoring satisfaction as 5, 6 or 7 minus those scoring 1, 2 or 3 on a scale of 1-7). During the period, we have enhanced our focus on how we monitor our success by considering each customer journey separately. This will help ensure we are always providing outstanding experience to our customers, tailoring this between our Home Financing and Money propositions.
2. Calculated as the average rate of interest we have paid over and above that paid by the rest of market average for banks and building societies in the five months to 31 May 2023, being the latest period for which comparable data is available (Source: CACI Current Account & Savings Database, Stock).
3. The free EPC Plus assessment and bespoke report offer was first announced in November 2022, hence comparative data as at 30 June 2022 is not applicable. Quoted metrics are the cumulative to date number of EPC assessments carried out.
4. As published by FOS in March 2023 in respect of the six month period to 31 December 2022 (being the latest available data - published every six months); comparatives have been updated to reflect the final position for the six months to 30 June 2022 and 12 months to 31 December 2022 - this information was not available at the time of publication for the respective periods. The Society rate of 23% compares favourably to the industry average for that period of 34%.
5. For the purposes of this ratio, costs and income exclude items that are not included in arriving at underlying Group profit before tax, which is defined on pages 9 and 10.
6. These ratios apply International Financial Reporting Standard 9 (IFRS 9) transitional arrangements. The leverage ratio represents the UK regulatory regime implemented on 1 January 2022, which excludes deposits with central banks from the leverage exposure measure; see pages 14 and 15 for further details.

Financial performance

Total Group profit before tax (PBT) for the first half of the year was £148.9m (six months ended 30 June 2022: £160.0m; year ended 31 December 2022: £298.8m).

The Society has had a strong first half year, generating profits of £127.8m (six months ended 30 June 2022: £101.9m; year ended 31 December 2022: £160.9m). This is £25.9m higher than for the first half of 2022, principally due to improved net interest income and margins which have benefitted from further increases in the Bank of England base rate.

In contrast, high inflation and rising interest rates has dampened consumer confidence in the housing market impacting the results of the Connells group. Revenue in the period of £452.9m was 9.9% down on the first six months of 2022 (£502.7m). Consequently, Connells group incurred a loss before tax of £(5.8)m (six months ended 30 June 2022: £28.9m profit; year ended 31 December 2022: £67.5m profit).

The Board monitors and reports profits at both a statutory level, governed by accounting standards and practices, and at an 'underlying' level to give greater transparency of the performance of the Group's ongoing trading activities. As per the Group's policy on alternative performance measures agreed by the Board Audit Committee, we report two alternative performance measures:

Underlying Group PBT which excludes items that are not generated from the Group's core trading activities. The definition of underlying Group PBT remains unchanged from that outlined in the 2022 Annual Report and Accounts, and excludes gains and 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, share warrants and other Group undertakings.

Connells EBITDA which is a common performance measure used in the estate agency industry, and which is calculated by excluding interest charged on debt financing, interest received, taxes paid, depreciation and amortisation, gains/losses on investments, impairment and fair value movements of group undertakings, profits or losses from joint ventures and dividends paid to non-controlling interests.

Business Review (continued)

Underlying Group PBT for the six months ended 30 June 2023 was £143.8m (six months ended 30 June 2022: £148.5m; year ended 31 December 2022: £297.7m) as follows:

	6 months to 30.06.23 £m	6 months to 30.06.22 £m	12 months to 31.12.22 £m
Total Group PBT	**148.9**	160.0	298.8
Less profit on disposal of subsidiary undertakings	**-**	(0.1)	(0.1)
Add back / (less) fair value losses / (gains) in relation to the equity release portfolio^	**3.2**	(11.5)	9.8
Add back impairment of goodwill	**-**	-	0.8
(Less) / add back fair value (gains) / losses on share warrants and equity share investments	**(8.3)**	0.1	(11.6)
Underlying Group PBT	**143.8**	148.5	297.7

^ The £3.2m loss (six months ended 30 June 2022: £11.5m gain; year ended 31 December 2022: £9.8m loss) is comprised of fair value losses on the portfolio of £17.3m (six months ended 30 June 2022: £61.5m losses; year ended 31 December 2022: £132.3m losses) and fair value gains of £14.1m (six months ended 30 June 2022: £73.0m gains; year ended 31 December 2022: £122.5m gains) on the associated derivatives held to economically hedge these fair value movements, as shown in Note 6a).

Performance by segment

The Group's operating results are reviewed regularly by the Board for the following key business lines - these reportable segments, which have been revised with effect from 1 January 2023 (see Note 20 for details) are now assessed and presented at the operating entity level:

- The Society – the UK's fourth largest building society, offering mortgages, savings and restricted financial advice - split between our Home Financing and Money businesses; with a national presence represented by our network of 87 branches. Skipton Building Society is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA;
- Skipton International (SIL) – which carries out mortgage lending in the Channel Islands and the UK and accepts deposits in Guernsey from an international customer base;
- Connells group – the largest corporate high street estate agency and property services provider in the UK, with a 10% market share. Across its 80 brands and network of over 1,200 branches nationwide, Connells group combines residential sales and lettings with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, auctions, surveying and valuations, commercial property services through Lambert Smith Hampton, Energy Performance Certificate (EPC) provision and asset management; and
- Other – interests in a small number of other business lines that are not separately reportable are combined within the 'Other' category, together with the impact of Group consolidation adjustments. These include:
  - Skipton Business Finance (SBF) – our asset-based provider of working capital facilities to small and medium-sized enterprises (SMEs); 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 our core database and software development language.

  This segment also includes Northwest Investments, the intermediate holding company Skipton Group Holdings and the Group's special purpose vehicles, formed to acquire funds from the wholesale markets.

The Group's statutory results by segment were as follows:

	6 months to 30.06.23 £m	6 months to 30.06.22 Restated* £m	12 months to 31.12.22 Restated* £m
Society	**127.8**	102.0	160.9
SIL	**24.5**	18.0	39.9
Connells	**(5.8)**	28.9	67.5
Other^	**2.4**	11.1	30.5
Profit before tax	**148.9**	160.0	298.8

Underlying performance by segment

The Group's underlying performance by segment was as follows:

	6 months to 30.06.23 £m	6 months to 30.06.22 Restated* £m	12 months to 31.12.22 Restated* £m
Society	**131.0**	90.5	170.7
SIL	**24.5**	18.0	39.9
Connells	**(14.1)**	29.0	56.7
Other^	**2.4**	11.0	30.4
Underlying Group PBT	**143.8**	148.5	297.7

* The comparative analyses are restated following a revision of the Group's reportable segments with effect from 1 January 2023. The Group's reportable segments are now assessed and presented at the operating entity level; information is no longer presented on a divisional basis. The impacts of this change are presentational only and there is no impact on total Group amounts reported. See Note 20 for further details.

^ Information regarding segments that are not separately reportable is combined within the 'Other' category, together with the impact of Group consolidation adjustments.

A breakdown of the results of each segment can be found in Note 20 to the Condensed Consolidated Financial Statements.

Society

The Society reported underlying pre-tax profits of £131.0m for the first six months of the year (six months ended 30 June 2022: £90.5m; year ended 31 December 2022: £170.7m).

Net interest income, which is the main source of income for the Society, is the amount earned on assets (principally mortgages, other loans and advances, and liquidity), less that paid on liabilities (principally retail savings, wholesale funding, subscribed capital and subordinated debt). The Society's net interest income amounted to £236.9m for the first half of the year (six months ended 30 June 2022: £163.2m; year ended 31 December 2022: £356.9m).

The Society's net interest margin, one of our key measures of performance, measures net interest income as a percentage of mean total assets and was 1.48% for the first half of 2023 (six months ended 30 June 2022: 1.17%; year ended 31 December 2022: 1.22%). The rising interest rate environment created opportunities in the period to generate higher net income, which we shall invest to deliver future benefits for our members.

Administrative expenses for the Society increased to £115.5m for the first six months of the year (six months ended 30 June 2022: £88.7m; year ended 31 December 2022: £191.6m). Spend in the period reflects further investment in our service and in our people, including colleague pay awards and investment in our principal office and branch network, creating a positive atmosphere through exciting new spaces that give colleagues more flexibility following our move to a hybrid working model; together with inflationary increases seen more generally.

This has led to our ratio of costs to mean assets, a traditional building society measure of efficiency, to increase in the period to 0.72% (six months ended 30 June 2022: 0.63%; year ended 31 December 2022: 0.66%). However, the ratio of costs to income improved in the period to 45.1% (six months ended 30 June 2022: 49.9%; year ended 31 December 2022: 50.5%); this improvement reflects our strong income growth without a commensurate increase in cost base.

- ***Home Financing** – Our Home Financing business is designed to provide finance in order to access the housing market and 'Help More People Have a Home'*

Gross mortgage advances in the first half of the year were £3,176m (six months ended 30 June 2022: £2,467m; year ended 31 December 2022: £5,836m), whilst net lending was £1,609m (six months ended 30 June 2022: £450m; year ended 31 December 2022: £1,808m). Despite the uncertain economic environment, the Society achieved strong net mortgage book growth in the period of 6.9% (six months ended 30 June 2022: 2.1%; year ended December 2022: 8.4%), without compromising the quality of our mortgage assets.

Residential mortgages in arrears by three months or more in our Home Financing business totalled 324 cases representing only 0.19% of mortgage accounts (30 June 2022: 325 cases, representing 0.20%; 31 December 2022: 285 cases, representing 0.17%), and is testament to our aforementioned proactive credit management. At 30 June 2023 the Home Financing business's residential impairment loss allowance was £40.8m (30 June 2022: £9.9m; 31 December 2022: £31.9m), with a related debit to the Income Statement of £9.4m (six months ended 30 June 2022: £0.8m credit; year ended 31 December 2022: £21.3m charge). These movements reflect the impact of changes to the Group's forward-looking economic assumptions, which have been updated during the period to reflect changes in the external environment, and the impact of revisions to certain post model adjustments (as discussed on pages 26 to 30).

The commercial lending portfolio, which has been closed to new business since 2008, stands at £148.2m as at 30 June 2023 (30 June 2022: £178.1m; 31 December 2022: £159.3m) with an average loan size of £225.2k. Arrears levels within the portfolio remain low. At 30 June 2023 the commercial impairment loss allowance stood at £9.5m (30 June 2022: £13.6m; 31 December 2022: £9.9m), with a related credit to the Income Statement of £0.4m (six months ended 30 June 2022: £1.5m credit; year ended 31 December 2022: £5.0m credit). The reduction in the impairment allowance is principally due to changes in portfolio quality, with the level of allowance required reducing over time as this closed book continues to run-off.

Home Financing holds an equity release mortgage book which is closed to new business. We have seen a net fair value loss on our equity release portfolio and associated derivatives of £3.2m (six months ended 30 June 2022: net gain of £11.5m; year ended 31 December 2022: net loss of £9.8m). This net fair value loss is driven by changes in market expectations of long-term interest rates, inflation and house price growth.

Refer to Note 10 to the Condensed Consolidated Financial Statements for further details on loans and advances to customers.

- ***Money** – Our Money business helps our members' 'Money Work harder' and combines our savings and financial advice businesses with our online, branch and contact centre capabilities*

Savings balances increased by £1,160m since the end of 2022, which represents growth of 5.2% (six months ended 30 June 2022: 6.0%; year ended 31 December 2021: 13.6%). LISA customers continue to be well represented in our customer base and as at 30 June 2023 we had 162,998 LISA customers (30 June 2022: 158,080; 31 December 2022: 159,638) with total balances of £1,191.4m (30 June 2022: £1,173.0m; 31 December 2022: £1,100.2m).

The Society's net non-interest income, which is predominantly made up of financial advice fees and commissions receivable, was £20.9m (six months ended 30 June 2022: £22.2m; year ended 31 December 2022: £42.6m). Funds under management, as part of our financial advice offering, totalled £4.1bn as at 30 June 2023 (30 June 2022: £3.7bn; 31 December 2022: £3.9bn).

SIL

SIL's performance continues to be strong, with pre-tax profits in the first six months of the year of £24.5m (six months ended 30 June 2022: £18.0m; year ended 31 December 2022: £39.9m). The significant increase in profits reflects the benefits to income and margin from the rising interest rate environment, whereby SIL's net interest margin has increased to 2.46% (six months ended 30 June 2022: 2.15%; year ended 31 December 2022: 2.20%) whilst the ratio of administrative expenses to income reduced to 18.2% due to the increase in income noted above (six months ended 30 June 2022: 21.4%; year ended 31 December 2022: 20.3%).

SIL's savings book grew 2.2% in the period to £2,242.9m (30 June 2022: £2,019.6m; 31 December 2022: £2,195.5m). SIL also reported growth in its mortgage book, which increased by 5.8% to £2,076.5m (30 June 2022: £1,812.7m; 31 December 2022: £1,962.1m). The quality of the mortgage book remains excellent, with no cases in arrears by three months or more (30 June 2022: nil on the same basis; 31 December 2022: nil on the same basis).

Connells

The UK housing market stalled in Q4 2022 and Connells entered 2023 with a materially lower sales pipeline. As a result of this and a tougher economic environment, the group incurred an underlying loss for the period of £(14.1)m (six months ended 30 June 2022: £29.0m profit; year ended 31 December 2022: £56.7m profit). The underlying results for the half year include amortisation charges of £7.4m against the intangible assets that were recognised on acquisition of Countrywide in 2021 (six months ended 30 June 2022: £10.4m; year ended 31 December 2022: £20.7m). However, underlying profit excludes fair value gains on share warrants and equity share investments totalling £8.3m, which are included in the aforementioned loss before tax (of £(5.8)m) and accounts for the difference in reported values. Earnings before interest, tax, depreciation and amortisation (EBITDA) was £16.4m (six months ended 30 June 2022: £63.1m).

The number of properties that the business exchanged contracts on during the period was 23% lower than for the same period in 2022 reflecting the more challenging market conditions. However, the group's lettings business has continued to grow its properties under management increasing to 125,025 at the period end (30 June 2022: 122,355; 31 December 2022: 122,614). Connells' financial services proposition also continues to perform well. The number of mortgages arranged decreased by only 3.6% despite the reduction in the number of housing transactions. The total value of lending generated for UK mortgage providers during the first six months of 2023 was £14.8bn (six months ended 30 June 2022: £16.2bn; year ended 31 December 2022: £36.9bn).

Connells' administrative expenses totalled £458.5m (six months ended 30 June 2022: £473.0m; year ended 31 December 2022: £960.8m); this includes the aforementioned amortisation charges in the period. Excluding the impact of these amortisation charges in both periods, expenses reduced by £11.5m on last half year. Despite the impact of inflation, Connells continues to maintain tight cost controls which have driven the reduction in administrative expenses.

By maintaining a 10% market share coupled with recent upward instruction trends, and with a strong balance sheet and substantial cash reserves, the Connells group remains well equipped to succeed through whatever market conditions present themselves in H2 2023 and beyond.

Other

SBF generated a pre-tax profit for the period of £4.5m (six months ended 30 June 2022: £3.2m; year ended 31 December 2022: £7.3m). Following removal of Covid-related Government support schemes, and in light of UK inflationary pressures building across the UK, SBF has been able to help more SMEs amidst increasing demand for working capital support, with a total portfolio comprising 865 clients (30 June 2022: 793; 31 December 2022: 838), with total drawn funds of £160.8m at 30 June 2023 (30 June 2022: £138.3m; 31 December 2022: £150.6m). The quality of SBF's lending during these turbulent times continues to be good, with impairment as a percentage of drawn funds remaining low at 0.71% (30 June 2022: 0.79%; 31 December 2022: 0.78%).

Jade reported a profit of £0.5m for the period (six months ended 30 June 2022: £0.3m; year ended 31 December 2022: £0.6m). The total of the other remaining business lines, including the impact of Group consolidation adjustments and the Connells management incentive scheme charge, reduced overall Group profit by £(2.6)m.

The Income Statement charge in the period relating to the management incentive scheme for senior managers of Connells Limited was £0.3m (six months ended 30 June 2022: £1.0m charge; year ended 31 December 2022: £3.2m credit) which reflects the latest view of the expected future performance of the Connells group. During the period two managers in the scheme exercised a proportion of their options in line with the scheme rules which resulted in total payments of £2.5m being made. Further details of the scheme, including the calculation of the liability and the assumptions used, can be found in Note 28 of the 2022 Annual Report and Accounts.

Other comprehensive income

During the period, the Group recognised net income of £6.6m through other comprehensive income (net of tax) (six months ended 30 June 2022: £2.4m net income; year ended 31 December 2022: £2.3m net expense). This includes:

- The remeasurement of retirement benefit obligations to reflect latest market conditions, which resulted in a loss of £3.8m (before tax) (six months ended 30 June 2022: £4.0m loss; year ended 31 December 2022: £6.7m loss);
- Fair value gains/losses (before tax) on equity share investments designated at Fair Value Through Other Comprehensive Income of £nil (six months ended 30 June 2022: £0.9m gain; year ended 31 December 2022: £8.5m loss) - the comparative figures are in respect of the Group's equity share investment in a start-up challenger bank, Commercial and Northern Limited (formerly Bank North Limited) which in H2 2022 commenced wind-down of its operations, subsequently entering liquidation earlier this year. Further details are provided in Note 17f) of the 2022 Annual Report and Accounts;
- Movements in the Group's fair value reserve, cost of hedging reserve, translation reserve and cash flow hedging reserve totalling a gain of £13.4m (before tax) (six months ended 30 June 2022: £7.4m gain; year ended 31 December 2022: £16.9m gain); and

- Income tax on the above-listed items totalling a £3.0m charge (six months ended 30 June 2022: £1.9m charge; year ended 31 December 2022: £4.0m charge).

Financial position

Liquidity

The Group continues to hold healthy levels of liquid assets to ensure it can meet its liabilities as they fall due and to help mitigate the risks from present economic uncertainties. The Liquidity Coverage Ratio (LCR), a measure designed to ensure that financial institutions have sufficient high quality assets available to meet their liquidity needs for a 30 day liquidity stress scenario, was 186% at 30 June 2023 (30 June 2022: 177%; 31 December 2022: 175%). The Group's liquidity levels are closely managed by senior management and have remained well above both the regulatory limit of 100% and the internal limit set by the Board throughout the period. Liquid assets at 30 June 2023 were £7.0bn (30 June 2022: £6.2bn; 31 December 2022: £6.8bn), providing the Group flexibility in an unpredictable market.

At 30 June 2023, the Society held £5.7bn (30 June 2022: £4.8bn; 31 December 2022: £5.3bn) of High Quality Liquid Assets (HQLA) as analysed below:

	30.06.23 £m	30.06.22 £m	31.12.22 £m
Balances with the Bank of England	**3,413.7**	2,749.1	3,420.4
Gilts	**225.0**	261.8	234.8
Treasury bills	**345.1**	454.5	104.6
Fixed rate bonds	**535.1**	605.9	554.4
Floating rate notes	**194.9**	169.2	169.5
Residential mortgage backed securities	**332.6**	178.3	292.7
Covered bonds	**676.3**	416.2	561.1
	5,722.7	4,835.0	5,337.5

The Society also holds a portfolio of other liquid assets, which are not categorised as HQLA, as shown below:

	30.06.23 £m	30.06.22 £m	31.12.22 £m
Certificates of deposit	**81.0**	445.2	282.5
Residential mortgage backed securities	**-**	4.1	-
	81.0	449.3	282.5

The amounts for HQLA and non-HQLA as shown in the above tables are different to the total amount of liquid assets as would be presented in the Society's Statement of Financial Position. This is due to certain items being excluded from the above tables where they have been encumbered, such as liquid assets used as collateral and those used in repurchase, or 'repo', transactions; such items are ring-fenced for the sole purpose of collateralisation.

The Group's treasury investments are held to provide liquidity and at the end of the reporting period 100% of the Group's treasury investments are rated A3 or better (30 June 2022: 100%; 31 December 2022: 100%), excluding exposures to a central clearing house used to clear derivatives to manage interest rate risk in line with regulation. The Group's policy is that initial investments in treasury assets are typically A3 or better (with the exception of some unrated building societies where separate credit analysis is undertaken).

The Net Stable Funding Ratio (NSFR) is a longer term stable funding metric, which measures the stability of our funding sources relative to the assets (e.g. mortgage balances) we are required to fund. The Group's NSFR remained well in excess of the minimum regulatory requirement of 100% during the six month period.

When measured as a percentage of shares, deposits and borrowings, the liquidity ratio remained strong at 22.1% (30 June 2022: 22.0%; 31 December 2022: 22.5%). The Group, on at least an annual basis, conducts an Internal Liquidity Adequacy Assessment Process (ILAAP) in accordance with the PRA's liquidity guidelines and the Board remains satisfied that the Group has sufficient liquid assets at its disposal in order to meet its obligations as they fall due.

Loans and advances to customers

The Group continues to grow its mortgage assets in a controlled manner, lending within its own clearly defined risk appetites through both the Society's Home Financing business and SIL. Group mortgage balances saw growth of 6.8% in the period (six months ended 30 June 2022: 3.1%; year ended 31 December 2022: 9.6%), increasing from £25.5bn at the end of 2022 to £27.2bn.

The Home Financing business has continued to lend to a broad spectrum of borrowers, within our credit risk appetite, throughout the period. The average loan-to-value (LTV) of new lending in the period (calculated on a valuation-weighted basis) was 62.4% (six months ended 30 June 2022: 60.0%; year ended 31 December 2022: 57.5%). We consider our new lending to remain prudent and the mortgage book to be well diversified by geographical location.

As at 30 June 2023, the average valuation-weighted LTV of the total residential mortgage book (excluding equity release) was 43.4% (30 June 2022: 41.6%; 31 December 2022: 40.9%).

At 30 June 2023, the fair value of the Group's equity release portfolio was £265.6m (30 June 2022: £348.0m; 31 December 2022: £278.7m). The decrease in fair value of equity release mortgages is primarily due to an increase in expected future interest rates, which are used to discount the portfolio's cash flows (see Note 11 to the Condensed Consolidated Financial Statements for further details).

Funding

The Society, through its Money business, continues to manage the mix of retail and wholesale funding in the best interests of our members and remains primarily funded by retail savings.

Optimising our mix of retail and wholesale funding is essential to the Group achieving both its retail savings and lending growth objectives.

Retail funding

We remain committed to providing savers with competitive returns along with offering excellent customer service. Following Bank of England base rate increases in the period to June, the Money business now pays a minimum rate of 3.00% (31 December 2022: 1.75%) on all variable rate savings accounts.

As at 30 June 2023, £23.4bn (30 June 2022: £20.9bn; 31 December 2022: £22.3bn) of our funding came from retail savings, representing 78.7% (30 June 2022: 79.6%; 31 December 2022: 78.9%) of total funding which is broadly unchanged from the end of the previous period.

In addition to our UK retail funding, the Group also accepts deposits through our Channel Islands based subsidiary, SIL, with balances totalling £2.2bn (30 June 2022: £2.0bn; 31 December 2022: £2.2bn). These balances are included in 'Amounts owed to other customers' within the Statement of Financial Position.

Wholesale funding

The Society accesses the remainder of its funding requirements through the wholesale markets. We maintain a diverse funding portfolio to prevent over-reliance on any one source, and, taking into consideration the term profile of our lending, closely manage the term of our funding in order to manage the risks of duration mis-match. At the period end, having successfully issued £350m senior non-preferred notes in April and a £500m 5-year covered bond in June, our wholesale funding balances amounted to £6.0bn (30 June 2022: £5.3bn; 31 December 2022: £5.7bn). The Group's wholesale funding ratio increased slightly to 21.3% as at 30 June 2023 (30 June 2022: 20.4%; 31 December 2022: 21.1%).

At 30 June 2023 the Society had £1.6bn outstanding under the Bank of England's 'Term Funding Scheme with additional incentives for SMEs' (TFSME) (30 June 2022: £1.9bn; 31 December 2022: £1.9bn). The TFSME scheme closed in October 2021.

The credit ratings of the Society are assigned by two major credit rating agencies, Fitch and Moody's. The Society's current ratings, which have not changed during 2023 to date, are summarised in the following table.

	Fitch	Moody's
Covered Bonds	AAA	Aaa
Senior Preferred	A	A2
Baseline Credit Assessment (BCA)	N/A	A3
Issuer Default Rating (IDR)	A-	N/A
Short Term	F1	P-1
Senior Non Preferred	A-	Baa1
Outlook	Stable	Stable
Last change of rating	August 2021	July 2021

Capital

Capital comprises principally the general reserve and subscribed capital provided through Permanent Interest-Bearing Shares (PIBS). Capital is ultimately held for the protection of depositors and other creditors by providing a buffer against unexpected losses.

We monitor our capital at a prudential consolidation group level (comprising the entire Group except Connells and a small number of other entities whose activities are not closely aligned with the core business) and at a Society only level by applying the Capital Requirements Directive V (CRD V) effective from 31 December 2020, and the UK Capital Requirements Regulation (UK CRR), as implemented in 2022.

The capital requirements under the prudential consolidation group are higher than those for the Society. On the basis that the prudential consolidation group represents the lowest capital adequacy and leverage positions, and the same risk management framework is applied to both, the analysis throughout this Capital section has been disclosed at a prudential consolidation group level only.

Total regulatory capital has increased by £115.8m from 31 December 2022 to £2,108.7m as at 30 June 2023 (30 June 2022: £1,907.2m; 31 December 2022: £1,992.9m). This is mainly due to the retained profits accumulated during the period.

Risk weighted exposure amounts (RWAs) have increased by £277.0m in the period to £7,852.6m (30 June 2022: £4,979.0m - restated; 31 December 2022: £7,575.6m - restated). This increase is principally driven by strong residential mortgage book growth in the period. This is partially offset by a small decrease in RWAs in relation to liquid assets, where we have taken the opportunity to diversify our holdings in a broader range of high-quality assets throughout the year but with less exposure to higher yield, higher risk investments. This has resulted in lower RWAs for liquid assets even though the total balance sheet exposure in relation to these assets has increased in the period.

We apply a temporary model adjustment (TMA) to the Society's regulator-approved internal ratings-based (IRB) model output. Until the IRB models are approved by the PRA, the TMA remains subject to change and may cause variations in the capital metrics. There have not been, and we do not expect there to be, any material changes to the risk profile or strategy of the Society as a result of changes to the TMA.

The CET 1 ratio has increased to 26.3% from 25.8% at 31 December 2022, driven by the increase in total regulatory capital offset by the growth in RWAs.

The UK leverage ratio has remained stable at 6.9% (30 June 2022: 6.8% - restated; 31 December 2022: 6.8%), showing that the growth in mortgage lending has been offset by the profits accumulated during the period.

The following table shows the composition of the prudential group's regulatory capital as at 30 June 2023. IFRS 9 *Financial Instruments* transitional arrangements are applied throughout.

	30.06.23 £m	30.06.22 Restated* £m	31.12.22 Restated* £m
Capital resources:			
Common Equity Tier 1 Capital	**2,068.7**	1,867.2	1,952.9
Total Tier 1 capital	**2,068.7**	1,867.2	1,952.9
Total Tier 2 capital	**40.0**	40.0	40.0
Total regulatory capital	**2,108.7**	1,907.2	1,992.9
Risk weighted exposure amounts	**7,852.6**	4,979.0*	7,575.6*
Capital and leverage ratios (note 1):			
Common Equity Tier 1 (CET 1) ratio	**26.3%**	37.5%*	25.8%
Tier 1 ratio	**26.3%**	37.5%*	25.8%
Total capital ratio	**26.9%**	38.3%*	26.3%
Leverage ratio (note 2)	**6.9%**	6.8%*	6.8%

* The comparative analyses are restated following a review of the interpretations and capital calculations in relation to the treasury exposures. The impact of the restatements is a decrease to RWAs at 30 June 2022 of £138.1m leading to an increase in each of the capital ratios of 1.0% and an increase to the leverage ratio of 0.1%. The impact of the restatement as at 31 December 2022 is an increase to RWAs of £2.0m. There were no reportable changes to the capital and leverage ratios at 31 December 2022.

Notes

1. The capital ratios are calculated as relevant capital divided by RWAs. The leverage ratio is calculated as Tier 1 capital divided by total exposure, i.e. total assets per the prudential consolidation group, less deposits with central banks and regulatory adjustments.
2. The leverage ratio represents the UK regulatory regime implemented on 1 January 2022, which excludes deposits with central banks from the leverage exposure measure.

Capital management

The Group is regulated by the PRA and is required to manage its capital in accordance with the rules and guidance issued by the PRA under CRD V and the UK CRR as implemented in 2022.

The Group completes an Internal Capital Adequacy Assessment Process (ICAAP) at least annually to assess current and projected capital requirements to support the current risks in the business and future risks arising from the corporate plan. The ICAAP considers all the Group's material risks and includes Board-approved stress scenarios which are intended, as a minimum, to meet regulatory requirements.

Minimum Requirement for Own Funds and Eligible Liabilities

The Minimum Requirement for Own Funds and Eligible Liabilities (MREL) is a regulatory requirement set by the Bank of England to ensure institutions can cover losses that would need to be absorbed in the event of a resolution scenario. The amount of MREL that institutions need to have is linked to the resolution strategy chosen for each firm. The Bank of England's preferred resolution strategy for Skipton Building Society is a single point of entry bail-in under Part 1 of the Banking Act 2009. From 1 January 2023, our MREL requirement is 2x (pillar 1 plus pillar 2A capital requirements) plus the applicable capital requirement buffers issued by the Bank of England, which is 20.2% of RWAs plus capital buffers.

At 30 June 2023, total MREL resources, including MREL eligible senior non-preferred debt, were 35.8% of RWAs (30 June 2022: 45.4% - restated; 31 December 2022: 30.9% - restated). The increase in the period is mainly due to the issuance in April of £350m of senior non-preferred notes due 25 April 2029 (senior non-preferred notes contribute to meeting our MREL requirements) and retained profits accumulated during the period, partially offset by the increase in RWAs described above. 35.8% exceeds the 2023 MREL requirement of 20.2% of RWAs plus capital buffers.

Further information can be found in the Group's Pillar 3 Disclosures, which are published on the Society's website skipton.co.uk.

Responsible and sustainable

As a mutual, Skipton's commitment to building a better, more sustainable society for all has always been at the heart of what we do. We have evolved our organisational strategy so that this is woven throughout, ensuring we are sustainable socially, financially and environmentally.

In March 2023 we published our Group Responsible Business Report, which sets out in detail our sustainability commitments, progress and ambitions. We have set ourselves challenging environmental, social and governance (ESG) targets and ambitions over the short, medium and longer terms.

In the first half of 2023 we continued to drive progress forward in line with our goals. Key highlights include the successful launch of the Society's Track Record mortgage and extension of our free EPC Plus offer to all savings and mortgage members. 80% of the Society's waste has been recycled as at 30 June 2023 (31 December 2022: 72%), whilst Connells group have surveyed over 600 of their premises to date in order to identify LED lighting upgrade opportunities. In addition, we've already met our target of achieving a 5% uplift (compared to 2022 year-end) in the number of Society suppliers who have completed an EcoVadis supplier assessment - considering Environment, Labour and Human Rights, Ethics and Sustainable Procurement credentials. Further details, including more about our social and governance goals, can be found in the Group Responsible Business Report which is available on our website skipton.co.uk.

The challenges of sustainability are ever-changing; we continually reassess our understanding of the issues and the actions we are taking to make a positive impact across the Group.

Principal risks and uncertainties

Economies across the globe still face significant uncertainties with geopolitical tensions continuing throughout the first half of 2023. The cost of living crisis continues to dominate in the UK; inflation has slightly fallen from its peak with energy prices having started to ease, however food price inflation remains stubbornly high. Coupled with the rising interest rate environment, household disposable incomes continue to be squeezed. Whilst recession has so far been avoided, UK economic growth is subdued, with the impact of rising mortgage rates yet to be felt by many that remain on fixed-term deals.

Whilst the outlook for the Group remains positive, the future performance of the Group in the outer years of our current 5-year corporate plan may be impacted by the performance of the UK economy as events and conditions evolve. The Board understands and promotes the need to maintain a forward-looking focus and run appropriately severe scenarios to test the Group's resilience to these and possibly other unforeseen risk events, and is confident that the Group is well placed to react accordingly.

At this stage, other than the challenging economic environment outlined above, the Directors do not consider that the principal risks and uncertainties affecting the Group have changed materially since the publication of the 2022 Annual Report and Accounts.

The principal risks faced by the Group, as categorised in the 2022 Annual Report and Accounts, with updates provided in relation to the changing economic environment, are summarised as follows:

- **Business risk** is the risk of changes in the environment in which the Group operates or the occurrence of events which damage the franchise or operating economics of the Group's businesses. These risks are addressed in the Group's corporate plans, approved annually by the Board, and by associated stress testing carried out on these plans. In line with regulatory requirements, the Society maintains a recovery plan detailing the steps it would take to sustain itself through severe business stresses.

The results of Connells group are principally driven by the volume of UK property transactions, which is heavily influenced by consumer confidence, driven by the general state of the economy. A slowdown in the housing market was seen following the mini-budget in September 2022, and more recently as a result of rising interest rates, which are expected to be higher for longer amidst stubbornly high inflation, putting pressure on Connells' income levels. However, Connells is partially protected against the performance of its core business through its own diversification into complementary businesses such as lettings and property asset management; whilst the wider diversification of the full Group has helped maintain overall performance in the year, despite the challenging market conditions.

- **Capital risk** is the risk that the business does not maintain sufficient capital levels to protect itself against the principal risks it faces such as severe recession or business shocks. The Group conducts an ICAAP at least annually to assess the Group's current and projected capital requirements to mitigate the current risks in the business and future risks arising from its corporate plans.
- **Climate change risk** refers to the commercial impact that climate and environmental changes present to our business model. The Executive Committee is responsible for the management of the financial and operational risks arising from climate change and the management strategy to mitigate these risks.

  We have continued to embed our approach to climate change risks, whilst strengthening the wider Group's engagement, including the second publication of our climate-related financial disclosures aligned to the Task Force on Climate-related Financial Disclosures (TCFD) requirements. We have enhanced our approach to climate risk data identification and analysis through initiatives such as climate risk stress and scenario testing; and we are also reviewing our Sustainable Development Goals to update these to reflect evolving business and customer needs - it is recognised that the Group will need to remain responsive to the evolving nature of climate change risk.
- **Conduct risk** is the risk of delivering poor or inappropriate outcomes for customers. The framework to control this area, which includes the operation of rigorous procedures and compliance monitoring, is maintained by the Conduct and Operational Risk Group and overseen by the Executive Risk Committee.

  Ensuring fair value and good customer outcomes across our channels and products remains a priority. The new FCA Consumer Duty, which sets higher and clearer standards of consumer protection across financial services, came into effect from July 2023. Management is focused on ensuring the new Duty is fully embedded across our regulated activities.

  Credit risk is the risk of suffering financial loss should borrowers or counterparties default on their contractual obligations to the Group. The Group faces credit risk from its lending to individuals, businesses and wholesale counterparties, and manages this risk through maintaining a prudent approach to new lending and through the presence of a robust risk management framework.

  Impairment loss allowances in the period have been updated to reflect the latest economic assumptions; refer to Note 1c) to the Condensed Consolidated Financial Statements for further details.

  The valuation of the equity release portfolio has also been updated to reflect the latest economic assumptions and market forecasts. Refer to Note 1c) to the Condensed Consolidated Financial Statements for further details.
- **Interest rate risk** is the risk of loss arising from adverse movements in market interest rates. This risk is managed through the use of appropriate financial instruments, including derivatives used to hedge exposures, with established risk limits, reporting lines, mandates and other control procedures.

  Markets predict that interest rates will rise further in the short-term, as the Bank of England continues to respond to inflationary pressures. The potential impact of rising interest rates on our customers' ability to meet mortgage repayments is being closely monitored and is considered when updating impairment loss allowances for latest economic assumptions (see credit risk above).
- **Liquidity risk** is the risk that the Group is unable to meet its current and future financial obligations as they fall due.

  The higher interest rate environment saw liquidity issues in some US banks earlier in the year including the failure of First Republic, the second-largest in US history, sparking fears about the state of the banking system. However, uncertainty with banks' liquidity has since subsided with wholesale markets having started to re-open, and the Group continues to maintain a high quality liquidity portfolio, holding liquidity well in excess of the regulatory minimum.
- **Model risk** is the risk that, as a result of weaknesses or failures in the design or use of a model, a financial loss occurs or a poor business or strategic decision is made. This risk is governed by a formal review forum, provided by the Model Governance Committee. Work is ongoing to update certain models in line with regulatory requirements.
- **Operational risk** is the risk of financial loss or reputational damage arising from inadequate or failed internal processes, systems or human error. This category of risk includes:
  - Information security - cyber threat – we remain vigilant to the continued cyber threat across the globe and perform continuous improvement activity to mature our control environment and protect our customers and colleagues.
  - Change demand and delivery – the volume and pace of change across the Group remains significant both from a strategic, organisational and regulatory perspective. Maintaining the right level of resources and oversight will support the

successful delivery of our change initiatives and ensure that any risks are appropriately managed.

- Financial crime & fraud – our well established fraud monitoring and management processes continue to be enhanced in recognition of both the economic backdrop and the ever changing and complex financial crime landscape.
- Service delivery – maintaining focus on delivering high quality service and a competitive product offering, supported by an operationally resilient business, will ensure we can continue to provide critical business services to our customers at all times.
- People risk – attracting and retaining talent in a competitive market is a key focus for all Group firms. We mitigate this risk by offering a competitive remuneration and benefits package. The importance of robust succession plans across the Group also remains a focus, in light of growth plans.
- **Reputational risk** is the risk to earnings, liquidity or capital arising from negative market or public opinion. This risk is managed through maintaining and investing in control structures, focusing on fair customer outcomes and working within the Group's risk management framework.

A more detailed explanation of the risks above, which are common to most financial services firms in the UK, and how the Group seeks to mitigate them, can be found on pages 82 to 85 of the 2022 Annual Report and Accounts.

Bobby Ndawula

Group Chief Financial Officer

1 August 2023

Condensed Consolidated Income Statement

For the half year ended 30 June 2023	Notes	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Interest receivable and similar income:				
Accounted for using effective interest rate method	3	**770.3**	307.6	806.7
Other	3	**15.3**	4.6	15.8
Total interest receivable and similar income		**785.6**	312.2	822.5
Interest payable and similar charges	4	**(507.9)**	(117.9)	(398.1)
Net interest receivable		**277.7**	194.3	424.4
Fees and commissions receivable	5	**474.7**	539.4	1,092.6
Fees and commissions payable		**(2.6)**	(6.9)	(14.7)
Fair value gains on financial instruments mandatorily held at FVTPL	6a)	**3.4**	11.8	1.3
Profit on disposal of subsidiary undertakings		**-**	0.1	0.1
Other income	6b)	**1.7**	2.2	3.9
Total income		**754.9**	740.9	1,507.6
Administrative expenses	6c)	**(595.7)**	(581.4)	(1,188.5)
Operating profit before impairment and provisions		**159.2**	159.5	319.1
Impairment (losses) / credits on loans and advances to customers	7	**(9.3)**	2.2	(17.1)
Impairment credits / (losses) on liquid assets		**0.1**	(0.1)	(0.1)
Impairment of goodwill	12	**-**	-	(0.8)
Realised losses on equity release portfolio	11	**(0.5)**	(0.4)	(0.7)
Provisions for liabilities	14	**(0.6)**	(1.2)	(1.6)
Profit before tax		**148.9**	160.0	298.8
Tax expense	8	**(36.2)**	(36.2)	(67.8)
Profit for the period		**112.7**	123.8	231.0
Profit / (loss) for the period attributable to:				
Members of Skipton Building Society		**112.8**	123.8	231.2
Non-controlling interests		**(0.1)**	-	(0.2)
		112.7	123.8	231.0

Segmental performance of the Group is shown in Note 20.

The notes on pages 25 to 64 form an integral part of this condensed consolidated half-yearly financial report.

Condensed Consolidated Statement of Comprehensive Income

For the half year ended 30 June 2023	**Unaudited 6 months to 30.06.23 £m**	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Profit for the period	**112.7**	123.8	231.0
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement losses on defined benefit obligations	**(3.8)**	(4.0)	(6.7)
Gains / (losses) on equity share investments designated at FVOCI	**-**	0.9	(8.5)
Income tax on items that will not be reclassified to profit or loss	**1.0**	-	0.4
	(2.8)	(3.1)	(14.8)
Items that may be reclassified subsequently to profit or loss:			
Movement in cash flow hedging reserve:			
Gains taken to equity	**3.9**	35.0	47.8
Realised losses / (gains) transferred to Income Statement	**14.4**	(17.0)	(12.8)
Movement in fair value reserve (debt securities):			
Losses taken to equity	**(2.2)**	(12.3)	(22.3)
Impairment (credit) / loss allowance on debt securities held at FVOCI	**(0.1)**	0.1	-
Movement in cost of hedging reserve:			
(Losses) / gains taken to equity	**(1.9)**	1.5	3.8
Exchange differences on translation of foreign operations	**(0.7)**	0.1	0.4
Income tax on items that may be reclassified to profit or loss	**(4.0)**	(1.9)	(4.4)
	9.4	5.5	12.5
Other comprehensive income / (expense) for the period, net of tax	**6.6**	2.4	(2.3)
Total comprehensive income for the period	**119.3**	126.2	228.7
Total comprehensive income attributable to:			
Members of Skipton Building Society	**119.6**	126.2	228.9
Non-controlling interests	**(0.3)**	-	(0.2)
	119.3	126.2	228.7

The notes on pages 25 to 64 form an integral part of this condensed consolidated half-yearly financial report.

Condensed Consolidated Statement of Financial Position

As at 30 June 2023	Notes	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Assets				
Cash in hand and balances with the Bank of England		**3,520.1**	2,843.0	3,520.5
Loans and advances to credit institutions		**538.6**	471.6	631.9
Debt securities	9	**2,939.0**	2,904.9	2,640.3
Derivative financial instruments		**1,794.1**	759.3	1,355.1
Loans and advances to customers held at amortised cost	10	**25,859.3**	23,355.0	24,452.3
Loans and advances to customers held at FVTPL		**1.1**	1.1	1.0
Equity release portfolio held at FVTPL	11	**265.6**	348.0	278.7
Current tax asset		**5.3**	-	18.3
Investments in joint ventures		**9.7**	9.1	10.1
Equity share investments mandatorily held at FVTPL		**1.4**	2.4	1.2
Equity share investments designated at FVOCI		**-**	9.4	-
Property, plant and equipment		**72.0**	70.2	71.8
Right-of-use assets		**104.2**	96.3	106.7
Investment property		**5.7**	6.3	6.0
Intangible assets	12	**319.0**	334.1	323.4
Deferred tax asset		**6.3**	30.3	13.1
Retirement benefit surplus		**-**	1.5	-
Other assets		**137.1**	147.1	140.9
Total assets		**35,578.5**	31,389.6	33,571.3
Liabilities				
Shares		**23,398.0**	20,902.3	22,349.6
Amounts owed to credit institutions		**3,062.2**	2,556.4	2,963.3
Amounts owed to other customers		**2,592.6**	2,182.8	2,339.2
Debt securities in issue	13	**2,647.3**	2,614.0	2,591.6
Derivative financial instruments		**550.1**	323.0	415.6
Current tax liability		**2.7**	1.4	1.5
Lease liabilities		**107.8**	110.3	113.0
Other liabilities		**74.7**	100.1	83.7
Accruals		**72.0**	72.2	93.1
Deferred income		**10.2**	5.6	9.9
Provisions for liabilities	14	**33.3**	36.5	34.7
Retirement benefit obligations		**30.5**	30.5	29.6
Subordinated liabilities		**643.3**	322.3	311.8
Subscribed capital		**41.6**	41.6	41.6
Total liabilities		**33,266.3**	29,299.0	31,378.2
Members' interests				
General reserve		**2,286.4**	2,071.3	2,176.4
Fair value reserve		**(18.7)**	(0.3)	(16.9)
Cash flow hedging reserve		**42.8**	17.4	29.6
Cost of hedging reserve		**(2.4)**	(2.8)	(1.1)
Translation reserve		**4.2**	4.6	4.9
Attributable to members of Skipton Building Society		**2,312.3**	2,090.2	2,192.9
Non-controlling interests		**(0.1)**	0.4	0.2
Total members' interests		**2,312.2**	2,090.6	2,193.1
Total liabilities and members' interests		**35,578.5**	31,389.6	33,571.3

The notes on pages 25 to 64 form an integral part of this condensed consolidated half-yearly financial report.

Condensed Consolidated Statement of Changes in Members' Interests

Unaudited for the half year ended 30 June 2023	**General reserve £m**	**Fair value reserve £m**	**Cash flow hedging reserve £m**	**Cost of hedging reserve £m**	**Translation reserve £m**	**Sub-total £m**	**Non-controlling interests £m**	**Total £m**
Balance at 1 January 2023	**2,176.4**	**(16.9)**	**29.6**	**(1.1)**	**4.9**	**2,192.9**	**0.2**	**2,193.1**
Profit for the period	112.8	-	-	-	-	**112.8**	(0.1)	**112.7**
Other comprehensive income								
Remeasurement losses on defined benefit obligations	(2.8)	-	-	-	-	**(2.8)**	-	**(2.8)**
Net (losses) / gains from changes in fair value	-	(1.7)	1.5	(1.3)	-	**(1.5)**	-	**(1.5)**
Debt securities at FVOCI: impairment credit	-	(0.1)	-	-	-	**(0.1)**	-	**(0.1)**
Realised losses transferred to the Income Statement	-	-	11.7	-	-	**11.7**	-	**11.7**
Exchange differences on translation of foreign operations	-	-	-	-	(0.7)	**(0.7)**	-	**(0.7)**
Total other comprehensive income	**(2.8)**	**(1.8)**	**13.2**	**(1.3)**	**(0.7)**	**6.6**	**-**	**6.6**
Total comprehensive income for the period	**110.0**	**(1.8)**	**13.2**	**(1.3)**	**(0.7)**	**119.4**	**(0.1)**	**119.3**
Acquisition of non-controlling interests without change in control	-	-	-	-	-	-	(0.2)	**(0.2)**
Balance at 30 June 2023	**2,286.4**	**(18.7)**	**42.8**	**(2.4)**	**4.2**	**2,312.3**	**(0.1)**	**2,312.2**

Unaudited for the half year ended 30 June 2022	General reserve £m	Fair value reserve £m	Cash flow hedging reserve £m	Cost of hedging reserve £m	Translation reserve £m	Sub-total £m	Non-controlling interests £m	Total £m
Balance at 1 January 2022	1,951.5	7.5	4.0	(3.5)	4.5	1,964.0	0.4	1,964.4
Profit for the period	123.8	-	-	-	-	123.8	-	123.8
Other comprehensive income								
Remeasurement losses on defined benefit obligations	(4.0)	-	-	-	-	(4.0)	-	(4.0)
Net (losses) / gains from changes in fair value	-	(7.9)	27.2	0.7	-	20.0	-	20.0
Debt securities at FVOCI: impairment loss allowance	-	0.1	-	-	-	0.1	-	0.1
Realised gains transferred to Income Statement	-	-	(13.8)	-	-	(13.8)	-	(13.8)
Exchange differences on translation of foreign operations	-	-	-	-	0.1	0.1	-	0.1
Total other comprehensive income	(4.0)	(7.8)	13.4	0.7	0.1	2.4	-	2.4
Total comprehensive income for the period	119.8	(7.8)	13.4	0.7	0.1	126.2	-	126.2
Balance at 30 June 2022	2,071.3	(0.3)	17.4	(2.8)	4.6	2,090.2	0.4	2,090.6

Condensed Consolidated Statement of Changes in Members' Interests (continued)

Audited for the year ended 31 December 2022	General reserve £m	Fair value reserve £m	Cash flow hedging reserve £m	Cost of hedging reserve £m	Translation reserve £m	Sub-total £m	Non-controlling interests £m	Total £m
Balance at 1 January 2022	1,951.5	7.5	4.0	(3.5)	4.5	1,964.0	0.4	1,964.4
Profit for the year	231.2	-	-	-	-	231.2	(0.2)	231.0
Other comprehensive income								
Remeasurement losses on defined benefit obligations	(6.3)	-	-	-	-	(6.3)	-	(6.3)
Net (losses) / gains from changes in fair value	-	(24.4)	36.0	2.4	-	14.0	-	14.0
Realised gains transferred to Income Statement	-	-	(10.4)	-	-	(10.4)	-	(10.4)
Exchange differences on translation of foreign operations	-	-	-	-	0.4	0.4	-	0.4
Total other comprehensive income	(6.3)	(24.4)	25.6	2.4	0.4	(2.3)	-	(2.3)
Total comprehensive income for the year	224.9	(24.4)	25.6	2.4	0.4	228.9	(0.2)	228.7
Balance at 31 December 2022	2,176.4	(16.9)	29.6	(1.1)	4.9	2,192.9	0.2	2,193.1

The notes on pages 25 to 64 form an integral part of this condensed consolidated half-yearly financial report.

Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2023	Notes	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Cash flows from operating activities				
Profit before tax		**148.9**	160.0	298.8
Adjustments for:				
Impairment losses / (credits) on financial instruments	15a)(i)	**9.7**	(3.9)	18.1
Depreciation and amortisation		**36.2**	38.4	76.8
Impairment of property, plant and equipment, right-of-use assets and investment property		**0.9**	0.2	(0.5)
(Profit) / loss on disposal of property, plant and equipment, investment property and intangible assets		**-**	(0.1)	0.7
Fair value losses on certain financial instruments held at FVTPL	15a)(ii)	**8.9**	61.3	120.5
Interest on subordinated liabilities and subscribed capital	4	**9.9**	5.8	11.8
Interest on lease liabilities	4	**1.0**	1.0	2.1
Profit on disposal of subsidiary undertakings		**-**	(0.1)	(0.1)
Other non-cash movements	15a)(iii)	**11.5**	11.5	5.8
		227.0	274.1	534.0
Changes in operating assets and liabilities:				
Movement in prepayments and accrued income		**(6.6)**	(11.3)	(3.4)
Movement in accruals and deferred income		**(20.8)**	(10.1)	(4.9)
Movement in provisions for liabilities		**(1.4)**	0.1	(1.7)
Movement in fair value of derivatives		**(304.5)**	(500.5)	(1,003.7)
Movement in fair value adjustments for hedged risk		**155.8**	331.1	664.0
Movements in debt securities		**11.7**	58.0	93.8
Movement in loans and advances to customers		**(1,723.7)**	(722.7)	(2,223.8)
Movement in shares		**1,160.4**	1,180.2	2,689.7
Net movement in amounts owed to credit institutions and other customers		**352.7**	283.5	849.9
Net movement in debt securities in issue		**71.5**	394.5	368.4
Net movement in loans and advances to credit institutions		**55.3**	(13.0)	(115.9)
Net movement in other assets		**18.1**	(14.3)	15.0
Net movement in other liabilities		**(9.3)**	(6.8)	(22.7)
Income taxes paid		**(18.1)**	(33.1)	(67.9)
Net cash flows from operating activities		**(31.9)**	1,209.7	1,770.8

Condensed Consolidated Statement of Cash Flows (continued)

For the half year ended 30 June 2023	Notes	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Net cash flows from operating activities		**(31.9)**	1,209.7	1,770.8
Cash flows from investing activities				
Purchase of debt securities	9	**(1,087.5)**	(1,140.1)	(1,995.5)
Proceeds from maturities and disposals of debt securities		**774.7**	370.3	1,447.2
Contingent consideration received in respect of prior period disposals of subsidiary undertakings		**-**	6.4	6.4
Other investing activities	15b)(i)	**(12.5)**	(6.2)	(18.1)
Net cash flows from investing activities		**(325.3)**	(769.6)	(560.0)
Cash flows from financing activities				
Exercise of share options in subsidiary management incentive scheme		**(3.1)**	(8.9)	(8.9)
Exercise of put options held by non-controlling shareholders		**(0.4)**	(2.0)	(3.0)
Proceeds from issue of subordinated liabilities		**347.9**	-	-
Interest paid on subordinated liabilities and subscribed capital		**(5.9)**	(5.8)	(11.8)
Interest paid on lease liabilities		**(1.0)**	(1.0)	(2.1)
Payment of lease liabilities		**(18.7)**	(23.4)	(50.7)
Net cash flows from financing activities		**318.8**	(41.1)	(76.5)
Net (decrease) / increase in cash and cash equivalents		**(38.4)**	399.0	1,134.3
Cash and cash equivalents at 1 January		**3,615.2**	2,481.0	2,481.0
Increase in impairment loss allowance on cash and cash equivalents		**-**	-	(0.1)
Cash and cash equivalents at end of period		**3,576.8**	2,880.0	3,615.2

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

For the half year ended 30 June 2023	Notes	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Cash in hand and balances with the Bank of England		**3,520.1**	2,843.0	3,520.5
Mandatory reserve deposit with the Bank of England		**(103.1)**	(90.9)	(96.7)
		3,417.0	2,752.1	3,423.8
Loans and advances to credit institutions		**159.8**	127.9	191.4
Cash and cash equivalents at end of period		**3,576.8**	2,880.0	3,615.2

The notes on pages 25 to 64 form an integral part of this condensed consolidated half-yearly financial report.

Notes to the Condensed Consolidated Financial Statements

1. Introduction

These financial statements show the financial performance of the Group for the half year ended 30 June 2023 and the financial position of the Group as at that date.

a) Basis of preparation

This half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as contained in UK-adopted international accounting standards, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. This half-yearly financial report should be read in conjunction with the Group's latest annual financial statements for the year ended 31 December 2022.

The accounting policies, presentation and methods of computation are consistent with those applied by the Group in its latest audited financial statements (except for certain revisions to segmental reporting, as set out in Note 20), which were prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Building Societies Act 1986 and with those parts of the Building Societies (Accounts and Related Provisions) Regulations 1998 that are applicable.

Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of uncertainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of applicable accounting standards. We have considered the impact of transitioning to a low-carbon economy and the physical risks from climate change on key estimates in the financial statements. Consideration was given, in particular, to the impact of climate risks on areas of estimation, and our going concern assessment. Given the uncertainties on the extent and timing of the manifestation of climate-related risks, the Group is currently unable to determine the full future economic impact on our business model, operational plans and our customers, and therefore, the potential future impacts are not fully incorporated in these financial statements.

b) Changes to significant accounting policies

There have been no changes to significant accounting policies within the period; however, the policy set out below has been applied in the period.

Taxation

In December 2021 the Organisation for Economic Co-operation and Development (OECD) published detailed rules to assist in the development of a landmark reform to the international tax system, including 'Pillar Two' tax rules which will apply to multinational enterprises with consolidated annual revenues of more than €750m and which seek to impose a minimum effective tax rate of 15% on each tax jurisdiction in which those enterprises operate.

IAS 12 *Income Taxes* does not offer specific guidance on accounting for Pillar Two income taxes; it is unclear whether the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. Further, the tax rate that will apply to an entity's excess profit in future periods depends on a number of factors that are difficult to forecast reliably.

In May 2023 the IASB published *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)*. The Amendments introduce a temporary mandatory exemption, applicable immediately and retrospectively, from accounting for deferred taxes that arise from the Pillar Two model rules and a requirement to disclose that the exemption has been applied. The Amendments were adopted by the UK Endorsement Board on 19 July 2023.

The Group has adopted the Amendments with immediate effect and has, for the half year ended 30 June 2023, applied the aforementioned exemption from accounting for deferred taxes that arise from the Pillar Two model rules.

c) Critical accounting estimates and judgements in applying accounting policies

Note 1w) to the 2022 Annual Report and Accounts sets out the key estimates, assumptions and judgements made by the Group which affect the amounts recognised in the financial statements. Updated information for certain key estimates and judgements is set out below.

Impairment of mortgage loans and advances

Significant increase in credit risk

Assessing loan impairment in accordance with IFRS 9 requires the Group to determine whether credit risk has significantly increased since the loan was initially recognised.

1. Introduction (continued)

For residential mortgages, management judges that significant increase in credit risk is determined by reference to certain quantitative and qualitative criteria. The quantitative criteria involve measuring the relative increase in lifetime probability of default (PD) for the loan; the Group determines thresholds for this purpose, expressed as a multiple of the initial PD estimate. The thresholds vary according to the credit quality of the loan at initial recognition and are set with the aim of identifying accounts with significantly increased credit risk before the borrower misses a payment. The Group periodically reviews the effectiveness of these thresholds in achieving this objective and revises the thresholds as considered appropriate; no changes were considered necessary during the period ended 30 June 2023. Details of the thresholds applied are shown below:

	Multiple by which remaining lifetime PD has increased compared to initial estimate		
Lifetime PD band at initial recognition	**Unaudited Applied at 30.06.23**	Unaudited Applied at 30.06.22	Audited Applied at 31.12.22
Slight risk	**initial estimate x 9**	initial estimate x 9	initial estimate x 9
Low risk	**initial estimate x 5**	initial estimate x 5	initial estimate x 5
Medium risk	**initial estimate x 4**	initial estimate x 4	initial estimate x 4
High risk	**initial estimate x 1**	initial estimate x 1	initial estimate x 1

The Group also makes use of an absolute lifetime PD hurdle for residential mortgages where lifetime PD goes above 25%. These accounts are considered to have a significant increase in credit risk and will automatically be migrated to Stage 2.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECLs. In accordance with IFRS 9, the Group's estimate of ECLs is an unbiased and probability-weighted amount that reflects a range of possible outcomes. The Group determines a range of representative scenarios for the possible future direction of key economic variables and a probability-weighting is assigned to each scenario. Given the high degree of uncertainty, the scenarios and weightings are continually reassessed by management and subject to formal update at least quarterly.

The Group's central scenario represents a view of the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. In addition, the Group incorporates an upside scenario (representing a more optimistic view than the central scenario) and a downside scenario (representing a more pessimistic view than the central scenario); the selection of these alternative scenarios is intended to model the non-linear impact of economic factors on ECLs for the Group's mortgage portfolios.

The scenarios applied by the Group as at 30 June 2023 were determined with due consideration to the significant economic uncertainties arising from current inflationary pressures (domestic and global) and rising interest rate environment.

The Group's central scenario as at 30 June 2023 assumes that the UK technically avoids recession; minimal growth is expected in the second half of 2023 and in 2024. Geopolitical tensions remain throughout 2023, keeping the pressure on gas and oil prices. The cost of living crisis continues, though the impact is partly offset by steady wages growth. Unemployment rises slowly throughout 2023, peaking from early 2024 until early 2025. Businesses feel the impact of escalating fuel and energy costs and rising wage bills. Industrial disputes are managed without causing significant follow-on disruption to business. Inflation, having peaked at the end of 2022, remains above the 2% target until late 2025; in response the Bank of England continues to raise interest rates throughout the remainder of 2023, before commencing steady reductions from mid-2024. House prices fall in 2023 and 2024 due to the worsening economic conditions.

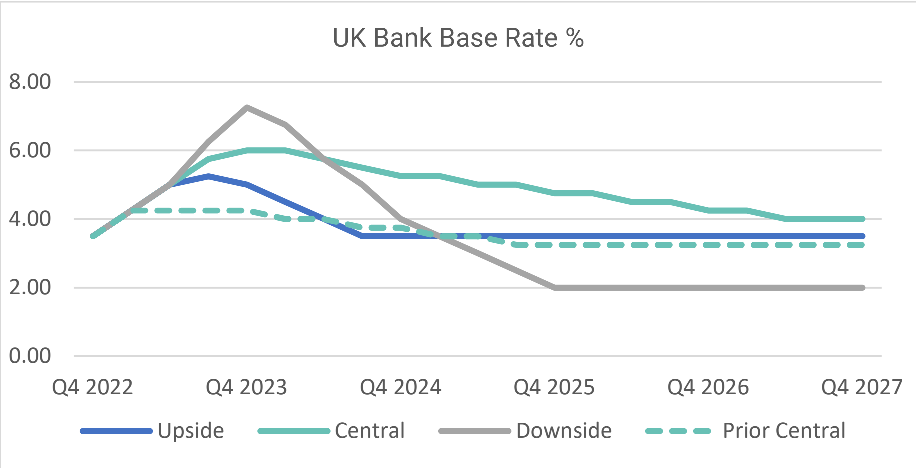
The Group's upside scenario as at 30 June 2023 assumes the economy grows moderately in 2023 and stronger in 2024. Pressures on gas and oil prices ease, consumer confidence rises and unemployment remains low. Inflation eases throughout 2023, allowing the Bank of England to start reducing interest rates in order to stimulate economic growth. House prices fall slightly in 2023, returning to modest growth from early 2024.

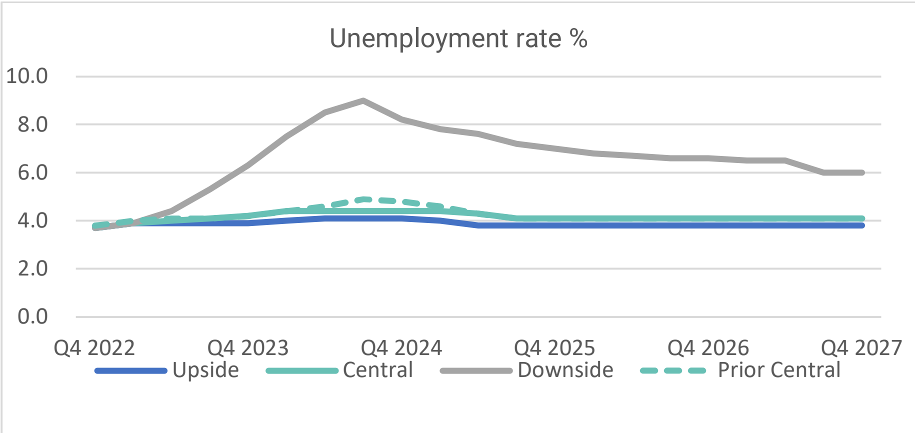
The Group's downside scenario as at 30 June 2023 assumes a period of severe stagflation, with high inflation and low growth. Geopolitical tensions escalate, causing further pressure on oil and gas prices and supply chain difficulties. Inflation is persistent and embedded into the economy until 2025. Energy support packages end, despite gas and electric prices increasing again. The Bank of England continues raising interest rates beyond 7% and inflation remains high in the mid-term; this hurts households and businesses alike, leading to rising unemployment, house price falls and recessionary conditions. Industrial disputes and strikes become widespread, causing significant disruption to business.

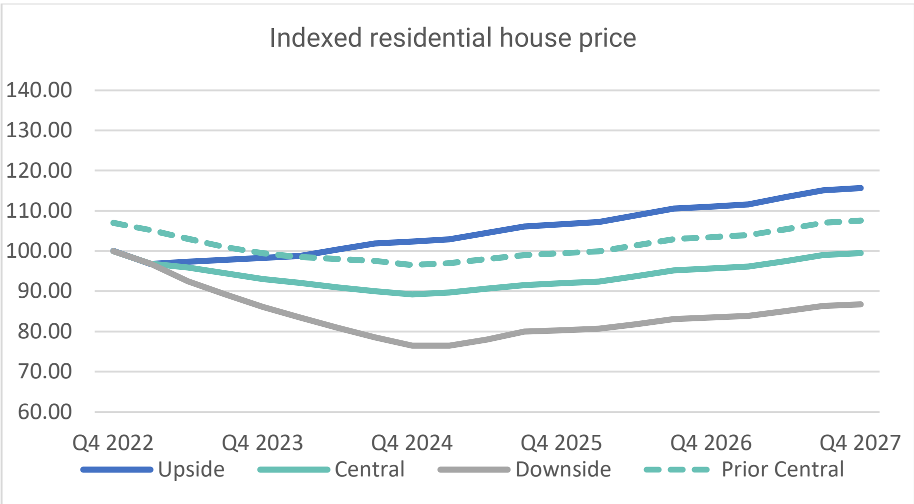
The key economic variables considered by the Group when developing the forecast scenarios are set out below for the first five years of each of the Group's scenarios. For years six to ten the Group applies phased transition assumptions, arriving at a view of long-run averages from year eleven onwards; the Group's view of long-run averages can differ from the historical long-term mean and is derived by reference to both external information, where this is publicly available and appropriate, and internally generated views. As noted above, the assumptions assigned to each scenario have been revised during the period taking account of significant economic uncertainties.

1. Introduction (continued)

The graphs below show the historical and forecasted bank base rate, unemployment rate and indexed residential house prices for the Group's three economic scenarios, along with the prior year central scenario for context (as forecasted at 31 December 2022). The indexed residential house price graph uses a starting value of 100 in the fourth quarter of 2022 for illustrative purposes, to show how a property value moves over time when the annual house price inflation (UK) assumptions are applied:







Notes to the Condensed Consolidated Financial Statements (continued)

1. Introduction (continued)

Economic variables	Scenario	Unaudited as at 30.06.23 2023	2024	2025	2026	2027
Bank of England base rate (%) *(note A)*	Upside	**5.00**	**3.50**	**3.50**	**3.50**	**3.50**
	Central	**6.00**	**5.25**	**4.75**	**4.25**	**4.00**
	Downside	**7.25**	**4.00**	**2.00**	**2.00**	**2.00**
Unemployment (%) *(note A)*	Upside	**3.9**	**4.1**	**3.8**	**3.8**	**3.8**
	Central	**4.2**	**4.4**	**4.1**	**4.1**	**4.1**
	Downside	**6.3**	**8.2**	**7.0**	**6.6**	**6.0**
House price inflation (UK) (%) *(note B)*	Upside	**(1.7)**	**4.2**	**4.2**	**4.2**	**4.2**
	Central	**(7.0)**	**(4.0)**	**3.0**	**4.0**	**4.0**
	Downside	**(13.9)**	**(11.2)**	**5.0**	**4.0**	**4.0**
Commercial property price growth (%) *(note B)*	Upside	**0.0**	**2.0**	**2.0**	**2.0**	**2.0**
	Central	**(5.7)**	**(5.7)**	**(2.0)**	**1.0**	**1.0**
	Downside	**(11.2)**	**(11.2)**	**0.0**	**0.0**	**0.0**

Economic variables	Scenario	Unaudited as at 30.06.22 2022	2023	2024	2025	2026
Bank of England base rate (%) *(note A)*	Upside	2.00	1.75	1.75	1.75	1.75
	Central	2.50	2.25	1.75	1.75	1.75
	Downside	2.75	4.00	2.50	1.25	1.25
Unemployment (%) *(note A)*	Upside	4.0	4.0	4.0	4.0	4.0
	Central	4.1	4.1	4.1	4.1	4.1
	Downside	4.4	7.8	7.8	6.8	6.5
House price inflation (UK) (%) *(note B)*	Upside	5.0	4.2	4.2	4.2	4.2
	Central	4.0	2.0	3.3	4.1	4.0
	Downside	1.7	(15.1)	(7.0)	5.0	4.0
Commercial property price growth (%) *(note B)*	Upside	0.0	2.0	2.0	2.0	2.0
	Central	(5.7)	(4.8)	1.0	1.0	1.0
	Downside	(11.2)	(11.2)	0.0	0.0	0.0

Economic variables	Scenario	Audited as at 31.12.22 2023	2024	2025	2026	2027
Bank of England base rate (%) *(note A)*	Upside	3.50	3.50	3.50	3.50	3.50
	Central	4.25	3.75	3.25	3.25	3.25
	Downside	6.25	3.00	2.00	2.00	2.00
Unemployment (%) *(note A)*	Upside	3.9	4.1	3.8	3.8	3.8
	Central	4.2	4.8	4.1	4.1	4.1
	Downside	6.7	8.2	7.0	6.6	6.0
House price inflation (UK) (%) *(note B)*	Upside	2.0	4.2	4.2	4.2	4.2
	Central	(7.0)	(3.0)	3.0	4.0	4.0
	Downside	(15.1)	(11.2)	5.0	4.0	4.0
Commercial property price growth (%) *(note B)*	Upside	2.0	2.0	2.0	2.0	2.0
	Central	(8.7)	(4.5)	1.0	1.0	1.0
	Downside	(18.6)	(3.2)	0.0	0.0	0.0

Notes

A. The Bank of England base rates and unemployment rates represent positions as at 31 December each year. Unemployment is presented on an International Labour Organisation (ILO) basis.

B. House price inflation (HPI) and commercial property price growth represent annual growth rates each year. The Group's views for commercial property price growth are specific to the Group's own commercial portfolio and are not intended as views for the entire UK commercial property market. In addition to HPI/commercial property price growth, the Group's loan impairment calculations include a 'forced sale discount' reflecting the likely reduction in property price when selling a repossessed property; the forced sale discount is calculated at account level, considering the specific circumstances of each account and the property in question.

Notes to the Condensed Consolidated Financial Statements (continued)

1. Introduction (continued)

Economic variables (from reporting date to peak or trough over 5 year forecast period)	Scenario	Unaudited as at 30.06.23	Unaudited as at 30.06.22	Audited as at 31.12.22
Bank of England base rate (%) *(note A)*	Upside	**3.50 / 5.25**	0.75 / 2.00	3.50 / 3.50
	Central	**4.00 / 6.00**	0.75 / 2.50	3.25 / 4.25
	Downside	**2.00 / 7.25**	0.75 / 4.00	2.00 / 6.25
Unemployment (%) *(note B)*	Upside	**4.1**	4.0	4.1
	Central	**4.4**	4.1	4.9
	Downside	**9.0**	9.0	9.0
House price inflation (UK) (%) *(note C)*	Upside	**15.7 / (3.2)**	23.6 / 0.0	20.1 / 0.0
	Central	**2.7 / (10.7)**	18.7 / 0.0	0.6 / (9.8)
	Downside	**0.0 / (23.5)**	2.9 / (21.2)	0.0 / (24.6)
Commercial property price growth (%) *(note C)*	Upside	**8.2 / 0.0**	8.2 / 0.0	10.4 / 0.0
	Central	**0.0 / (12.8)**	0.0 / (10.2)	0.0 / (12.8)
	Downside	**0.0 / (21.2)**	0.0 / (21.2)	0.0 / (21.2)

Notes

A. The Bank of England base rate is shown as the lowest / highest rate over the 5 year forecast period.

B. Unemployment is shown as the highest rate over the 5 year forecast period. In the downside scenario for example, the peak is assumed to occur in Q3 2024, which is therefore higher than the year-end positions shown in the table on page 28.

C. House price inflation and commercial property price growth are shown as the largest cumulative growth / fall from 1 January 2023 (30 June 2022: from 1 January 2022; 31 December 2022: from 1 January 2023) over the 5 year forecast period.

The relative weightings assigned to each scenario have also been reviewed during the period taking into account the basis of each scenario and also the level of uncertainty over the economic outlook, both domestic and global. The Group's scenario weightings as at 30 June 2023 are 50% for the central scenario, 10% for the upside scenario and 40% for the downside scenario (30 June 2022: central scenario 50%, upside scenario 10%, downside scenario 40%; 31 December 2022: central scenario 50%, upside scenario 10%, downside scenario 40%).

Whilst actual loan cash flows and the level of losses realised are unaffected by IFRS 9's expected credit loss approach, the level of loan impairment accounted for by the Group under IFRS 9 can be volatile; this is due to the inherent uncertainty when incorporating forward-looking information. IFRS 9 impairment is expected to vary as expectations of economic conditions become either more pessimistic (which is likely to increase ECLs) or more optimistic (which is likely to reduce ECLs).

The estimation of credit exposures for risk management purposes is complex and requires the use of models, a number of inputs into which are sources of estimation and require the Group to apply judgement. Key sources of estimation and judgement the Group uses to measure credit risk include Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECLs are measured by multiplying together the PD, EAD and LGD, and are discounted using the loan's original effective interest rate. EAD is derived by adjusting the current outstanding loan amount for expected cashflows to the date of default. LGD is estimated on a discounted cash flow basis using the effective interest rate. The Group's LGD models consider factors including historical recovery rates and possible future property price changes.

Management assesses the performance of the Group's ECL estimation process by comparison of actual and expected model outputs; some component outputs are back-tested for lifetime outcomes and some component outputs are back-tested for 12 month outcomes. Additional assurance is gained from validation of the composite sub-models. The ECL calculation is subject to formal quarterly monitoring, with outputs reported to the Society's Model Governance Committee for review, challenge and approval. In addition, the ECL calculation and all sub-components are subject to regular first-line review and independent validation. Where necessary, post model adjustments (PMAs) are included within ECLs to reflect identified risks not captured in model outputs; each material PMA is subject to review and challenge by the Society's Loan Impairment Working Group, subject to approval by the Group Chief Financial Officer and subject to oversight by the Board Audit Committee.

1. Introduction (continued)

With respect to residential mortgages, the Group held PMAs as follows:

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Model risk in downturn scenario *(note A)*	**8.8**	1.8	7.3
Affordability *(note B)*	**2.9**	-	3.1
Flats subject to fire safety risks *(note C)*	**3.6**	0.9	3.0
COVID-19 payment deferrals *(note D)*	**-**	0.4	-
Other	**-**	-	(0.1)
	15.3	3.1	13.3

Notes

A. This PMA is held to address model risk in the downturn scenario where key assumptions are expected to behave differently in a recession; there is currently insufficient data available to establish, and thus to model, robust relationships for these assumptions. The PMA was derived by considering the reduction in redemption rates and reduction in cure rates (following default) as observed during the global financial crisis 2007-2008; these were applied to the model, on a judgement basis, to understand the impact to model outputs.

B. As discussed on page 26, UK economic conditions are currently volatile; even where unemployment is low, the cost of living crisis may impact the ability of the Group's borrowers to meet scheduled loan repayments. This PMA is therefore held to reflect the risks associated with the cost of living crisis as key economic assumptions may behave differently from the recent past, including the historical data used to build the Group's loan impairment models. With respect to the Society, high risk accounts are identified for this purpose by utilising the Society's new lending affordability assessment; loans are considered high risk if the current mortgage balance exceeds what the revised maximum loan amount would be. For those high risk accounts currently in Stage 1 (12-month ECLs), the PMA is applied such that lifetime losses are held. For those high risk accounts currently in Stage 2 (lifetime ECLs), the PMA at 31 December 2022 included an adjustment to reflect the estimated increase in probability of default (PD); this adjustment is no longer considered necessary and thus not included in the PMA held at 30 June 2023. With respect to other Group entities, high risk accounts are identified for this purpose where the borrower's interest rate is forecast to increase by more than a certain threshold; thresholds are based on the median forecast interest rate increase for the relevant portfolio and / or the interest rate applied within the Group entity's new lending affordability assessment. For accounts identified as high risk, a PMA is held to reflect the impact of applying a Stage 2 PD to the account.

C. This PMA is held to reflect the risks associated with flats subject to fire safety risks such as unsuitable cladding. Due to limited available data to identify affected properties individually, an assumption is made, in line with UK market exposure estimates, regarding the affected proportion of flats in the Group's residential portfolio; assumptions relating to property values have also been applied.

D. In accordance with regulatory guidance, payment deferrals granted during 2020 and 2021 in response to COVID-19 were not automatically recorded as forbearance cases and did not automatically impact the reported staging of loans except where credit risk was judged to have significantly increased since the loan was initially recognised. PMAs were therefore held to reflect the risks associated with COVID-19 payment deferrals where underlying data was yet to be observed that may support migration of some loans to Stage 2.

1. Introduction (continued)

To give an indication of the sensitivity of ECLs to different economic scenarios, the tables below show what the ECL would be if a 100% weighting is applied to each scenario. The tables also show for each scenario what percentage share of gross loan balances would be held in each of Stage 1 and Stage 2.

Unaudited as at 30.06.23	**Scenario weighting**				**Share of gross balances**	
	Upside %	**Central %**	**Downside %**	**ECL £m**	**Stage 1 %**	**Stage 2 %**
Residential:						
Actual probability weighted ECL	**10**	**50**	**40**	**41.5**	**77.9**	**21.9**
100% upside	**100**	**-**	**-**	**9.0**	**96.2**	**3.6**
100% central	**-**	**100**	**-**	**19.5**	**88.8**	**11.0**
100% downside	**-**	**-**	**100**	**80.7**	**59.2**	**40.6**
Commercial:						
Actual probability weighted ECL	**10**	**50**	**40**	**9.5**	**69.4**	**25.5**
100% upside *(note A)*	**100**	**-**	**-**	**7.0**	**69.4**	**25.5**
100% central *(note A)*	**-**	**100**	**-**	**8.4**	**69.4**	**25.5**
100% downside *(note A)*	**-**	**-**	**100**	**11.5**	**69.4**	**25.5**

Unaudited as at 30.06.22	Scenario weighting				Share of gross balances	
	Upside %	Central %	Downside %	ECL £m	Stage 1 %	Stage 2 %
Residential:						
Actual probability weighted ECL	10	50	40	9.9	96.4	3.3
100% upside	100	-	-	3.9	97.3	2.4
100% central	-	100	-	4.4	97.2	2.5
100% downside	-	-	100	23.6	82.5	17.2
Commercial:						
Actual probability weighted ECL	10	50	40	13.6	16.0	75.1
100% upside *(note A)*	100	-	-	4.1	16.0	75.1
100% central *(note A)*	-	100	-	8.9	16.0	75.1
100% downside *(note A)*	-	-	100	21.8	16.0	75.1

Audited as at 31.12.22	Scenario weighting				Share of gross balances	
	Upside %	Central %	Downside %	ECL £m	Stage 1 %	Stage 2 %
Residential:						
Actual probability weighted ECL	10	50	40	32.5	82.4	17.3
100% upside	100	-	-	6.3	95.5	4.3
100% central	-	100	-	13.2	92.1	7.6
100% downside	-	-	100	71.9	62.6	37.2
Commercial:						
Actual probability weighted ECL	10	50	40	9.9	66.2	29.4
100% upside *(note A)*	100	-	-	5.9	66.2	29.4
100% central *(note A)*	-	100	-	7.9	66.2	29.4
100% downside *(note A)*	-	-	100	13.4	66.2	29.4

Note

A. For the Commercial portfolio, the staging of balances is driven by arrears, watchlist cases and sector factors; it does not therefore vary according to scenario weightings.

For the purposes of calculating each scenario's 100% weighted ECL, each loan is allocated to a stage by considering only that scenario. For the purposes of the actual probability-weighted ECL, each loan's stage allocation is based on a weighted average PD (that takes account of all scenarios) and this stage allocation is held constant across the scenarios; a probability-weighted 12 month or lifetime ECL (which also takes account of all scenarios) is then calculated for each loan based on that stage allocation.

1. Introduction (continued)

The tables below outline the impact on the impairment loss allowance for the residential and commercial loan portfolios of possible alternative assumptions of certain estimates used in calculating the ECLs. Each sensitivity shown considers one change in isolation and the combined impact on the impairment loss allowance of more than one sensitivity occurring would not necessarily be the sum of the impact of the individual sensitivities. Similarly, the impacts of each sensitivity should not be extrapolated due to the likely non-linear effects.

Residential

Assumption	Change to current assumption	Increase / (decrease) in impairment loss allowance		
		Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Downside scenario weighting *(note A)*	Absolute increase of 10%	**6.3**	1.5	7.2
Significant increase in credit risk criteria *(note B)*	Relative reduction by 25%	**7.6**	0.9	7.0
Future house price inflation *(note C)*	+ / - 0.5% pa	**(2.5) / 2.9**	(0.5) / 0.5	(2.0) / 2.3
Unemployment *(note D)*	+ / - 0.5% pa	**7.2 / (5.8)**	0.7 / (0.5)	5.3 / (4.0)

Notes

A. This sensitivity shows the impact of an increase of 10% to the probability weighting assigned to the downside scenario, from 40% to 50% (30 June 2022: from 40% to 50%; 31 December 2022: from 40% to 50%), with a relative decrease to the probability weighting assigned to each of the central and upside scenarios.

B. As outlined on pages 25 and 26, the assessment of whether credit risk has significantly increased since initial recognition includes the degree by which the remaining lifetime PD at the reporting date has increased compared to initial estimates. This sensitivity shows the impact of simultaneously reducing each multiplier threshold by 25%.

C. This sensitivity shows the impact if annual house price inflation in each future year was 0.5% higher / lower than the assumptions applied by the Group.

D. This sensitivity shows the impact if unemployment rates in each future year were 0.5% higher / lower than the assumptions applied by the Group.

Commercial

For commercial mortgages, management judges that credit risk has significantly increased when an account is placed on a watchlist or is in arrears of at least 50% of the contractual monthly payment.

Assumption	Change to current assumption	Increase / (decrease) in impairment loss allowance		
		Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Downside scenario weighting *(note A)*	Absolute increase of 10%	**0.3**	1.4	0.6
Significant increase in credit risk criteria *(note B)*	5% of Stage 1 balances added to watchlist	**1.2**	0.1	1.0
Significant increase in credit risk criteria *(note B)*	5% of Stage 2 balances removed from watchlist	**(0.4)**	(0.5)	(0.4)
Future commercial property price growth	+ / - 0.5% pa	**(0.1) / 0.1**	(0.3) / 0.3	(0.1) / 0.1

Notes

A. This sensitivity shows the impact of an increase of 10% to the probability weighting assigned to the downside scenario, from 40% to 50% (30 June 2022: from 40% to 50%; 31 December 2022: from 40% to 50%), with a relative decrease to the probability weighting assigned to each of the central and upside scenarios.

B. The assessment of whether credit risk has significantly increased since initial recognition is based on accounts being placed on a watchlist or being in arrears of at least 50% of the contractual monthly payment. These sensitivities show the impact of management identifying an additional 5% of Stage 1 gross loan balances to be placed on a watchlist and, separately, the impact of management identifying 5% of Stage 2 gross loan balances to remove from the watchlist. For each period presented, the impact has been estimated by reference to the average ECL coverage ratios by stage for the commercial loan portfolio as at the relevant period end.

1. Introduction (continued)

Impairment of treasury assets

The Group incorporates forward-looking information into its ECL assessment for treasury assets. In addition to the central scenario, the Group also considers the impact of an extreme economic downturn such as a two-notch downgrade on the entire portfolio. At 30 June 2023, the relative weightings assigned to each scenario were 95% for the central scenario and 5% for the downside scenario (30 June 2022: central scenario 95%, downside scenario 5%; 31 December 2022: central scenario 95%, downside scenario 5%).

Valuation of equity release portfolio

The valuation of the equity release portfolio relies on the calculation of future cash flows. The size and timing of these can vary depending on a number of different factors. These factors include future expected house prices, future expected inflation, mortality rates, anticipated redemption profiles (arising due to voluntary redemption, death or a move to long-term care) and market driven yield curves.

Some of the factors are based on market expectations (e.g. market-implied RPI swap prices are used to construct a forward-looking inflation curve in order to forecast future expected cash flows receivable from the portfolio), whilst others are derived from historical trends on the portfolio (e.g. anticipated future voluntary redemptions). However, where market prices are not available and historical trends are not deemed to be appropriate the Group uses management judgement; this is the case for future house price index (HPI) growth and property price volatility. Management has reviewed these expectations during the first half of the year with due consideration to the uncertainties in the current economic environment.

The expectations of the economic inputs that require management judgement are in line with the economic environment that forms the central scenario as outlined on page 26. As at 30 June 2023, the fair value of the equity release portfolio was £265.6m (30 June 2022: £348.0m; 31 December 2022: £278.7m); further detail on the movements in the portfolio in the period can be found in Note 11.

The following table outlines the impact of reasonably possible alternative assumptions of key inputs which rely on management judgement and are not market observable.

Assumption	Change to current assumption	(Decrease) / increase in fair value of portfolio		
		Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Redemption rates	+ / - 1% pa	**(0.0) / 0.0**	(5.4) / 6.0	(0.5) / 0.8
Illiquidity premia	+ / - 0.2%	**(4.4) / 4.5**	(7.1) / 7.4	(5.0) / 5.1
HPI forecast	+ / - 0.5% pa	**4.8 / (5.1)**	6.1 / (6.7)	5.3 / (5.6)
Property volatility	+ / - 1%	**(2.7) / 2.7**	(3.9) / 3.8	(2.9) / 2.9
RPI volatility	+ / - 0.5% pa	**(1.3) / 1.0**	(2.5) / 2.2	(1.2) / 1.0

For each of the above sensitivities there would be a corresponding charge / credit to the Income Statement, within the line 'Fair value gains on financial instruments mandatorily held at FVTPL', arising from the decrease / increase in the fair value of the portfolio.

The sensitivities are calculated by comparing the fair value of the portfolio, as reported within the Statement of Financial Position, to the value of the portfolio at the reporting date when each input is adjusted as listed above, as per the valuation model. Each sensitivity shown considers one change in isolation and the combined impact on the valuation of the portfolio of all sensitivities occurring would not necessarily be the sum of the impact of the individual sensitivities.

Scenario analysis has been undertaken to identify the impact of climate-related risks on the Group's equity release portfolio. This included assessing the potential impact of alternative paths for the key inputs of the HPI forecast and yield curves. The future impact of climate-related risks on the Group's equity release portfolio is uncertain, and the Group will continue to monitor developments in future periods.

The Group holds derivative financial instruments to hedge the movements in the equity release portfolio, which offsets to some extent movements in the valuation of the portfolio, further details of which are found below.

1. Introduction (continued)

Derivative financial instruments

The Group holds derivatives which are used to hedge the Group's interest rate risk and inflation risk arising from the equity release portfolio. These derivatives are valued using discounted cash flow models using market observable benchmark rates consistent with accepted market methodologies for pricing financial instruments and, as the notional values of the derivatives are intended to match the balance of the underlying mortgage assets, also include estimated redemption profiles (arising where a customer voluntarily prepays, moves permanently into long-term care or has died) that are based on historical data (reviewed periodically against actuals) and published mortality tables. These redemption profiles are not market observable; an element of management judgement is therefore applied based on historical performance of redemptions.

In order to value these derivatives, the Group uses market-implied RPI swap prices to construct a forward looking inflation curve to forecast future expected cash flows relating to these derivatives. The model used to value the derivatives incorporates multiple scenarios for RPI in order to take account of the uncertainty and volatility of future RPI rates. The range of multiple scenarios used is based on management judgement and so is not market observable. The Group has robust control procedures in place regarding the inputs to the valuation that are based on management judgement.

The effect on the fair value of these derivatives of reasonably possible alternative assumptions is outlined below.

Assumption	Change to current assumption	(Decrease) / increase in liability		
		Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Redemption rates *(note A)*	+ / - 1% pa	**(2.1) / 2.3**	(5.9) / 6.5	(2.6) / 2.9
RPI volatility *(note A)*	+ / - 0.5% pa	**(3.0) / 2.7**	(4.4) / 4.0	(3.1) / 2.6

Note

A. There would be a corresponding credit / charge to the Income Statement within the line 'Fair value gains on financial instruments mandatorily held at FVTPL', arising from the decrease / increase in the fair value of the derivative liabilities.

Any change in fair value of the derivative liabilities is offset to some extent by a corresponding but opposite change in the value of the equity release portfolio. The characteristics and the valuation requirements differ slightly between the derivatives and the equity release portfolio resulting in the changes in fair value not offsetting completely.

Goodwill

The carrying value of goodwill is assessed against value in use calculations. The key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. These assumptions are reviewed on a regular basis, at least at every reporting date, by senior management.

As noted on page 10, the Group's reportable segments have been revised with effect from 1 January 2023. Previously, the Group's reportable segments were assessed and presented on a divisional basis. The Group's reportable segments are now assessed and presented at the operating entity level and goodwill held by the Group is allocated accordingly; when testing goodwill held by the Group for impairment at the consolidated level, amounts relating to cash generating units (CGUs) within the Connells business are therefore aggregated.

The forecasted cash flows of the CGUs are based on the latest detailed five year corporate plans available and are sensitive to, inter alia, assumptions regarding the long-term growth pattern thereafter. The cash flows reflect management's view of future business prospects at the time of the assessment which reflect the most recent view of key economic indicators as well as wider prevailing circumstances. The key drivers of these cash flows are set out in Note 21 to the 2022 Annual Report and Accounts.

The discount rate used to discount the future expected cash flows is based on the cost of capital assigned to each reportable segment for which goodwill has been allocated and can have a significant effect on the underlying valuation. The cost of capital is derived from a weighted average cost of capital calculation which incorporates a number of inputs including the risk-free interest rate and a premium to reflect the inherent risk of the business being evaluated. These variables are subject to fluctuations in external markets and economic conditions which are out of management's control and therefore are established on the basis of management judgement.

Profit and cash flow forecasts are subject to inherent uncertainties, such as the impacts of physical and transition risks of climate change on the creditworthiness of borrowers, asset values, and other indirect effects including the erosion of the Group's competitiveness, profitability, or reputation.

With respect to goodwill held by the Group, management's assessment as at 30 June 2023 indicates that headroom is significant for all components; no reasonably possible alternative assumptions relating to any of the key inputs would result in impairment.

1. Introduction (continued)

The Group estimates discount rates based upon the weighted average cost of capital which is adjusted to take account of the market risks associated with each CGU. The pre-tax discount rates are as follows:

Component of goodwill	**Unaudited as at 30.06.23 %**	Unaudited as at 30.06.22 %	Audited as at 31.12.22 %
Connells	**17**	15	18
Other	**12 - 13**	11 - 12	12 - 13

Other intangible assets

Other intangible assets such as computer software, databases, brands and customer contracts are regularly reviewed for indicators of impairment. Brands, which are regarded to have an indefinite life and are therefore not amortised, are tested for impairment at the end of each reporting period (or when there is an indication of impairment), using a similar methodology as described for goodwill above.

Where brands exist, the impairment test compares the carrying amount of the CGU (which comprises the CGU's net assets, plus any brands relating to that CGU and any goodwill allocated to that CGU) against its recoverable amount. Recoverable amount is determined as the higher of its fair value less costs to sell and its value in use.

As described above, the key assumptions for the value in use calculations are those regarding cash flows, discount rates and growth rates. These assumptions are reviewed on a regular basis, at least at every reporting date, by senior management and further detail is provided above.

Other intangible assets, which are regarded to have a finite life, are tested for impairment whenever there is an indication that the intangible asset may be impaired.

As at 30 June 2023 no impairment is held against other intangible assets (30 June 2022: no impairment; 31 December 2022: no impairment).

Equity share investments designated at FVOCI

The Group holds an equity share investment in a start-up bank, Commercial and Northern Limited (formerly Bank North Limited) ('Bank North'), which is held at fair value in the Group's Statement of Financial Position. In accordance with the Group's accounting policies, this fair value is based on latest available information that includes the ongoing and expected future trading performance of Bank North and also its capital issuances. Bank North formally entered liquidation in early 2023; at 30 June 2023 the Group's investment in Bank North is therefore held at a fair value of £nil (30 June 2022: £9.4m; 31 December 2022: £nil).

In accordance with accounting standards, fair value movements on this equity share investment, which is designated at FVOCI, are recognised within other comprehensive income through the fair value reserve.

d) Going concern

The Group's business activities together with its financial position, capital resources and the factors likely to affect its future development and performance are set out in the Business Review on pages 5 to 17.

In common with many financial institutions, the Group meets its day-to-day liquidity requirements through managing both its retail and wholesale funding sources, and is required to maintain sufficient buffers over regulatory liquidity and capital requirements in order to continue to be authorised to carry on its business. In assessing the Group's going concern status the Directors also consider risks from business activities, market changes and economic factors, such as the significant uncertainties arising from current inflationary pressures, which may affect future performance and financial position, together with the implication of principal risks including business risk and operational resilience. Updates to these principal risks can be found in the 'Principal risks and uncertainties' section of the Business Review.

The Group's forecasts and objectives, taking into account a number of potential changes in trading performance and funding retention, show that the Group should be able to operate at adequate levels of both liquidity and capital for the foreseeable future. Consequently, after reviewing the Group's latest forecasts and the updated key risks it faces, the Directors are satisfied that there are no material uncertainties that may cast significant doubt over the Group's ability to continue as a going concern for the foreseeable future, a period of at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing the half-yearly financial report.

The Directors' Report in the 2022 Annual Report and Accounts included a statement of longer term viability, which stated that the Directors had a reasonable expectation that the Group would be able to continue in operation until at least the end of 2027. Having considered various options, the Directors determined that a five year period is an appropriate period for the purposes of the Group's viability statement; this period reflects the Group's five year corporate planning horizon over which the prospects of the Group and the principal risks threatening these prospects are assessed, and also the period over which associated stress testing is performed.

2. Other information

The half-yearly financial information set out in this announcement is unaudited and does not constitute statutory accounts within the meaning of section 81A of the Building Societies Act 1986 (the Act).

The financial information in respect of the year ended 31 December 2022 has been extracted from the audited 2022 Annual Report and Accounts, which have been filed with the Financial Conduct Authority.

The Independent Auditor's Report on the 2022 Annual Report and Accounts was unqualified and it did not draw attention to any matters by way of emphasis nor contain any statement under section 79(6) of the Act.

A copy of this half-yearly financial report has been placed on the website of Skipton Building Society. The Directors are responsible for the maintenance and integrity of information on the Society's website. Copies of the 2022 Annual Report and Accounts and this half-yearly financial report are available at www.skipton.co.uk/about-us/financial-results.

Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The half-yearly financial report for the six months ended 30 June 2023 was approved by the Board of Directors on 1 August 2023.

3. Interest receivable and similar income

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
On financial assets held at amortised cost:			
On loans fully secured on residential property	**376.7**	271.3	575.5
On other loans and advances	**11.3**	5.5	13.7
On other liquid assets	**78.1**	11.0	53.4
	466.1	287.8	642.6
On financial assets held at FVOCI:			
On debt securities	**43.4**	10.7	34.2
On financial instruments held at FVTPL:			
Net income on derivative financial instruments held to hedge assets in qualifying hedge accounting relationships	**260.8**	9.1	129.9
Interest receivable accounted for using effective interest rate method	**770.3**	307.6	806.7
On financial instruments held at FVTPL:			
On loans and advances to customers	**-**	-	0.1
On equity release portfolio	**11.4**	11.0	22.7
Net income / (expense) on derivative financial instruments held to hedge assets in non-qualifying hedge accounting relationships	**3.9**	(6.4)	(7.0)
Other interest and similar income	**15.3**	4.6	15.8
	785.6	312.2	822.5

4. Interest payable and similar charges

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
On financial liabilities held at amortised cost:			
On shares held by individuals	**273.1**	76.4	225.9
On shares held by others	**1.6**	0.4	1.1
On subscribed capital	**2.2**	2.2	4.5
On deposits and other borrowings:			
Subordinated liabilities	**7.7**	3.6	7.3
Wholesale and other funding	**153.4**	26.9	109.4
Lease liabilities	**1.0**	1.0	2.1
	439.0	110.5	350.3
On financial instruments held at FVTPL:			
Net expense on derivative financial instruments held to hedge liabilities	**69.1**	7.4	47.8
Finance credit on put option liability	**(0.2)**	-	-
	507.9	117.9	398.1

5. Fees and commissions receivable

The tables below provide information regarding the nature, amount and timing of fees and commissions receivable.

Unaudited 6 months to 30.06.23	**Products and services transferred at a point in time £m**	**Products and services transferred over time £m**	**Total £m**
Mortgage origination fees	**31.2**	**11.1**	**42.3**
Other mortgage related fees	**1.2**	**-**	**1.2**
General insurance income	**35.5**	**0.5**	**36.0**
Commissions earned on property sales	**121.8**	**-**	**121.8**
Commissions earned on property lettings	**54.6**	**57.1**	**111.7**
Commercial property services fees	**21.2**	**19.6**	**40.8**
Survey and valuation fees	**48.4**	**-**	**48.4**
Asset management commission	**6.9**	**0.1**	**7.0**
Conveyancing fees	**25.3**	**-**	**25.3**
Financial advice fees	**16.8**	**-**	**16.8**
Software and consultancy fees	**-**	**10.3**	**10.3**
Factoring and invoice discounting services	**6.7**	**-**	**6.7**
Other fees and commissions	**6.1**	**0.3**	**6.4**
	375.7	**99.0**	**474.7**

5. Fees and commissions receivable (continued)

Unaudited 6 months to 30.06.22	Products and services transferred at a point in time £m	Products and services transferred over time £m	Total £m
Mortgage origination fees	43.4	6.8	50.2
Other mortgage related fees	1.5	-	1.5
General insurance income	36.5	0.4	36.9
Commissions earned on property sales	157.5	-	157.5
Commissions earned on property lettings	101.5	-	101.5
Commercial property services fees	22.5	21.3	43.8
Survey and valuation fees	74.5	-	74.5
Asset management commission	6.0	0.1	6.1
Conveyancing fees	29.7	-	29.7
Financial advice fees	17.0	-	17.0
Software and consultancy fees	-	9.1	9.1
Factoring and invoice discounting services	6.0	-	6.0
Other fees and commissions	5.3	0.3	5.6
	501.4	38.0	539.4

Audited 12 months to 31.12.22	Products and services transferred at a point in time £m	Products and services transferred over time £m	Total £m
Mortgage origination fees	82.3	19.3	101.6
Other mortgage related fees	3.2	-	3.2
General insurance income	69.8	0.8	70.6
Commissions earned on property sales	329.1	-	329.1
Commissions earned on property lettings	97.7	113.1	210.8
Commercial property services fees	44.0	43.4	87.4
Survey and valuation fees	135.4	-	135.4
Asset management commission	8.1	4.2	12.3
Conveyancing fees	62.7	-	62.7
Financial advice fees	32.6	-	32.6
Software and consultancy fees	-	19.3	19.3
Factoring and invoice discounting services	12.9	-	12.9
Other fees and commissions	14.2	0.5	14.7
	892.0	200.6	1,092.6

5. Fees and commissions receivable (continued)

The tables below provide a reconciliation of fees and commissions receivable by the Group to the amounts presented by reportable segment in Note 20. As detailed in Note 20, the Group's reportable segments have been revised with effect from 1 January 2023; the comparative information shown in the tables below for the six months ended 30 June 2022 and for the year ended 31 December 2022 is restated accordingly.

Unaudited 6 months to 30.06.23	**Society £m**	**SIL £m**	**Connells £m**	**Other^ £m**	**Total £m**
Mortgage origination fees	-	-	43.1	(0.8)	**42.3**
Other mortgage related fees	1.1	0.1	-	-	**1.2**
General insurance income	0.5	-	35.5	-	**36.0**
Commissions earned on property sales	-	-	121.8	-	**121.8**
Commissions earned on property lettings	-	-	111.7	-	**111.7**
Commercial property services fees	-	-	40.8	-	**40.8**
Survey and valuation fees	-	-	53.2	(4.8)	**48.4**
Asset management commission	-	-	7.0	-	**7.0**
Conveyancing fees	-	-	25.6	(0.3)	**25.3**
Financial advice fees	16.4	-	-	0.4	**16.8**
Software and consultancy fees	-	-	-	10.3	**10.3**
Factoring and invoice discounting services	-	-	-	6.7	**6.7**
Other fees and commissions	-	0.1	6.3	-	**6.4**
Fees and commissions receivable	**18.0**	**0.2**	**445.0**	**11.5**	**474.7**
Fees and commissions payable and other income	2.9	-	(1.1)	(3.2)	**(1.4)**
Net non-interest income	**20.9**	**0.2**	**443.9**	**8.3**	**473.3**

^ As noted on page 10 the 'Other' category comprises segments that are not separately reportable, together with the impact of Group consolidation adjustments. The Other category therefore includes amounts relating to all Group entities except for the Society, SIL and Connells. Amounts relating to Group consolidation adjustments include the elimination of intra-group transactions such as intercompany fees.

Unaudited 6 months to 30.06.22 (restated*)	Society £m	SIL £m	Connells £m	Other £m	Total £m
Mortgage origination fees	-	-	50.2	-	50.2
Other mortgage related fees	1.4	0.1	-	-	1.5
General insurance income	0.4	-	36.5	-	36.9
Commissions earned on property sales	-	-	157.5	-	157.5
Commissions earned on property lettings	-	-	101.5	-	101.5
Commercial property services fees	-	-	43.8	-	43.8
Survey and valuation fees	-	-	74.5	-	74.5
Asset management commission	-	-	6.1	-	6.1
Conveyancing fees	-	-	29.7	-	29.7
Financial advice fees	16.4	-	-	0.6	17.0
Software and consultancy fees	-	-	-	9.1	9.1
Factoring and invoice discounting services	-	-	-	6.0	6.0
Other fees and commissions	0.2	0.1	5.5	(0.2)	5.6
Fees and commissions receivable	18.4	0.2	505.3	15.5	539.4
Fees and commissions payable and other income	3.8	-	(0.9)	(8.0)	(5.1)
Net non-interest income	22.2	0.2	504.4	7.5	534.3

* As noted on page 10, the information shown above for the six months ended 30 June 2022 is restated to reflect the revision of reportable segments. The Group's reportable segments are now assessed and presented at the operating entity level; information is no longer presented on a divisional basis. The impacts of this change are presentational only and there is no impact on total Group amounts reported for the six months ended 30 June 2022.

5. Fees and commissions receivable (continued)

Audited 12 months to 31.12.22 (restated*)	Society £m	SIL £m	Connells £m	Other £m	Total £m
Mortgage origination fees	-	-	101.6	-	101.6
Other mortgage related fees	3.0	0.3	-	(0.1)	3.2
General insurance income	0.8	-	69.8	-	70.6
Commissions earned on property sales	-	-	329.1	-	329.1
Commissions earned on property lettings	-	-	210.8	-	210.8
Commercial property services fees	-	-	87.4	-	87.4
Survey and valuation fees	-	-	135.4	-	135.4
Asset management commission	-	-	12.3	-	12.3
Conveyancing fees	-	-	62.7	-	62.7
Financial advice fees	31.6	-	-	1.0	32.6
Software and consultancy fees	-	-	-	19.3	19.3
Factoring and invoice discounting services	-	-	-	12.9	12.9
Other fees and commissions	0.2	-	14.5	-	14.7
Fees and commissions receivable	35.6	0.3	1,023.6	33.1	1,092.6
Fees and commissions payable and other income	7.0	-	(2.5)	(16.7)	(12.2)
Net non-interest income	42.6	0.3	1,021.1	16.4	1,080.4

* As noted on page 10, the information shown above for the year ended 31 December 2022 is restated to reflect the revision of reportable segments. The Group's reportable segments are now assessed and presented at the operating entity level; information is no longer presented on a divisional basis. The impacts of this change are presentational only and there is no impact on total Group amounts reported for the year ended 31 December 2022. These restatements are unaudited for the purposes of this half-yearly financial report.

6. Other operating income and expenses

a) Fair value gains on financial instruments mandatorily held at FVTPL

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Hedging instruments and hedged items	**(1.8)**	0.1	(0.7)
Derivatives associated with equity release portfolio (Note 11)	**14.1**	73.0	122.5
Equity release portfolio (Note 11)	**(17.3)**	(61.5)	(132.3)
Share warrants	**8.3**	(0.8)	12.1
Put options held by minority shareholders	**0.1**	0.3	0.2
Equity share investments	**-**	0.7	(0.5)
	3.4	11.8	1.3

b) Other income

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Share of profits from joint ventures	**0.5**	0.4	1.4
Other	**1.2**	1.8	2.5
	1.7	2.2	3.9

6. Other operating income and expenses (continued)

c) Administrative expenses

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Employee costs:			
Wages and salaries	**338.9**	345.6	695.5
Social security costs	**34.7**	36.6	75.8
Pension costs:			
Defined contribution arrangements	**13.1**	12.8	26.2
	386.7	395.0	797.5
Other administrative expenses	**209.0**	186.4	391.0
	595.7	581.4	1,188.5

7. Impairment on loans and advances to customers

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Charge / (credit) during the period:			
Loans fully secured on residential property	**9.6**	(0.8)	21.8
Loans fully secured on land	**(0.4)**	(1.5)	(5.0)
Other loans and advances	**0.1**	0.1	0.3
	9.3	(2.2)	17.1

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Expected credit loss (ECL) allowance at end of period (see Note 10):			
Loans fully secured on residential property	**41.5**	9.9	32.5
Loans fully secured on land	**9.5**	13.6	9.9
Other loans and advances	**1.1**	1.1	1.2
	52.1	24.6	43.6

8. Taxation

The tax expense for the period, summarised below, has been calculated by applying individual tax rates for each tax jurisdiction based on the estimated average annual tax rate, by jurisdiction, to estimated taxable profits for the period:

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Current tax expense	**34.0**	35.8	54.7
Deferred tax expense	**2.2**	0.4	13.1
Total tax expense	**36.2**	36.2	67.8

The Group's effective tax rate for the period was 24.4% (six months ended 30 June 2022: 22.7%; year ended 31 December 2022: 22.8%), which differs from the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The effective tax rate is impacted by disallowable expenditure, non-taxable income and the lower tax rate in Guernsey which applies to the taxable profits of Skipton International Limited. Further, the Society's annual profits above £100m are subject to a 3% banking companies surcharge.

The banking companies surcharge rate reduced from 8% to 3% with effect from 1 April 2023, whilst the level of taxable profits above which the surcharge applies increased from £25m pa to £100m pa from the same date.

9. Debt securities

Movements in debt securities during the period are summarised as follows:

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
At 1 January	**2,640.3**	2,193.2	2,193.2
Additions	**1,087.5**	1,140.1	1,995.5
Maturities and disposals	**(774.7)**	(370.3)	(1,447.2)
Changes in fair value	**(14.4)**	(58.0)	(100.7)
Other	**0.3**	(0.1)	(0.5)
At end of period	**2,939.0**	2,904.9	2,640.3

All debt securities are held at FVOCI. Impairment loss allowances on debt securities held at FVOCI are charged to the Income Statement but, in line with the requirements of IFRS 9, do not reduce the carrying value of the assets; instead the loss allowance is recognised through other comprehensive income. The amount of impairment loss allowance credited to the Income Statement in respect of debt securities held at FVOCI, measured on an ECL basis, for the six months ended 30 June 2023 was £0.1m (six months ended 30 June 2022: £0.1m charge; year ended 31 December 2022: £nil charge).

10. Loans and advances to customers held at amortised cost

Unaudited as at 30.06.23	**Gross carrying amount £m**	**ECL allowance (Note 7) £m**	**Fair value adjustment for hedged risk £m**	**Carrying amount £m**	**%**
Loans fully secured on residential property *(note A)*	**26,819.0**	**(41.5)**	**(1,271.4)**	**25,506.1**	**98.7**
Loans fully secured on land *(note B)*	**148.2**	**(9.5)**	**-**	**138.7**	**0.5**
Other lending:					
Debt factoring advances	**160.8**	**(1.1)**	**-**	**159.7**	**0.6**
Other loans *(note C)*	**54.8**	**-**	**-**	**54.8**	**0.2**
	27,182.8	**(52.1)**	**(1,271.4)**	**25,859.3**	**100.0**

Notes

A. Also known as residential mortgages.
B. Also known as commercial loans.
C. Includes certain advances made to residential mortgage customers in Guernsey and Jersey by Skipton International Limited; these advances are secured on shares in a property management company which owns the building in which the properties are located.

Unaudited as at 30.06.22	Gross carrying amount £m	ECL allowance (Note 7) £m	Fair value adjustment for hedged risk £m	Carrying amount £m	%
Loans fully secured on residential property	23,585.8	(9.9)	(581.6)	22,994.3	98.4
Loans fully secured on land	178.1	(13.6)	-	164.5	0.7
Other lending:					
Debt factoring advances	138.3	(1.1)	-	137.2	0.6
Other loans	59.0	-	-	59.0	0.3
	23,961.2	(24.6)	(581.6)	23,355.0	100.0

Audited as at 31.12.22	Gross carrying amount £m	ECL allowance (Note 7) £m	Fair value adjustment for hedged risk £m	Carrying amount £m	%
Loans fully secured on residential property	25,097.3	(32.5)	(966.8)	24,098.0	98.6
Loans fully secured on land	159.3	(9.9)	-	149.4	0.6
Other lending:					
Debt factoring advances	150.6	(1.2)	-	149.4	0.6
Other loans	55.5	-	-	55.5	0.2
	25,462.7	(43.6)	(966.8)	24,452.3	100.0

10. Loans and advances to customers held at amortised cost (continued)

a) Residential mortgages

The majority of loans and advances to customers are secured on UK residential properties and are geographically diverse. The Group's portfolio of loans fully secured on residential properties includes lending by the Society and by Skipton International Limited (which lends in the Channel Islands and in the UK). It also includes the specialist mortgage books previously held by Amber Homeloans Limited and North Yorkshire Mortgages Limited (both closed to new lending since 2008); the assets and activities of these entities were hived-up into the Society with effect from 1 June 2021. The Group's credit risk appetite explicitly considers geographical regions in order to manage concentration risk.

Scenario analysis has been undertaken to identify the impact of climate-related risks on the Group's credit risk management. This includes assessing the residential lending portfolio at property level to determine the potential impact of key climate-related physical and transitional risks. The future impact of climate-related risks on the Group's credit risk profile is uncertain, and the Group will continue to monitor developments in future periods.

At 30 June 2023 the average indexed loan-to-value (LTV) of Group residential mortgages on a valuation-weighted basis (calculated as the total outstanding balance divided by the total value of collateral held) is 43.4% (30 June 2022: 41.6%; 31 December 2022: 40.9%).

The tables below provide information on movements in the gross carrying amount of residential loans and advances to customers during the period. The amounts shown represent movements in the gross carrying amount between each reporting period end and not the balance as at the date of the movement, therefore the net movement of transfers to Stage 1, £(24.2)m, and Stage 2, £(72.7)m, due to changes in credit risk represents the repayments in the period. As shown in the table below, Stage 2 balances have increased during the period ended 30 June 2023; this is principally due to the impact of changes to the Group's forward-looking economic assumptions (as discussed on pages 26 to 32).

Unaudited as at 30.06.23	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Gross carrying amount as at 1 January 2023	**20,685.8**	**4,351.4**	**60.1**	**25,097.3**
Transfers due to changes in credit risk:				
To Stage 1	865.8	(889.9)	(0.1)	**(24.2)**
To Stage 2	(2,754.6)	2,689.9	(8.0)	**(72.7)**
To Stage 3	(1.4)	(11.2)	12.6	**-**
Modification of contractual cashflows	(13.4)	6.5	4.0	**(2.9)**
Increases due to origination	3,336.7	34.9	-	**3,371.6**
Decrease due to derecognition and repayments	(1,227.5)	(316.6)	(5.3)	**(1,549.4)**
Write-offs	-	(1.0)	(1.9)	**(2.9)**
Other movements	-	2.1	0.1	**2.2**
Gross carrying amount as at 30 June 2023	**20,891.4**	**5,866.1**	**61.5**	**26,819.0**

Unaudited as at 30.06.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 January 2022	22,326.2	458.9	70.1	22,855.2
Transfers due to changes in credit risk:				
To Stage 1	106.4	(109.4)	(0.1)	(3.1)
To Stage 2	(286.3)	287.8	(9.1)	(7.6)
To Stage 3	(2.7)	(6.6)	8.9	(0.4)
Modification of contractual cashflows	(12.6)	6.9	2.9	(2.8)
Increases due to origination	2,655.5	1.5	-	2,657.0
Decrease due to derecognition and repayments	(1,863.3)	(44.8)	(5.2)	(1,913.3)
Write-offs	(0.1)	-	(2.9)	(3.0)
Other movements	3.4	0.3	0.1	3.8
Gross carrying amount as at 30 June 2022	22,926.5	594.6	64.7	23,585.8

10. Loans and advances to customers held at amortised cost (continued)

Audited as at 31.12.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 January 2022	22,326.2	458.9	70.1	22,855.2
Transfers due to changes in credit risk:				
To Stage 1	57.5	(61.5)	(0.1)	(4.1)
To Stage 2	(4,106.4)	3,964.7	(12.0)	(153.7)
To Stage 3	(3.4)	(8.7)	12.1	-
Modification of contractual cashflows	(39.4)	29.4	4.3	(5.7)
Increases due to origination	6,084.0	37.8	0.2	6,122.0
Decrease due to derecognition and repayments	(3,630.6)	(73.6)	(10.8)	(3,715.0)
Write-offs	(0.2)	(0.2)	(3.9)	(4.3)
Other movements	(1.9)	4.6	0.2	2.9
Gross carrying amount as at 31 December 2022	20,685.8	4,351.4	60.1	25,097.3

Amounts presented within 'Other movements' in the tables above include movements in the Group's effective interest rate asset.

For residential mortgages, Stage 3 loans which no longer meet any of the default criteria are subject to a six month minimum probation period before they become eligible for transfer out of Stage 3. At 30 June 2023, Stage 3 loans include £15.0m being held in Stage 3 under this probation period (30 June 2022: £19.3m; 31 December 2022: £20.4m).

The following tables provide information on residential loans and advances to customers grouped by credit risk rating (probability of default). For further details on how the probability of default (PD) affects the Group's assessment of ECLs, see Note 1c). ECL coverage shows the level of loss allowance expressed as a percentage of the gross carrying amount.

The PDs used by the Group for IFRS 9 accounting purposes are not directly comparable to the PDs used by the Group for IRB regulatory purposes; this is due to significant differences in the requirements and methodologies applied by the Group for IFRS 9 and for IRB respectively.

Unaudited as at 30.06.23	**Gross carrying amount**				**Loss allowance**			
Probability of default	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
<0.15%	7.1	1.0	-	**8.1**	0.9	-	-	**0.9**
0.15% - <0.25%	54.8	2.6	-	**57.4**	-	-	-	**-**
0.25% - <0.5%	1,758.9	1.6	-	**1,760.5**	0.8	-	-	**0.8**
0.5% - <0.75%	5,788.4	4.8	-	**5,793.2**	3.4	-	-	**3.4**
0.75% - <2.5%	13,086.2	69.2	-	**13,155.4**	12.0	-	-	**12.0**
2.5% - <10%	195.9	2,455.4	-	**2,651.3**	0.3	3.4	-	**3.7**
10% - <100%	0.1	3,331.5	-	**3,331.6**	-	16.3	-	**16.3**
Default	-	-	61.5	**61.5**	-	-	4.4	**4.4**
	20,891.4	**5,866.1**	**61.5**	**26,819.0**	**17.4**	**19.7**	**4.4**	**41.5**
ECL coverage (%)					**0.08%**	**0.34%**	**7.15%**	**0.15%**

Unaudited as at 30.06.22	Gross carrying amount				Loss allowance			
Probability of default	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
<0.15%	2,062.5	0.4	-	2,062.9	0.2	-	-	0.2
0.15% - <0.25%	6,624.0	0.2	-	6,624.2	0.8	-	-	0.8
0.25% - <0.5%	11,785.5	0.3	-	11,785.8	1.7	-	-	1.7
0.5% - <0.75%	1,974.9	0.5	-	1,975.4	0.4	-	-	0.4
0.75% - <2.5%	477.3	8.3	-	485.6	0.1	-	-	0.1
2.5% - <10%	2.3	142.0	-	144.3	-	0.2	-	0.2
10% - <100%	-	442.9	0.2	443.1	-	2.9	-	2.9
Default	-	-	64.5	64.5	-	-	3.2	3.2
	22,926.5	594.6	64.7	23,585.8	3.2	3.1	3.2	9.5
Additional allowance for payment deferrals								0.4
								9.9
ECL coverage (%)					0.01%	0.52%	4.95%	0.04%

10. Loans and advances to customers held at amortised cost (continued)

Audited as at 31.12.22	Gross carrying amount				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Probability of default	£m	£m	£m	£m	£m	£m	£m	£m
<0.15%	65.2	0.3	-	65.5	0.5	-	-	0.5
0.15% - <0.25%	1,265.7	0.1	-	1,265.8	0.4	-	-	0.4
0.25% - <0.5%	6,580.0	1.0	-	6,581.0	2.8	-	-	2.8
0.5% - <0.75%	7,468.3	1.4	-	7,469.7	3.5	-	-	3.5
0.75% - <2.5%	5,286.2	93.5	-	5,379.7	4.0	0.1	-	4.1
2.5% - <10%	20.4	1,746.0	-	1,766.4	-	2.8	-	2.8
10% - <100%	-	2,509.1	-	2,509.1	-	14.8	-	14.8
Default	-	-	60.1	60.1	-	-	3.6	3.6
	20,685.8	4,351.4	60.1	25,097.3	11.2	17.7	3.6	32.5
ECL coverage (%)					0.05%	0.41%	5.99%	0.13%

The tables below provide information on movements in the impairment loss allowance for residential loans and advances to customers during the period:

Unaudited as at 30.06.23	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Loss allowance as at 1 January 2023	11.2	17.7	3.6	**32.5**
Transfers due to changes in credit risk:				
To Stage 1	0.8	(2.8)	-	**(2.0)**
To Stage 2	(1.4)	6.9	(0.1)	**5.4**
To Stage 3	-	(0.4)	1.1	**0.7**
Remeasurements within existing stage	3.6	(1.4)	(0.2)	**2.0**
Modification of contractual cashflows	-	0.3	0.5	**0.8**
Increases due to origination	4.0	0.2	-	**4.2**
Decreases due to derecognition and repayments	(0.8)	(0.8)	(0.2)	**(1.8)**
Write-offs	-	-	(0.3)	**(0.3)**
Loss allowance as at 30 June 2023	**17.4**	**19.7**	**4.4**	**41.5**

Unaudited as at 30.06.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loss allowance as at 1 January 2022 attributable by stage	3.4	2.3	4.9	10.6
Additional allowance for payment deferrals *(note A)*				0.3
Loss allowance as at 1 January 2022				10.9
Transfers due to changes in credit risk:				
To Stage 1	-	(0.2)	-	(0.2)
To Stage 2	(0.1)	1.3	(0.1)	1.1
To Stage 3	-	(0.1)	0.2	0.1
Remeasurements within existing stage	(0.4)	-	(0.6)	(1.0)
Increases due to origination	0.6	-	-	0.6
Decreases due to derecognition and repayments	(0.3)	(0.2)	(0.1)	(0.6)
Write-offs	-	-	(1.1)	(1.1)
	3.2	3.1	3.2	9.8
Increase in additional allowance for payment deferrals *(note A)*				0.1
Loss allowance as at 30 June 2022	3.2	3.1	3.2	9.9

10. Loans and advances to customers held at amortised cost (continued)

Audited as at 31.12.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loss allowance as at 1 January 2022 attributable by stage	3.4	2.3	4.9	10.6
Additional allowance for payment deferrals *(note A)*				0.3
Loss allowance as at 1 January 2022				10.9
Transfers due to changes in credit risk:				
To Stage 1	-	(0.1)	-	(0.1)
To Stage 2	(0.9)	13.8	(0.4)	12.5
To Stage 3	-	(0.2)	0.6	0.4
Remeasurements within existing stage	4.7	1.0	(0.2)	5.5
Modification of contractual cashflows	-	0.7	0.2	0.9
Increases due to origination	4.5	0.5	-	5.0
Decreases due to derecognition and repayments	(0.5)	(0.3)	(0.3)	(1.1)
Write-offs	-	-	(1.2)	(1.2)
	11.2	17.7	3.6	32.8
Decrease in additional allowance for payment deferrals *(note A)*				(0.3)
Loss allowance as at 31 December 2022	11.2	17.7	3.6	32.5

Note

A. An additional provision for credit losses was previously recognised to reflect the estimated impact on ECLs of payment deferrals granted in response to the COVID-19 pandemic where no other indicator of significant increase in credit risk had occurred; as at 30 June 2023 this additional provision is no longer held by the Group (30 June 2022: £0.4m; 31 December 2022: £nil). When held, this additional provision was not allocated to the underlying loans and was not attributed to stages; it is shown within the total column of the tables above.

The tables below provide information on residential loans and advances by payment due status:

Unaudited as at 30.06.23	**Gross carrying amount**				**ECL allowance**			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Not past due	20,891.4	5,767.3	6.5	**26,665.2**	17.4	17.1	0.7	**35.2**
Past due:								
Up to 30 days	-	57.4	2.3	**59.7**	-	1.4	0.1	**1.5**
31 to 60 days	-	30.6	3.7	**34.3**	-	0.8	0.1	**0.9**
61 to 90 days	-	10.8	8.2	**19.0**	-	0.4	0.2	**0.6**
Over 90 days	-	-	40.8	**40.8**	-	-	3.3	**3.3**
	20,891.4	**5,866.1**	**61.5**	**26,819.0**	**17.4**	**19.7**	**4.4**	**41.5**

Unaudited as at 30.06.22	Gross carrying amount				ECL allowance			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Not past due	22,926.5	522.9	12.3	23,461.7	3.2	2.2	0.7	6.1
Past due:								
Up to 30 days	-	41.8	1.0	42.8	-	0.4	-	0.4
31 to 60 days	-	21.7	4.7	26.4	-	0.3	0.1	0.4
61 to 90 days	-	8.2	7.1	15.3	-	0.2	0.2	0.4
Over 90 days	-	-	39.6	39.6	-	-	2.2	2.2
Additional allowance for payment deferrals								0.4
	22,926.5	594.6	64.7	23,585.8	3.2	3.1	3.2	9.9

10. Loans and advances to customers held at amortised cost (continued)

Audited as at 31.12.22	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	ECL allowance Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Not past due	20,685.8	4,264.8	8.5	24,959.1	11.2	15.6	0.3	27.1
Past due:								
Up to 30 days	-	49.3	2.9	52.2	-	0.9	0.1	1.0
31 to 60 days	-	27.6	4.9	32.5	-	0.8	0.2	1.0
61 to 90 days	-	9.7	8.1	17.8	-	0.4	0.2	0.6
Over 90 days	-	-	35.7	35.7	-	-	2.8	2.8
	20,685.8	4,351.4	60.1	25,097.3	11.2	17.7	3.6	32.5

b) Commercial loans

The commercial loans portfolio (also known as loans fully secured on land) was closed to new business in November 2008. Loans secured on commercial property are well diversified by both industry type and geographical location. The tables below provide information on movements in the gross carrying value of commercial loans and advances to customers during the period. The amounts shown represent movements in the gross carrying amount between each reporting period end and not the balance as at the date of the movement:

Unaudited as at 30.06.23	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Gross carrying amount as at 1 January 2023	**105.3**	**46.9**	**7.1**	**159.3**
Transfers due to changes in credit risk:				
To Stage 1	3.9	(4.3)	-	**(0.4)**
To Stage 2	(0.8)	0.8	-	**-**
To Stage 3	(0.3)	-	0.3	**-**
Modification of contractual cashflows	0.7	(2.5)	0.7	**(1.1)**
Decreases due to derecognition and repayments	(6.0)	(3.1)	(0.5)	**(9.6)**
Gross carrying amount as at 30 June 2023	**102.8**	**37.8**	**7.6**	**148.2**

Unaudited as at 30.06.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 January 2022	33.6	147.4	14.0	195.0
Transfers due to changes in credit risk:				
To Stage 2	(0.2)	0.2	-	-
To Stage 3	(3.3)	(0.4)	3.5	(0.2)
Modification of contractual cashflows	1.0	(2.4)	0.1	(1.3)
Decreases due to derecognition and repayments	(2.7)	(10.9)	(0.1)	(13.7)
Write-offs	-	-	(1.7)	(1.7)
Gross carrying amount as at 30 June 2022	28.4	133.9	15.8	178.1

Audited as at 31.12.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount as at 1 January 2022	33.6	147.4	14.0	195.0
Transfers due to changes in credit risk:				
To Stage 1	70.0	(75.3)	-	(5.3)
To Stage 2	(4.3)	4.1	-	(0.2)
To Stage 3	(0.8)	(0.7)	1.2	(0.3)
Modification of contractual cashflows	14.1	(10.6)	(5.6)	(2.1)
Decreases due to derecognition and repayments	(7.3)	(18.0)	(1.9)	(27.2)
Write-offs	-	-	(0.6)	(0.6)
Gross carrying amount as at 31 December 2022	105.3	46.9	7.1	159.3

10. Loans and advances to customers held at amortised cost (continued)

For commercial loans, Stage 3 loans which no longer meet any of the default criteria are subject to a three month minimum probation period before they become eligible for transfer out of Stage 3. At 30 June 2023, Stage 3 loans include £nil being held in Stage 3 under this probation period (30 June 2022: £nil; 31 December 2022: £nil).

Details of forbearance activity in the period can be found in Note 11c) below.

The tables below provide information on movements in the impairment loss allowance for commercial loans and advances to customers during the period:

Unaudited as at 30.06.23	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Loss allowance as at 1 January 2023	**1.3**	**7.8**	**0.8**	**9.9**
Transfers due to changes in credit risk:				
To Stage 1	0.1	(0.2)	-	**(0.1)**
Remeasurements within existing stage	(0.1)	0.1	-	**-**
Decreases due to derecognition and repayments	(0.1)	(0.5)	-	**(0.6)**
Modification of contractual cashflows	-	0.4	(0.1)	**0.3**
Loss allowance as at 30 June 2023	**1.2**	**7.6**	**0.7**	**9.5**

Unaudited as at 30.06.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loss allowance as at 1 January 2022	-	12.0	4.2	16.2
Transfers due to changes in credit risk:				
To Stage 3	-	(0.1)	0.2	0.1
Remeasurements within existing stage	-	(0.3)	(0.1)	(0.4)
Decreases due to derecognition and repayments	-	(0.5)	-	(0.5)
Modification of contractual cashflows	-	(0.3)	(0.1)	(0.4)
Write-offs	-	-	(1.4)	(1.4)
Loss allowance as at 30 June 2022	-	10.8	2.8	13.6

Audited as at 31.12.22	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Loss allowance as at 1 January 2022	-	12.0	4.2	16.2
Transfers due to changes in credit risk:				
To Stage 1	0.9	(4.8)	-	(3.9)
To Stage 2	-	0.3	-	0.3
To Stage 3	-	(0.1)	-	(0.1)
Remeasurements within existing stage	0.2	(0.3)	(0.1)	(0.2)
Decreases due to derecognition and repayments	-	(1.0)	(1.4)	(2.4)
Modification of contractual cashflows	0.2	1.7	(1.6)	0.3
Write-offs	-	-	(0.3)	(0.3)
Loss allowance as at 31 December 2022	1.3	7.8	0.8	9.9

10. Loans and advances to customers held at amortised cost (continued)

The tables below provide information on commercial loans by payment due status:

Unaudited as at 30.06.23	**Gross carrying amount Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	**ECL allowance Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Not past due	101.6	30.3	2.8	**134.7**	1.2	4.9	0.6	**6.7**
Past due:								
Up to 30 days	1.2	6.2	0.4	**7.8**	-	2.7	-	**2.7**
31 to 60 days	-	1.2	-	**1.2**	-	-	-	**-**
61 to 90 days	-	0.1	1.1	**1.2**	-	-	-	**-**
Over 90 days	-	-	3.3	**3.3**	-	-	0.1	**0.1**
	102.8	**37.8**	**7.6**	**148.2**	**1.2**	**7.6**	**0.7**	**9.5**
ECL coverage (%)					**1.17%**	**20.11%**	**9.21%**	**6.41%**

Unaudited as at 30.06.22	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	ECL allowance Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Not past due	28.2	127.2	10.9	166.3	-	10.5	2.5	13.0
Past due:								
Up to 30 days	0.2	4.9	0.2	5.3	-	0.2	-	0.2
31 to 60 days	-	1.7	-	1.7	-	0.1	-	0.1
61 to 90 days	-	0.1	0.4	0.5	-	-	-	-
Over 90 days	-	-	4.3	4.3	-	-	0.3	0.3
	28.4	133.9	15.8	178.1	-	10.8	2.8	13.6
ECL coverage (%)					0.00%	8.07%	17.72%	7.64%

Audited as at 31.12.22	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	ECL allowance Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Not past due	105.2	41.7	3.8	150.7	1.3	7.7	0.6	9.6
Past due:								
Up to 30 days	0.1	2.2	-	2.3	-	0.1	-	0.1
31 to 60 days	-	3.0	-	3.0	-	-	-	-
61 to 90 days	-	-	0.1	0.1	-	-	-	-
Over 90 days	-	-	3.2	3.2	-	-	0.2	0.2
	105.3	46.9	7.1	159.3	1.3	7.8	0.8	9.9
ECL coverage (%)					1.23%	16.63%	11.27%	6.21%

c) Forbearance

Where appropriate for customers, the Group applies a policy of forbearance. The Group's approach to forbearance is described in Note 40 to the 2022 Annual Report and Accounts and our approach to forbearance remained materially unchanged in the period. At 30 June 2023, the percentage of residential mortgage balances that have been subject to forbearance is 0.7% (30 June 2022: 0.6%; 31 December 2022: 0.6%). For commercial balances the percentage is 28.1% (30 June 2022: 26.6%; 31 December 2022: 27.4%).

11. Equity release portfolio held at FVTPL

Movements in the equity release portfolio during the period are summarised as follows:

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
At 1 January	**278.7**	406.6	406.6
Redemptions	**(1.6)**	(2.1)	(5.0)
Further advances	**-**	-	0.1
Movements in fair value	**(17.3)**	(61.5)	(132.3)
Realised losses on redemption	**(0.5)**	(0.4)	(0.7)
Accrued interest	**6.3**	5.4	10.0
At end of period	**265.6**	348.0	278.7

Further details of how the valuation of the equity release portfolio is derived, including the key inputs into the calculation, are found in Note 1c).

The Group holds derivative financial instruments to economically hedge the movements in fair value of the equity release portfolio, as outlined in Note 1c). The movement in fair value of the derivatives held to hedge the equity release portfolio during the period was a £14.1m gain and is included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL' (30 June 2022: £73.0m gain; 31 December 2022: £122.5m gain).

12. Intangible assets

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Goodwill	**216.9**	217.5	216.3
Other intangible assets	**102.1**	116.6	107.1
	319.0	334.1	323.4

Goodwill	**Unaudited as at 30.06.23 £m**	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Cost, less amortisation to 1 January 2004*			
At 1 January	**228.8**	230.1	230.1
Acquisitions of subsidiary undertakings and business units	**0.6**	-	0.3
Revaluations of put options	**-**	(0.9)	(1.6)
At end of period	**229.4**	229.2	228.8
Impairment losses			
At 1 January	**12.5**	11.7	11.7
Impairment loss during the period	**-**	-	0.8
At end of period	**12.5**	11.7	12.5
Net book value at 1 January	**216.3**	218.4	218.4
Net book value at end of period	**216.9**	217.5	216.3

* Prior to the transition to IFRS on 1 January 2005 goodwill was held at cost less accumulated amortisation in line with UK GAAP. Goodwill arising on acquisitions before the transition to IFRS on 1 January 2005 has been retained at its previous UK GAAP amount.

12. Intangible assets (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit, or group of cash generating units that is expected to benefit from that business combination. The carrying value of goodwill has been allocated as follows:

	Unaudited as at 30.06.23			Unaudited as at 30.06.22			Audited as at 31.12.22		
Operating segment	Cost of goodwill £m	Accumulated impairment £m	Carrying value £m	Cost of goodwill £m	Accumulated impairment £m	Carrying value £m	Cost of goodwill £m	Accumulated impairment £m	Carrying value £m
Connells	**218.1**	**7.5**	**210.6**	217.9	6.7	211.2	217.5	7.5	210.0
Other	**11.3**	**5.0**	**6.3**	11.3	5.0	6.3	11.3	5.0	6.3
Total goodwill	**229.4**	**12.5**	**216.9**	229.2	11.7	217.5	228.8	12.5	216.3

Based upon the Directors' assessment of recoverable amounts, the Directors have concluded that no impairment is required to be recognised in respect of goodwill in the six months to 30 June 2023 (six months to 30 June 2022: £nil; year ended 31 December 2022: £0.8m).

The recoverable amounts of the operating segments are determined from value in use calculations. The key assumptions for the value in use calculations are detailed in Note 1c).

13. Debt securities in issue

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Covered bonds *(note A)*	**2,495.9**	2,393.6	2,396.1
Securitisations	**211.5**	270.8	239.8
Fair value adjustment for hedged risk	**(60.1)**	(50.4)	(44.3)
	2,647.3	2,614.0	2,591.6
Debt securities in issue are repayable from the reporting date in the ordinary course of business as follows:			
In not more than one year	**1,037.0**	400.9	846.0
In more than one year	**1,610.3**	2,213.1	1,745.6
	2,647.3	2,614.0	2,591.6

Note

A. As discussed on page 14, the Group issued a £500m 5-year covered bond in June 2023. In May 2023, a £400m covered bond issued by the Group matured.

14. Provisions for liabilities

	Unaudited as at 30.06.23 £m	Unaudited as at 30.06.22 £m	Audited as at 31.12.22 £m
Provision for the costs of surplus properties	**7.0**	10.2	7.2
Commission clawbacks	**17.0**	15.5	16.9
Survey and valuation claims	**7.2**	8.3	8.4
Customer compensation	**0.5**	0.9	0.7
Other provisions	**1.6**	1.6	1.5
	33.3	36.5	34.7

The movement in provisions for liabilities in the period has resulted in a net Income Statement charge for the period of £7.8m, of which a £0.6m charge is recognised in the line 'Provisions for liabilities' and a £7.2m charge is recognised against 'Fees and commissions receivable' (six months ended 30 June 2022: £8.5m charge, of which a £1.2m charge is recognised in the line 'Provisions for liabilities' and a £7.3m charge is recognised against 'Fees and commissions receivable'; year ended 31 December 2022: £18.1m charge, of which a £1.6m charge is recognised in the line 'Provisions for liabilities' and a £16.5m charge is recognised against 'Fees and commissions receivable').

15. Cash flows

a) Cash flows from operating activities

i) Impairment losses / (credits) on financial instruments

For the purposes of the Condensed Consolidated Statement of Cash Flows, amounts presented within the line 'Impairment losses / (credits) on financial instruments' include the following:

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Impairment losses / (credits) on loans and advances to customers (net of recoveries) (Note 7)	**9.3**	(2.2)	17.1
Loans and advances recovered / (written off)	**0.1**	(1.3)	0.6
Impairment (credits) / losses on liquid assets	**(0.1)**	0.1	0.1
Impairment losses / (credits) on trade receivables	**0.4**	(0.5)	0.3
	9.7	(3.9)	18.1

ii) Fair value losses on certain financial instruments held at FVTPL

For the purposes of the Condensed Consolidated Statement of Cash Flows, amounts presented within the line 'Fair value losses on certain financial instruments held at FVTPL' include the following:

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Fair value losses on equity release portfolio (Note 11)	**17.3**	61.5	132.3
Fair value (gains) / losses on share warrants	**(8.3)**	0.8	(12.1)
Fair value gains on put options held by minority shareholders	**(0.1)**	(0.3)	(0.2)
Fair value (gains) / losses on equity share investments at FVTPL	**-**	(0.7)	0.5
	8.9	61.3	120.5

iii) Other non-cash movements

For the purposes of the Condensed Consolidated Statement of Cash Flows, amounts presented within the line 'Other non-cash movements' include the following:

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Impairment of goodwill (Note 12)	**-**	-	0.8
Realised losses on equity release portfolio (Note 11)	**0.5**	0.4	0.7
Income Statement charge / (credit) for fair value of subsidiary management incentive scheme liability	**0.8**	1.0	(3.2)
Share of profits from joint ventures	**(0.5)**	(0.4)	(1.4)
Other	**10.7**	10.5	8.9
	11.5	11.5	5.8

15. Cash flows (continued)

b) Cash flows from investing activities

i) Other investing activities

For the purposes of the Condensed Consolidated Statement of Cash Flows, amounts presented within the line 'Other investing activities' include the following:

	Unaudited 6 months to 30.06.23 £m	Unaudited 6 months to 30.06.22 £m	Audited 12 months to 31.12.22 £m
Purchase of property, plant and equipment and investment property	**(7.8)**	(4.0)	(11.6)
Purchase of intangible assets	**(4.9)**	(3.0)	(7.4)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	**0.4**	0.2	0.8
Dividends received from joint ventures	**0.9**	0.8	0.8
Purchase of other business units	**(0.9)**	(0.2)	(0.7)
Investment in equity share investments	**(0.2)**	-	-
	(12.5)	(6.2)	(18.1)

16. Financial instruments

a) Classification and measurement

The tables below summarise the classification of the carrying amounts of the Group's financial assets and liabilities:

Unaudited as at 30.06.23	**Amortised cost £m**	**FVOCI £m**	**FVTPL £m**	**Total £m**
Cash in hand and balances with the Bank of England	3,520.1	-	-	**3,520.1**
Loans and advances to credit institutions	538.6	-	-	**538.6**
Debt securities	-	2,939.0	-	**2,939.0**
Derivative financial instruments	-	-	1,794.1	**1,794.1**
Loans and advances to customers	25,859.3	-	1.1	**25,860.4**
Equity release portfolio	-	-	265.6	**265.6**
Equity share investments	-	-	1.4	**1.4**
Trade receivables	67.5	-	-	**67.5**
Share warrants	-	-	13.8	**13.8**
Other assets	0.3	-	-	**0.3**
Total financial assets	**29,985.8**	**2,939.0**	**2,076.0**	**35,000.8**
Other non-financial assets				**577.7**
Total assets				**35,578.5**
Shares	23,398.0	-	-	**23,398.0**
Amounts owed to credit institutions and other customers	5,654.8	-	-	**5,654.8**
Debt securities in issue	2,647.3	-	-	**2,647.3**
Derivative financial instruments	-	-	550.1	**550.1**
Lease liabilities	107.8	-	-	**107.8**
Trade payables	9.3	-	-	**9.3**
Fair value of put option obligation	-	-	3.1	**3.1**
Subordinated liabilities	643.3	-	-	**643.3**
Subscribed capital	41.6	-	-	**41.6**
Total financial liabilities	**32,502.1**	**-**	**553.2**	**33,055.3**
Other non-financial liabilities				**211.0**
Total liabilities				**33,266.3**

16. Financial instruments (continued)

Unaudited as at 30.06.22	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
Cash in hand and balances with the Bank of England	2,843.0	-	-	2,843.0
Loans and advances to credit institutions	471.6	-	-	471.6
Debt securities	-	2,904.9	-	2,904.9
Derivative financial instruments	-	-	759.3	759.3
Loans and advances to customers	23,355.0	-	1.1	23,356.1
Equity release portfolio	-	-	348.0	348.0
Equity share investments	-	9.4	2.4	11.8
Trade receivables	86.3	-	-	86.3
Share warrants	-	-	12.1	12.1
Other assets	0.4	-	-	0.4
Total financial assets	26,756.3	2,914.3	1,122.9	30,793.5
Other non-financial assets				596.1
Total assets				31,389.6
Shares	20,902.3	-	-	20,902.3
Amounts owed to credit institutions and other customers	4,739.2	-	-	4,739.2
Debt securities in issue	2,614.0	-	-	2,614.0
Derivative financial instruments	-	-	323.0	323.0
Lease liabilities	110.3	-	-	110.3
Trade payables	14.1	-	-	14.1
Fair value of put option obligation	-	-	5.5	5.5
Subordinated liabilities	322.3	-	-	322.3
Subscribed capital	41.6	-	-	41.6
Total financial liabilities	28,743.8	-	328.5	29,072.3
Other non-financial liabilities				226.7
Total liabilities				29,299.0

16. Financial instruments (continued)

Audited as at 31.12.22	Amortised cost £m	FVOCI £m	FVTPL £m	Total £m
Cash in hand and balances with the Bank of England	3,520.5	-	-	3,520.5
Loans and advances to credit institutions	631.9	-	-	631.9
Debt securities	-	2,640.3	-	2,640.3
Derivative financial instruments	-	-	1,355.1	1,355.1
Loans and advances to customers	24,452.3	-	1.0	24,453.3
Equity release portfolio	-	-	278.7	278.7
Equity share investments	-	-	1.2	1.2
Trade receivables	63.3	-	-	63.3
Share warrants	-	-	26.6	26.6
Other assets	0.3	-	1.4	1.7
Total financial assets	28,668.3	2,640.3	1,664.0	32,972.6
Other non-financial assets				598.7
Total assets				33,571.3
Shares	22,349.6	-	-	22,349.6
Amounts owed to credit institutions and other customers	5,302.5	-	-	5,302.5
Debt securities in issue	2,591.6	-	-	2,591.6
Derivative financial instruments	-	-	415.6	415.6
Lease liabilities	113.0	-	-	113.0
Trade payables	7.9	-	-	7.9
Fair value of put option obligation	-	-	3.8	3.8
Subordinated liabilities	311.8	-	-	311.8
Subscribed capital	41.6	-	-	41.6
Total financial liabilities	30,718.0	-	419.4	31,137.4
Other non-financial liabilities				240.8
Total liabilities				31,378.2

16. Financial instruments (continued)

b) Valuation of financial instruments carried at fair value

The Group holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs used in measuring fair value.

Level 1

The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Group's Level 1 portfolio mainly comprises gilts, treasury bills, fixed rate bonds and floating rate notes for which traded prices are readily available.

Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. Examples of Level 2 instruments are certificates of deposit and cleared interest rate swaps.

Level 3

These are valuation techniques for which one or more significant inputs are not based on observable market data.

Valuation techniques include net present value by way of discounted cash flow models. Assumptions and market observable inputs used in valuation techniques include risk-free and benchmark interest rates, similar market products, foreign currency exchange rates and equity index prices. Critical judgement is applied by management in utilising unobservable inputs including expected price volatilities, expected mortality rates and prepayment rates, based on industry practice or historical observation. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's-length.

Transfers between levels

The Group makes transfers between different levels of the fair value hierarchy where the inputs used to measure the fair value of the financial instruments in question no longer satisfy the conditions required to be classified in a certain level within the hierarchy. Any such transfer between different levels of the fair value hierarchy is made at the date the event in question that results in a change in circumstances occurs.

There were no transfers between different levels of the fair value hierarchy during the six months ended 30 June 2023.

On 30 June 2022 the Group's equity share investment in Commercial and Northern Limited (formerly Bank North Limited), designated at FVOCI, was transferred from Level 2 to Level 3; this was on the grounds that certain inputs into the fair valuation were no longer considered observable as at that date. There were no other transfers between different levels of the fair value hierarchy during the six months ended 30 June 2022 or the year ended 31 December 2022.

16. Financial instruments (continued)

The following tables provide an analysis of financial assets and liabilities held within the Group Statement of Financial Position at fair value, grouped into Levels 1 to 3 of the fair value hierarchy.

Unaudited as at 30.06.23	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Financial assets held at FVOCI:				
Debt securities	2,858.0	81.0	-	**2,939.0**
Financial assets at FVTPL:				
Derivative financial instruments	-	1,757.8	36.3	**1,794.1**
Loans and advances to customers	-	-	1.1	**1.1**
Equity release portfolio	-	-	265.6	**265.6**
Equity share investments	0.1	-	1.3	**1.4**
Share warrants	-	-	13.8	**13.8**
	2,858.1	**1,838.8**	**318.1**	**5,015.0**
Financial liabilities				
Financial liabilities at FVTPL:				
Derivative financial instruments	-	502.4	47.7	**550.1**
Fair value of put option obligation	-	-	3.1	**3.1**
	-	**502.4**	**50.8**	**553.2**
	2,858.1	**1,336.4**	**267.3**	**4,461.8**

Unaudited as at 30.06.22	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets held at FVOCI:				
Debt securities	2,439.7	465.2	-	2,904.9
Equity share investments	-	-	9.4	9.4
Financial assets at FVTPL:				
Derivative financial instruments	-	737.7	21.6	759.3
Loans and advances to customers	-	-	1.1	1.1
Equity release portfolio	-	-	348.0	348.0
Equity share investments	0.1	-	2.3	2.4
Share warrants	-	-	12.1	12.1
	2,439.8	1,202.9	394.5	4,037.2
Financial liabilities				
Financial liabilities at FVTPL:				
Derivative financial instruments	-	224.2	98.8	323.0
Fair value of put option obligation	-	-	5.5	5.5
	-	224.2	104.3	328.5
	2,439.8	978.7	290.2	3,708.7

16. Financial instruments (continued)

Audited as at 31.12.22	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets held at FVOCI:				
Debt securities	2,357.8	282.5	-	2,640.3
Financial assets at FVTPL:				
Derivative financial instruments	-	1,322.7	32.4	1,355.1
Loans and advances to customers	-	-	1.0	1.0
Equity release portfolio	-	-	278.7	278.7
Equity share investments	0.1	-	1.1	1.2
Share warrants	-	-	26.6	26.6
Other assets	-	-	1.4	1.4
	2,357.9	1,605.2	341.2	4,304.3
Financial liabilities				
Financial liabilities at FVTPL:				
Derivative financial instruments	-	356.7	58.9	415.6
Fair value of put option obligation	-	-	3.8	3.8
	-	356.7	62.7	419.4
	2,357.9	1,248.5	278.5	3,884.9

Movements in the Level 3 portfolio

The tables below analyse the movements in the Level 3 portfolio during the period:

Unaudited as at 30.06.23	Equity share investments £m	Equity release portfolio £m	Loans and advances to customers £m	Derivative financial instruments £m	Fair value of put option obligation £m	Share warrants £m	Other assets £m	Total £m
At 1 January	1.1	278.7	1.0	(26.5)	(3.8)	26.6	1.4	**278.5**
(Loss) / gain recognised in Income Statement	-	(17.3)[A]	-	14.1[B]	0.3[C]	8.3[D]	-	**5.4**
Exercise of put options by non-controlling interests	-	-	-	-	0.4	-	-	**0.4**
Accrued interest	-	6.3[E]	0.1	1.0[E]	-	-	-	**7.4**
Repayments	-	(1.6)	-	-	-	-	-	**(1.6)**
Realised losses	-	(0.5)[F]	-	-	-	-	-	**(0.5)**
Additions/other	0.2	-	-	-	-	(21.1)	(1.4)	**(22.3)**
At 30 June	**1.3**	**265.6**	**1.1**	**(11.4)**	**(3.1)**	**13.8**	**-**	**267.3**

Notes

A. These are unrealised losses and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Equity release portfolio' line.

B. These are unrealised gains and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Derivatives associated with equity release portfolio' line.

C. These are unrealised gains and are included in the Income Statement. Of this figure, £0.2m arises from changes to exercise dates and the unwind of the discount and is included in the 'Interest payable and similar charges' line in the Income Statement, and £0.1m arises from revaluations of market values and is included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Put options held by minority shareholders' line.

D. These are unrealised losses and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Share warrants' line.

E. Included in the Income Statement line 'Interest receivable and similar income: Other'.

F. Included in the Income Statement line 'Realised losses on equity release portfolio'.

16. Financial instruments (continued)

Unaudited as at 30.06.22	Equity share investments £m	Equity release portfolio £m	Loans and advances to customers £m	Derivative financial instruments £m	Fair value of put option obligation £m	Share warrants £m	Other assets £m	Total £m
At 1 January	1.5	406.6	1.2	(150.7)	(8.6)	11.0	1.9	262.9
Gain/(loss) recognised in Income Statement	0.8[A]	(61.5)[B]	-	73.0[C]	0.3[D]	(0.8)[E]	-	11.8
Exercise of put options by non-controlling interests	-	-	-	-	2.0	-	-	2.0
Revaluations to goodwill	-	-	-	-	0.9	-	-	0.9
Accrued interest	-	5.4[F]	-	0.5[F]	-	-	-	5.9
Repayments	-	(2.1)	(0.1)	-	-	-	-	(2.2)
Realised losses	-	(0.4)[G]	-	-	-	-	-	(0.4)
Additions/other	9.4	-	-	-	(0.1)	1.9	(1.9)	9.3
At 30 June	11.7	348.0	1.1	(77.2)	(5.5)	12.1	-	290.2

Notes

A. These are unrealised gains which were subsequently realised during the period and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Equity share investments' line.
B. These are unrealised losses and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Equity release portfolio' line.
C. These are unrealised gains and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Derivatives associated with equity release portfolio' line.
D. These are unrealised gains and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Put options held by minority shareholders' line.
E. These are unrealised losses and are included in the Income Statement line 'Fair value gains on financial instruments mandatorily held at FVTPL'; as presented in Note 6a) within 'Share warrants' line.
F. Included in the Income Statement line 'Interest receivable and similar income: Other'.
G. Included in the Income Statement line 'Realised losses on equity release portfolio'.

16. Financial instruments (continued)

Audited as at 31.12.22	Equity share investments £m	Equity release portfolio £m	Loans and advances to customers £m	Derivative financial instruments £m	Fair value of put option obligation £m	Share warrants £m	Other assets £m	Total £m
At 1 January	1.5	406.6	1.2	(150.7)	(8.6)	11.0	1.9	262.9
Transfers from Level 2	9.4	-	-	-	-	-	-	9.4
(Loss) / gain recognised in Income Statement	(0.4)[A]	(132.3)[B]	-	122.5[C]	0.2[D]	12.1[E]	-	2.1
Loss recognised in OCI	(9.4)[F]	-	-	-	-	-	-	(9.4)
Revaluations to goodwill	-	-	-	-	1.6	-	-	1.6
Accrued interest	-	10.0[G]	0.1[G]	1.7[G]	-	-	-	11.8
Repayments	-	(5.0)	(0.3)	-	-	-	-	(5.3)
Realised losses	-	(0.7)[H]	-	-	-	-	-	(0.7)
Exercise of put options by non-controlling	-	-	-	-	3.0	-	-	3.0
Additions / other	-	0.1	-	-	-	3.5	(0.5)	3.1
At 31 December	1.1	278.7	1.0	(26.5)	(3.8)	26.6	1.4	278.5

Notes

A. These are unrealised losses and are included in the Income Statement line ‘Fair value gains on financial instruments mandatorily held at FVTPL’; as presented in Note 6a) within ‘Equity share investments’ line.
B. These are unrealised losses and are included in the Income Statement line ‘Fair value gains on financial instruments mandatorily held at FVTPL’; as presented in Note 6a) within ‘Equity release portfolio’ line.
C. These are unrealised gains and are included in the Income Statement line ‘Fair value gains on financial instruments mandatorily held at FVTPL’; as presented in Note 6a) within ‘Derivatives associated with equity release portfolio’ line.
D. Included in the Income Statement line ‘Fair value gains on financial instruments mandatorily held at FVTPL’; as presented in Note 6a) within ‘Put options held by minority shareholders’ line.
E. Included in the Income Statement line ‘Fair value gains on financial instruments mandatorily held at FVTPL’; as presented in Note 6a) within ‘Share warrants’ line.
F. Included in the Statement of Comprehensive Income line ‘Items that will not be reclassified to profit or loss: Gains / (losses) on equity share investments designated at FVOCI’.
G. Included in the Income Statement line ‘Interest receivable and similar income: Other’.
H. Included in the Income Statement line ‘Realised losses on equity release portfolio’.

Level 3 valuation techniques

For the Level 3 financial instruments shown above, the valuation techniques remain unchanged from those disclosed in Note 41b) to the 2022 Annual Report and Accounts.

Equity release portfolio

Further details on the inputs into the valuation of the equity release portfolio, and the impact of reasonably possible alternative assumptions of certain inputs, are found in Note 1c).

Derivative financial instruments

Further details on the inputs into the valuation of derivatives, and the impact of reasonably possible alternative assumptions of certain inputs, are found in Note 1c).

Any change in fair value of the derivative liabilities associated with the equity release portfolio is offset to some extent by a corresponding but opposite change in the fair value of the equity release portfolio. These sensitivities are outlined in Note 1c). The characteristics and the valuation requirements differ slightly between the derivatives and the equity release portfolio resulting in the changes in fair value not offsetting completely. For the six months ended 30 June 2023 the net impact to the Income Statement was a charge of £3.2m (six months ended 30 June 2022: £11.5m credit; year ended 31 December 2022: £9.8m charge).

16. Financial instruments (continued)

c) Fair values of financial instruments not carried at fair value

The table below summarises the carrying values and fair values of those financial assets and liabilities not presented within the Statement of Financial Position at fair value.

	Unaudited as at 30.06.23		Unaudited as at 30.06.22		Audited as at 31.12.22	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Financial assets						
Cash in hand and balances with the Bank of England	**3,520.1**	**3,520.1**	2,843.0	2,843.0	3,520.5	3,520.5
Loans and advances to credit institutions	**538.6**	**538.6**	471.6	471.6	631.9	631.9
Loans and advances to customers held at amortised cost	**25,859.3**	**26,173.3**	23,355.0	23,577.2	24,452.3	23,593.3
Trade receivables	**67.5**	**67.5**	86.3	86.3	63.3	63.3
Other assets	**0.3**	**0.3**	0.4	0.4	0.3	0.3
	29,985.8	**30,299.8**	26,756.3	26,978.5	28,668.3	27,809.3
Financial liabilities						
Shares	**23,398.0**	**23,270.7**	20,902.3	20,824.0	22,349.6	22,209.5
Amounts owed to credit institutions	**3,062.2**	**3,062.2**	2,556.4	2,556.4	2,963.3	2,963.3
Amounts owed to other customers	**2,592.6**	**2,577.4**	2,182.8	2,175.1	2,339.2	2,327.9
Debt securities in issue	**2,647.3**	**2,653.8**	2,614.0	2,615.9	2,591.6	2,590.7
Lease liabilities	**107.8**	**107.8**	110.3	110.3	113.0	113.0
Trade payables	**9.3**	**9.3**	14.1	14.1	7.9	7.9
Subordinated liabilities	**643.3**	**638.2**	322.3	327.8	311.8	312.8
Subscribed capital	**41.6**	**57.3**	41.6	66.2	41.6	58.0
	32,502.1	**32,376.7**	28,743.8	28,689.8	30,718.0	30,583.1

The methodology and assumptions for determining the fair values of those financial assets and liabilities not presented within the Statement of Financial Position at fair value are set out on page 242 of the 2022 Annual Report and Accounts, and remained materially unchanged in the period.

17. Related party transactions

Transactions with related parties are entered into in the normal course of business. The Group has not entered into any new related party transactions during the half year ended 30 June 2023 that have materially affected the financial position or the performance of the Group during that period.

Related party transactions for the half year ended 30 June 2023 are similar in nature to those for the year ended 31 December 2022. Full details of the Group's related party transactions for the year ended 31 December 2022 can be found in Note 8 *Related party transactions* in the 2022 Annual Report and Accounts.

18. Other financial commitments and contingent liabilities

As reported in the Group's 2022 Annual Report and Accounts (Note 36), the Society confirmed that it would provide continuing support to certain of its subsidiary undertakings that had net liabilities or which relied on the Society for ongoing funding.

There have been no significant changes in contingent liabilities during the half year ended 30 June 2023.

19. Subsequent events

There have been no material post balance sheet events between 30 June 2023 and the approval of this half-yearly financial report by the Board.

20. Segmental reporting

The Group's structure and reportable segments are outlined in the Business Review on page 10.

As noted on page 10, the Group's reportable segments have been revised with effect from 1 January 2023. Previously, the Group's reportable segments were assessed and presented on a divisional basis (the most recent divisions for this purpose were 'Mortgages and Savings', 'Estate Agency', 'Investment Portfolio' and 'Central'). Skipton's group structure has been simplified in recent years and information for management purposes is no longer presented on a divisional basis. In accordance with IFRS 8 *Operating Segments*, management has therefore updated its assessment of reportable segments to better reflect the holistic manner in which the Group is currently managed; the Group's reportable segments are now assessed and presented at the operating entity level. Information regarding segments that are not separately reportable is combined within the 'Other' category, together with the impact of Group consolidation adjustments. The comparative information shown in the tables below for the six months ended 30 June 2022 and for the year ended 31 December 2022 is restated accordingly.

Transactions between the segments are on normal commercial terms and conditions. The accounting policies of the reportable segments are consistent with the Group's accounting policies. The Group has not aggregated any of its operating segments for the purposes of financial reporting. Intra-group dividends are excluded from the segmental analysis presented as these are not included in the measure of segment profit or loss that is used by the Group's Board.

No geographical analysis is presented because substantially all of the Group's activities are conducted within the UK. Of the total external income, £28.9m (six months ended 30 June 2022: £23.5m; year ended 31 December 2022: £50.4m) was generated outside the UK.

Unaudited 6 months to 30.06.23	Society £m	SIL £m	Connells £m	Other^ £m	Total £m
Net interest income	236.9	30.0	0.1	10.7	**277.7**
Net non-interest income	20.9	0.2	443.9	8.3	**473.3**
Fair value gains on hedged items and derivatives	10.5	-	-	1.8	**12.3**
Fair value losses on equity release portfolio	(17.3)	-	-	-	**(17.3)**
Fair value gains on share warrants	-	-	8.3	-	**8.3**
Fair value gains on put options held by minority shareholders	-	-	0.1	-	**0.1**
Fair value gains / (losses) on other instruments mandatorily held at FVTPL	2.1	-	-	(2.1)	**-**
Share of profits from joint ventures	-	-	0.5	-	**0.5**
Total income	**253.1**	**30.2**	**452.9**	**18.7**	**754.9**
Administrative expenses	(115.5)	(5.5)	(458.5)	(16.2)	**(595.7)**
Realised losses on equity release portfolio	(0.5)	-	-	-	**(0.5)**
Impairment and provisions for liabilities	(9.3)	(0.2)	(0.2)	(0.1)	**(9.8)**
Profit before tax	**127.8**	**24.5**	**(5.8)**	**2.4**	**148.9**
Taxation	(34.6)	(2.4)	1.6	(0.8)	**(36.2)**
Profit after tax	**93.2**	**22.1**	**(4.2)**	**1.6**	**112.7**
Total assets	**33,326.0**	**2,510.0**	**602.5**	**(860.0)**	**35,578.5**
Total liabilities	**31,346.4**	**2,391.5**	**375.5**	**(847.1)**	**33,266.3**
Total income can be analysed as follows:					
External income	**293.9**	**6.8**	**447.7**	**6.5**	**754.9**
Income from other segments	**(40.8)**	**23.4**	**5.2**	**12.2**	**-**
Total income	**253.1**	**30.2**	**452.9**	**18.7**	**754.9**

^ As noted above the 'Other' category comprises segments that are not separately reportable, together with the impact of Group consolidation adjustments. The Other category therefore includes amounts relating to all Group entities except for the Society, SIL and Connells. Amounts relating to Group consolidation adjustments include the elimination of intra-group transactions such as intercompany fees.

20. Segmental reporting (continued)

Unaudited 6 months to 30.06.22 (restated*)	Society £m	SIL £m	Connells £m	Other £m	Total £m
Net interest income	163.2	23.2	(2.3)	10.2	194.3
Net non-interest income	22.2	0.2	504.4	7.5	534.3
Fair value gains / (losses) on hedged items and derivatives	66.0	(0.5)	-	7.6	73.1
Fair value losses on equity release portfolio	(61.5)	-	-	-	(61.5)
Fair value losses on share warrants	-	-	(0.8)	-	(0.8)
Fair value gains on put options held by minority shareholders	-	-	0.3	-	0.3
Fair value gains on equity share investments mandatorily held at FVTPL	-	-	0.7	-	0.7
Fair value (losses) / gains on other instruments mandatorily held at FVTPL	(0.7)	-	-	0.7	-
Profit on disposal of Group undertakings	-	-	-	0.1	0.1
Share of profits from joint ventures	-	-	0.4	-	0.4
Total income	189.2	22.9	502.7	26.1	740.9
Administrative expenses	(88.7)	(4.9)	(473.0)	(14.8)	(581.4)
Realised losses on equity release portfolio	(0.4)	-	-	-	(0.4)
Impairment and provisions for liabilities	1.8	-	(0.8)	(0.1)	0.9
Profit / (loss) before tax	101.9	18.0	28.9	11.2	160.0
Taxation	(29.0)	(1.9)	(1.9)	(3.4)	(36.2)
Profit / (loss) after tax	72.9	16.1	27.0	7.8	123.8
Total assets	29,123.0	2,186.2	634.3	(553.9)	31,389.6
Total liabilities	27,321.5	2,084.8	405.4	(512.7)	29,299.0
Total income can be analysed as follows:					
External income	198.0	23.1	500.1	19.7	740.9
Income from other segments	(8.8)	(0.2)	2.6	6.4	-
Total income	189.2	22.9	502.7	26.1	740.9

* As noted on page 62, the information shown above for the six months ended 30 June 2022 is restated to reflect the revision of reportable segments. The Group's reportable segments are now assessed and presented at the operating entity level; information is no longer presented on a divisional basis. The impacts of this change are presentational only and there is no impact on total Group amounts reported for the six months ended 30 June 2022.

Notes to the Condensed Consolidated Financial Statements (continued)

20. Segmental reporting (continued)

Audited 12 months to 31.12.22 (restated*)	Society £m	SIL £m	Connells £m	Other £m	Total £m
Net interest income	356.9	50.2	(4.0)	21.3	424.4
Net non-interest income	42.6	0.3	1,021.1	16.4	1,080.4
Fair value gains on hedged items and derivatives	108.5	0.2	-	13.1	121.8
Fair value losses on equity release portfolio	(132.3)	-	-	-	(132.3)
Fair value gains on share warrants	-	-	12.1	-	12.1
Fair value gains on put options held by minority shareholders	-	-	0.2	-	0.2
Fair value losses on equity share investments mandatorily held at FVTPL	-	-	(0.5)	-	(0.5)
Fair value (losses) / gains on other instruments mandatorily held at FVTPL	(5.8)	-	-	5.8	-
Profit on disposal of Group undertakings	-	-	-	0.1	0.1
Share of profits from joint ventures	-	-	1.4	-	1.4
Total income	369.9	50.7	1,030.3	56.7	1,507.6
Administrative expenses	(191.6)	(10.3)	(960.8)	(25.8)	(1,188.5)
Realised losses on equity release portfolio	(0.7)	-	-	-	(0.7)
Impairment and provisions for liabilities	(16.7)	(0.5)	(2.0)	(0.4)	(19.6)
Profit / (loss) before tax	160.9	39.9	67.5	30.5	298.8
Taxation	(43.9)	(4.0)	(13.0)	(6.9)	(67.8)
Profit / (loss) after tax	117.0	35.9	54.5	23.6	231.0
Total assets	31,266.6	2,409.7	646.3	(751.3)	33,571.3
Total liabilities	29,380.8	2,303.5	413.3	(719.4)	31,378.2
Total income can be analysed as follows:					
External income	405.7	42.3	1,025.0	34.6	1,507.6
Income from other segments	(35.8)	8.4	5.3	22.1	-
Total income	369.9	50.7	1,030.3	56.7	1,507.6

* As noted on page 62, the information shown above for the year ended 31 December 2022 is restated to reflect the revision of reportable segments. The Group's reportable segments are now assessed and presented at the operating entity level; information is no longer presented on a divisional basis. The impacts of this change are presentational only and there is no impact on total Group amounts reported for the year ended 31 December 2022. These restatements are unaudited for the purposes of this half-yearly financial report.

Responsibility Statement of the Directors in respect of the Half-Yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R of the *Disclosure Guidance and Transparency Rules*;
- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as contained in UK-adopted international accounting standards; and
- the half-yearly financial report includes a fair review of the information required by:
  - DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance during the period, and any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance in the first six months of the current financial year.

The current Board of Directors represents those individuals responsible for the half-yearly financial report.

The Directors who served during the period are listed below:

Gwyn Burr	(Chair)
Mark Lund	(Deputy Chair)
Andrew Bottomley*	
Richard Coates	(retired 24 April 2023)
Iain Cummings	
Steven Davis	(appointed 28 March 2023)
Stuart Haire*	
Denis Hall	
Heather Jackson	
Philip Moore	
Bobby Ndawula*	
Sarah Whitney	(appointed 1 May 2023)

* Executive Directors

Signed on behalf of the Board by

Gwyn Burr

Chair

1 August 2023

Independent Review Report to Skipton Building Society

Conclusion

We have been engaged by Skipton Building Society ('the Society') and its subsidiaries (together, 'the Group') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Members' Interests, Condensed Consolidated Statement of Cash Flows and the related explanatory notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 1a), the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK-adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our conclusions relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

Leeds

1 August 2023

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