Skipton Group

Summary Financial Statement

Summary Financial Statement 2023

This financial statement is a summary of information from the audited Annual Report & Accounts, the Directors' Report and Annual Business Statement, all of which are available to members and depositors online at **skipton.co.uk/financialresults** from 22 March 2024 or on request from 28 March 2024 by emailing **annualaccountsrequest@skipton.co.uk**, or by arrangement from Skipton branches.

Summary Directors' Report

In 2023 we have been braver and bolder for our customers and members, with our well regarded Track Record mortgage for rental prisoners (which is already helping hundreds of people), and our income booster product (Joint Borrower, Sole Proprietor) where friends and family can pool their finances to get a mortgage and a home. We have also protected borrowing members by having the lowest Standard Variable Rate / Mortgage Variable Rate amongst our peers, having passed on less than a third of Bank of England base rate changes - these steps are designed to recognise the challenging economic times for our members.

For savings members, we have passed on over 75% of 2023's base rate changes, significantly more than competitors. We have launched highly-competitive savings offers, including our member exclusive up to 7.5% regular saver. We have also offered free advice for members, and free pension health checks, to enable our members to make more of their money now, and in the future.

This has been achieved while maintaining our award-winning customer service, consistently ranking toward the top of cross-industry customer service league tables; all thanks to the skills, care and empathy with which our customer facing colleagues engage our members.

Through our focus on helping people into homes and helping money work harder, we have significantly grown market share in deposits and mortgages; whilst maintaining our healthy share of the Estate Agency market and further growing our invoice finance and international mortgage businesses. Our lending now goes to more first-time buyers than ever (c.33%) and our savers are rewarded too, with our lowest rate on an instant access account beating the market average by some considerable distance. All this, while further building out our enviable capital and funding positions and upgrading our risk management skills and framework.

This has not come by chance. This is down to the hard work, resilience and focus of colleagues and the incredible work they do all day, every day; together with our unique position in the market afforded by our mutual ownership model, where we only answer to our members and customers and not to shareholders. It is also thanks to our coverage and leadership position in the UK housing market.

Group performance highlights

Skipton Group, in our 171st year, has again performed strongly in 2023. Group profit before tax (PBT) is up 12% to £333.4m; with underlying Group PBT of £308.6m. Group net interest margin increased to 1.53% (from 1.35%) reflecting the rising interest rate environment which created opportunities for the Society and Skipton International to generate higher net income which we are re-investing to deliver further benefits for our members.

Our Group financial performance is underpinned by our strong asset quality, capitalisation, liquidity and funding profiles and these firm, sustainable foundations have most notably enabled us to deliver:

- Group mortgage balance growth of 12% to £28.6bn with mortgage advances of £6.7bn, up 6% year-on-year helping over 19,000 first time buyers. Additionally, £30.9bn of lending has been generated by Connells group for UK mortgage providers in 2023. Group UK residential mortgages in arrears by three months or more represent only 0.23% of mortgage accounts at the end of December 2023, well below the industry average.
- Savings balances in our Money business have grown by 15% to £26.0bn, and we have paid 0.65% above the market average to our savers; whilst financial advice customers were up, with funds under management totalling £4.3bn.
- We are only answerable to our members and not to shareholders. Membership growth in the year was 8.1% to over 1.2 million, bringing the benefit of membership to an ever increasing number of people.
- Liquidity levels have remained well above regulatory limits throughout the year, with a liquidity coverage ratio (LCR) of 173% at 31 December 2023; and we have maintained our strong capital position with Common Equity Tier 1 (CET1) and leverage ratios of 26.3% and 6.7% respectively.

Individual Business Performance

Skipton Building Society's PBT increased by £122.8m to £283.7m. 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.

Consumer confidence in the housing market weakened in the year amidst higher borrowing costs. As a result, Connells group entered 2023 with a materially lower sales pipeline. The tougher economic environment impacted upon Connells' group results, with revenue in the year down 8% to £951.0m. Consequently, Connells group realised a reduced PBT of £13.8m in 2023. Earnings before interest, tax, depreciation and amortisation (EBITDA), a common measure of estate agency performance, was £63.7m.

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 pre-tax profits of £47.3m in the year.

Delivering on our key strategic priorities in 2023

Helping More People Have a Home

Growing our mortgage members has been achieved by maintaining high standards of customer service, valuable relationships with our broker network, and delivering competitively priced products for our customers. We want to drive collaborative change across the Group to tackle the key issues impacting our members and the UK housing sector, to enable more first-time buyers to get onto the property ladder than ever before. In May 2023 we launched a new option for aspiring first-time buyers - our Track Record mortgage which enables people trapped in rental cycles to realise their homeownership aspirations, via the only available deposit-free mortgage without the need of a guarantor. The value of this product has been clearly demonstrated, with applications totalling £62.4m already received since its launch, and £29.7m completions. With the criteria now extended to also include tenants that were previous homeowners, we're enabling even more renters to access the property ladder.

In addition, we support one in ten individuals looking to buy and sell homes in the UK through our estate agency network; whilst lending in 2023 by our Home Financing business now goes to more first-time buyers than ever (c. 33% of all loans advanced).

Make Money Work Harder

We will ensure we are even more relevant for our customers; that we fully understand their needs, and provide greater solutions in savings as well as long-term investing, through our branches, on the phone or online. As part of our commitment to paying a competitive savings rate we have passed on an average of 1.33% of the 1.75% change in Bank of England base rate in 2023; meaning our minimum variable savings rate has increased from 1.75% to 3.25% at the year end.

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 up to 7.5%, enabling members to make the most of their hard-earned money. This provided over 68,000 new accounts for our members, and when these accounts mature after 12 months, we expect to pay more than £8.2m in interest, giving real value to our members.

As part of our money model, as well as savings products, we provide financial advice to our members. This year we have focused on how we make that easier and more accessible, by providing free advice to our members that choose to take it, helping with their savings and investment goals, in order to make their money work harder.

Make Membership Matter

Our members will see and feel the value of Skipton membership and ownership. In November 2022 we launched our Energy Performance Certificate (EPC) Plus proposition. Partnering with Vibrant Energy, a Skipton Group company, to offer a free EPC Assessment, with advice on how to improve the energy efficiency of homes (EPC Plus), which was extended to all Skipton savings and mortgage members in January. Since launching the proposition, around 10,000 surveys have been conducted providing over £700k of benefit to our members.

In the year, the Home Financing and Money businesses were awarded the Customer Contact Association (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.

Enablers to deliver our strategy

It has been a transformative year for the Skipton Group:

- **Aligning our structure with our purpose:** Where appropriate we have developed new strategies for our businesses and appointed new leadership, whilst refining our operating model to support even greater accountability, performance and agility. We have welcomed new faces, who bring fresh ideas, whilst also promoting our existing talent into leadership positions throughout the organisation, including to the Group Executive Committee. We are building an increasingly diverse pipeline of talent and investing in our places of work, both branches and the main support centres.
- **Investments and outcomes in digital and data:** We have begun retooling the businesses through our digital transformation programme and our financial advice reengineering in Money, our Dancerace implementation in Skipton Business Finance and an early test of a new Salesforce CRM system in Hamptons Estate Agency. We are also re-platforming our entire business from on-premise infrastructure to the cloud. These technology-enabled changes are blending great integration of third-party software with high quality internally built platforms. We are changing the way we 'do change' and becoming more ambitious and agile.

We believe these changes will enable us to deliver better outcomes for our members than ever before; being closer to our members and customers and more accountable for our purpose to help more people have a home, help people save for life ahead and support long-term financial wellbeing.

Our role in helping more people onto the property ladder, enabling existing homeowners to improve energy efficiency, and providing opportunities for people to save and plan for the future is needed now more than ever.

Conclusion and outlook

Looking ahead, we will continue to step-up our support to members and customers through challenging times. Our ambition is to make a positive impact in order to tackle the UK's housing crisis by enabling more first-time buyers to realise their homeownership aspirations. By responsibly utilising our incredible data assets, we have a unique insight across the UK housing market - it is our Group platform that allows us to support members and customers in every stage of the home-owning process - saving, buying, protecting, retrofitting, selling and investing.

We have an opportunity to add even more value through first-to-market products and excellent customer service that responds to real and changing societal needs. Our focus will continue on our three key strategic priorities as we drive further value for our members and customers. We will 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. We will also continue to invest more to ensure our members receive above-market interest rates for their savings and have access to free advice to help them plan their financial futures.

The Skipton Group has great potential to drive transformative change in the UK housing market and financial services industry, leveraging our collective Group capability.

Our Group brand will give us an elevated position to drive change, influence decision-makers and a platform to campaign on the issues that matter to our members, our communities and wider society. We will do this by evolving our ambitious performance culture, investing in colleagues to enable them to succeed.

Group results for the year ended 31 December

	2023 £m	2022 £m
Net interest receivable	**542.8**	424.4
Other income and charges	**988.3**	1,081.8
Fair value gains	**23.5**	1.3
Profit on disposal of subsidiary undertakings	**-**	0.1
Administrative expenses and provisions	**(1,223.6)**	(1,190.1)
Impairment credits / (losses)	**2.4**	(18.7)
Profit for the year before taxation	**333.4**	298.8
Taxation	**(78.8)**	(67.8)
Non-controlling interests	**0.2**	0.2
Profit for the financial year attributable to members	**254.8**	231.2

Underlying Group profit before tax for 2023 was £308.6m (2022: £297.7m) as follows:

	2023 £m	2022 £m
Total Group profit before tax	**333.4**	298.8
Less / add back fair value (gains) / losses in relation to the equity release portfolio	**(11.0)**	9.8
Less profit on disposal of subsidiary undertakings	**-**	(0.1)
Add back impairment of goodwill	**-**	0.8
Less fair value gains on share warrants and equity share investments	**(13.8)**	(11.6)
Underlying Group profit before tax	**308.6**	297.7

Group financial position at 31 December

Assets	2023 £m	2022 £m
Liquid assets	**7,092.7**	6,792.7
Residential mortgages	**27,813.3**	24,098.9
Commercial and other loans	**349.0**	354.4
Equity release portfolio	**293.3**	278.7
Derivative financial instruments	**1,000.8**	1,355.1
Fixed and other assets	**672.8**	691.5
Total assets	**37,221.9**	33,571.3

Liabilities	2023 £m	2022 £m
Shares	**25,949.8**	22,349.6
Borrowings	**7,316.9**	7,894.1
Derivative financial instruments	**452.2**	415.6
Other liabilities	**354.8**	365.5
Subordinated liabilities and subscribed capital	**726.9**	353.4
Reserves	**2,421.5**	2,192.9
Non-controlling interests	**(0.2)**	0.2
Total liabilities and equity	**37,221.9**	33,571.3

Group statement of movement in reserves	2023 £m	2022 £m
Reserves at 1 January	**2,192.9**	1,964.0
Net expense for the year not recognised in the Income Statement	**(26.2)**	(2.3)
Profit for the year	**254.8**	231.2
Reserves at 31 December	**2,421.5**	2,192.9

Summary of key financial ratios	2023 %	2022 %
Gross capital as a percentage of shares and borrowings	**9.46**	8.42
Liquid assets as a percentage of shares and borrowings	**21.32**	22.46
Group profit after tax for the year as a percentage of mean total assets	**0.72**	0.73
Group costs as a percentage of mean total assets	**3.46**	3.77
Society costs as a percentage of mean total assets	**0.72**	0.66

Definitions
Gross capital represents the general reserve together with the fair value reserve, cash flow hedging reserve, cost of hedging reserve, translation reserve, subordinated liabilities, subscribed capital and non-controlling interests as shown within the Group Statement of Financial Position. The gross capital ratio measures the Group's gross capital as a percentage of shares, deposits and borrowings.
Liquid assets represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities. Liquid assets are generally readily realisable, enabling the Group to meet its general liabilities during the year.
Group profit after tax as a percentage of mean total assets measures the proportion that the Group's profit after tax for the year bears to the average of the Group's total assets during the year. Mean total assets are calculated as the average of the closing total asset balances as at 31 December 2022 and 2023 as shown within the Group Statement of Financial Position. A reasonable level of profit is required each year to maintain the gross capital ratio at a suitable level to protect investors' funds.
The cost to mean asset ratios measure the proportion that the administrative expenses bear to the average of the total assets during the year.

This Summary Financial Statement was approved by the Board of Directors on 27 February 2024 and was signed on its behalf by:

Gwyn Burr - Chair
Stuart Haire - Group Chief Executive
Bobby Ndawula - Group Chief Financial Officer

Statement of the Auditors to the Members and Depositors of Skipton Building Society

We have examined the Summary Financial Statement of Skipton Building Society for the year ended 31 December 2023 which comprises the 'Summary Directors' Report' on pages 2 to 7, and the 'Summary Directors' Remuneration Report' on pages 9 to 16.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986, which includes information extracted from the Annual Report and Accounts and the auditable part of the Directors' Remuneration Report of Skipton Building Society for the year ended 31 December 2023.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the full annual financial statements, and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made thereunder.

Basis of opinion

Our examination involved agreeing the balances disclosed in the Summary Financial Statement to the Annual Report and Accounts. Our audit report on the Society's Annual Report and Accounts and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the auditable part of that report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements and the Directors' Remuneration Report of Skipton Building Society for the year ended 31 December 2023 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made thereunder.

Use of our report

This statement is made solely to the Society's members and depositors of Skipton Building Society, as a body, in accordance with Section 76 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members and depositors as a body, for our audit work, for this statement, or for the opinions we have formed.

Ernst & Young LLP
Registered Auditors, Leeds

27 February 2024

Summary Directors' Remuneration Report

Annual statement from the Chair of the Remuneration Committee

Dear Member,

On behalf of the Board Remuneration Committee, I am pleased to share this summary Directors' Remuneration Report, and my first report as Chair of the Committee. I wish to express my thanks to my predecessor, Heather Jackson, for her support in ensuring a smooth handover and her continued contribution to the work of the Committee. This report sets out the details of the directors' pay, incentives and benefits for the year ended 31 December 2023.

The full report, in the Society's Annual Report and Accounts, can be found on our website at skipton.co.uk/financialresults from 22 March 2024 or on request from 28 March 2024 by emailing annualaccountsrequest@skipton.co.uk, or by arrangement from Skipton branches. The full report contains more information on the remuneration principles, Group Chief Executive's remuneration and detailed information on the Remuneration Committee.

The Committee

The focus of the Committee is to set the Remuneration Policy, including base pay, variable remuneration and other benefits for executive directors and Material Risk Takers (MRTs). The Committee also has oversight of reward for the broader colleague population.

The members of the Board Remuneration Committee are all independent non-executive directors of the Society and include members of the Board Risk and Board Audit Committees.

The members of the Committee during the year were:

Steven Davis
Non-executive director (Chair)*

Heather Jackson
Non-executive director

Mark Lund
Non-executive director

*Replaced Heather Jackson as Chair in September 2023

The Board Remuneration Committee's review of 2023

Throughout 2023, the Board Remuneration Committee met 12 times and has been focused on overseeing the appropriateness of remuneration decisions to protect the interests of our members and colleagues.

Key considerations and decisions made by the Committee in 2023 included:

Remuneration component	Acton taken
2023 Pay Review	Approved the 2023 salary awards for the Executive Committee, senior managers and MRTs, in line with the all colleague pay review.
2023 SVPA[1] measures & targets	Determined key performance measures and targets across the following areas: • Financial • Customer and colleague • Environmental, Social and Corporate Governance (ESG) Strategic team objective and personal performance objective targets
2022 SVPA[1] outturns & payments	Approved awards in respect of the 2022 SVPA, considering the Group CRO's risk report, the Group CFO's sustainability review, performance outcomes versus scheme measures, strategic team and personal performance objectives.
Executive Committee remuneration decisions	Approved remuneration decisions for executive level appointments, including internal promotions, new hires and leavers throughout the year, plus joining arrangements for the new Group Chief Financial Officer, Group Chief Information Officer and the Connells group executive team.
Annual Review of the Board Remuneration Committee Terms of Reference, Skipton Building Society Remuneration Policy & Principles, Risk Adjustment Policy and MRT Policy	Annual review of the Skipton Building Society Remuneration Policy & Principles, Risk Adjustment Policy and MRT Policy were carried out, with no material changes required. A review of the Board Remuneration Committee Terms of Reference is ongoing.

Notes:

[1] SVPA stands for Single Variable Pay Arrangement and is the bonus plan in which the executive directors and Executive Committee participate

Directors' Remuneration 2023

The table below summarises the total remuneration of each executive director for 2023:

Executive Director	Role	Salary £000	Benefits[1] £000	Pension £000	Total fixed remuneration £000	SVPA £000	Total remuneration £000
Stuart Haire	Group Chief Executive	690	42	69	801	233	1,034
Andrew Bottomley	Chief Executive Money	338	15	51	404	121	525
Ian Cornelius[2]	Commercial Director	140	7	14	161	-	161
Bobby Ndawula	Group Chief Financial Officer	392	16	39	447	132	579
Total remuneration		**1,560**	**80**	**173**	**1,813**	**486**	**2,299**

Notes:
1. Includes all taxable benefits (private medical insurance, car allowance, health assessment, life assurance, group income protection and GCE travel and accommodation).
2. Ian Cornelius stepped down from the role of Interim Group Chief Executive on 30 December 2022, but he remained a director. His employment with the Society ended on 31 May 2023. The table above does not include payments for loss of office.

Pay increases, in line with the colleague population, were awarded in January 2023, per the table below:

Executive Director	Role	% increase	January 2023	April 2022
Stuart Haire	Group Chief Executive Officer	-	£690,000	-
Andrew Bottomley	CEO, Money	6.00%	£338,405	£319,250
Bobby Ndawula	Group Chief Financial Officer	6.00%	£391,893	£369,710

Variable remuneration in respect of performance for 2023

A key objective for the Committee is to ensure the remuneration of the executive directors is both aligned with and drives business performance across a range of measures taken from our Corporate Plan. Each year we review the design and focus of our annual bonus schemes to ensure alignment with strategy and culture.

Financial and Customer Performance

Financial performance in 2023 has been strong, supported by an increase in interest rates and underpinned by our strong asset quality, capitalisation, liquidity, and funding profiles. Adjusted Group profit results and adjusted Society profit results decreased from last year, with these metrics paying out 55.7% of maximum (2022: 100%) and 78.3% of maximum (2022: 100%) respectively for bonus. As mentioned in the Group Chief Executive's Report, Group profit has primarily been impacted by Connells group results.

We have maintained a focus on cost discipline, investing in talent by implementing a new target operating model to structurally set up the Society for future success, and investing in technology whilst realising cost efficiencies such as reduction in marketing spend and improvement of our procurement model. As a result, the Cost Reduction bonus metric is paying out on target, at 6 out of 10.

Planned efficiencies within Financial Advice have progressed well. This has been realised in a significant year on year increase, with this bonus metric paying out 52.0% of maximum (2022: 0%).

Our Group mortgage balance growth and savings balance growth have both exceeded targets set for 2023, reflecting our 8.1% membership growth year on year. Both measures have exceeded target, with bonus achievement at 100% of maximum for this metric (2022: 100%).

The Society continues to provide excellent customer service with customer satisfaction scores achieving our target of 89% resulting in an on-target outturn, paying out 60.0% of maximum for this bonus metric (2022: 55.5%).

Non-financial performance

In 2023, we decided to take a broader approach to our Environmental, Social and Governance (ESG) metrics, with a challenging ESG dashboard implemented to measurably increase our positive impact on the environment, to drive positive social impact for colleagues, customers, and communities and to lead the Society to higher sustainability governance standards. This has set us on the path towards achieving our overall goal and whilst we were delighted to achieve above target results for our Women in Finance Charter, recycling target, EPC+ target, first time buyer target and procurement target, we realise we still have ground to make up on our carbon footprint target and our aim to establish science-based reduction targets and reduction transition plans. Overall, our ESG dashboard achieved a threshold pay out of 5 out of 10 for this bonus metric.

During 2023, our Executive Team were focused on two key strategic team objectives:

- to create a growth culture, and
- to transform for the future

A new target operating model was successfully implemented at the beginning of November 2023. In addition, a new behaviour framework was introduced across the Society during 2023, with all objectives now measured on how objectives are delivered. The Group has begun a transformation journey aiming to deliver an efficient, agile and customer centric operating model. Overall, the strategic team objectives set and approved by Board have achieved a bonus outturn of 8 out of 10.

Performance awards for 2023

The majority of measures and targets featured in the SVPA are cascaded across the incentive schemes covering all colleagues within the Society. This common structure helps build a shared commitment to our purpose, vision and strategy and provides all colleagues in the Society with an opportunity to be rewarded in a way that recognises our collective success.

With the close of the year, the Committee reviewed the performance of all 2023 bonus metrics and outcomes, assessing whether the incentive outcomes for 2023 clearly reflect performance outcome in terms of financial and non-financial contributions, as well as strategic team objectives. A colleague's individual performance against personal objectives will be taken into consideration separately, in addition to bonus metrics.

The Committee reflected on the outcomes under the SVPA scheme, considering financial performance, customer metrics and the measures of the ESG dashboard, in addition to team and personal performance. Incentive payments awarded were between 34% and 36% of salary, where the maximum potential bonus under the scheme is 50% of salary.

In arriving at the decision on SVPA awards, a risk assessment process was undertaken, during which the Committee considered a range of factors and input from the Board Risk Committee. The Committee decided that no adjustments were appropriate at the point in time.

Risk considerations

The Society has a Risk Adjustment Policy which sets out its approach to ex-ante and post risk adjustment, malus and clawback.

Where the Remuneration Committee determines that risk adjustment is required, payments due from the scheme and deferred payments (if applicable) may be postponed, reduced, or cancelled for some, or all, participants. In certain circumstances, the business may need to apply clawback arrangements and require repayment of an appropriate amount of variable pay relating to the event which has occurred.

The Society's non-executive directors, acting on behalf of the Board Remuneration Committee, exercised their discretion to reduce payments due under the 2022 SVPA to certain senior individuals within the Society, following the outcome in April 2023 of an investigation commissioned by the Board at the end of 2022 regarding the material increase in the temporary model adjustment. The 2022 SVPA payment due to Ian Cornelius was reduced by 15% and the 2022 SVPA payment due to Bobby Ndawula was reduced by 25%.

The 2022 remuneration for executive directors is restated in the table below.

Executive Director	Role	Salary £000	Benefits[4] £000	Pension £000	Total fixed remuneration £000	SVPA £000	SVPA Post Risk Adjustment[5] £000	Other £000	Total remuneration £000
Stuart Haire[1]	Group Chief Executive Officer	3	-	-	3	-	-	1,148	1,151
David Cutter[2]	Group Chief Executive Officer	197	5	20	222	-	-	-	222
Andrew Bottomley	Chief Executive Officer Money	317	12	48	377	132	132	-	509
Ian Cornelius[3]	Commercial Director	446	12	33	491	188	166	-	657
Bobby Ndawula	Group Chief Financial Officer	367	12	37	416	155	116	-	532
Total remuneration		**1,330**	**41**	**138**	**1,509**	**475**	**414**	**1,148**	**3,071**

Notes:

1. The remuneration shown for Stuart Haire covers the period from his joining date of 31 December 2022. As a result of his resignation from HSBC, Stuart had forfeited deferred awards made to him in respect of financial years prior to 2022, as well as the opportunity to earn a bonus for 2022. The figure in the table therefore includes an award of £345,000 to replace the forfeited bonus opportunity and this will be subject to deferral, malus and clawback in accordance with the SVPA scheme. It also includes £802,686 of replacement deferred awards which reflect the value of the HSBC deferred cash and share awards forfeited. The replacement deferred awards, which will be made in the form of cash and instruments, will be subject to the same conditions that applied to his HSBC deferred awards and will mirror the vesting schedule over the period from March 2023 to March 2030.
2. The remuneration shown for David Cutter covers the period from 1 January to 26 April 2022.
3. The 2022 salary figure for Ian Cornelius includes an interim Group Chief Executive allowance of £163,320 p.a. paid pro-rata from 26 April 2022 until 31 December 2022.
4. Includes all taxable benefits.
5. As set out in the model risk section of the 2022 Risk Management Report, there has been significant regulatory change to improve model risk sensitivity and coverage, including changes to internal ratings-based (IRB) modelling approaches. Within the Society, work was undertaken to update certain IRB models to take into account these new regulatory requirements which came into effect on 1 January 2022. In the interim period, a temporary model adjustment (TMA) was used to uplift the expected minimum requirements for loss and risk weighted assets (RWAs) produced by the incumbent regulator-approved IRB models to the level expected once the models are finalised to meet the new regulation.
   The TMA set in the first half of 2022 materially increased in the second half of 2022 following feedback from the regulator in H1 2022 and this material increase was not fully anticipated by the Society.
   An investigation was commissioned by the Board at the end of 2022 regarding this material increase in the TMA

and a full risk assessment process was undertaken by the non-executive directors of the Society in April 2023 in accordance with the Society's Risk Adjustment Policy and in consideration of the Society's Remuneration Principles. As a result, the Society's non-executive directors, acting on behalf of the Board Remuneration Committee, exercised their discretion to reduce payments due under the 2022 SVPA to certain senior individuals within the Society. The 2022 SVPA payment due to Ian Cornelius was reduced by 15% and the 2022 SVPA payment due to Bobby Ndawula was reduced by 25%.

Remuneration in the Society

The Committee does not consult colleagues on remuneration policy for directors, but it does take into consideration remuneration arrangements for the wider population in the Society when determining executive remuneration.

A set of fair pay principles has been developed taking into consideration the views of colleagues from across the Society and these underpin the Society's current and future reward strategies.

The Society has wellbeing at the forefront of its culture and continues to support colleagues physically, mentally and financially. Our reward platform, 'Select', which is used by all colleagues, builds awareness and enables personalisation and choice of the benefits on offer. One of the many features is a total reward statement allowing an individual to understand how their package is constructed and understand the full value when all elements of remuneration are included.

The following table shows how executive remuneration for 2023 aligned with the wider workforce:

	2023 Salary Average pay increase	**Bonus Award**		**Maximum achievable**	
		2023	2022	2023	2022
Group Chief Executive	-	33.8%	41.9%	50%	50%
Executive Directors	6.0%	34.7%	41.7%	50%	50%
Other Executive Committee members	15.0%	32.3%	40.2%	50%	50%
Senior Leaders	6.5%	20.5%	21.6%	25-50%	25-50%
All other colleagues	6.0%	9.6%	9.8%	14%	14%

Notes:

1. Stuart Haire joined on 31 December 2022 and was not eligible for an increase.
2. Some members of the Group Executive Committee took on extended responsibilities across the Group in 2023, therefore receiving higher than average pay increases.

CEO Pay Ratio

In line with the regulatory requirements of listed companies, the Board has agreed to voluntarily publish the CEO pay ratio for the Society only. Given the diversity of the wider Skipton Group, the Society measure is deemed to be more appropriate as it provides a more meaningful comparison with our peers in financial services.

The table below sets out the total remuneration of the Group Chief Executive and the total remuneration of employees who sit at the 25th, 50th and 75th percentiles for the Society.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	35:1	27:1	19:1

Notes:

1. As recognised by the BEIS, those companies with multiple subsidiaries and payrolls can opt to use Option B.
2. Employee data includes full time equivalent total remuneration for Society employees as at 31 December 2023.

Non-Executive Directors' remuneration

The role of the Non-Executive Remuneration Committee is to set and review non-executive director (NED) fees (other than the Chair of the Board) ensuring that these are appropriate to attract and retain high quality individuals.

In May 2023 the Non-Executive Remuneration Committee asked PwC to conduct a market benchmarking exercise to review the Society's NED fees, including fees for chairing and membership of board committees. The last review carried out was in 2021.

This benchmarking exercise highlighted that NED fee levels were far below market levels. After due consideration by the Non-Executive Remuneration Committee, a proposal was submitted to Board to align fees to market median level. The Senior Independent Director (SID) fee remains below market median.It is important that NED fees be set at a level that will enable the Group to continue to attract high calibre individuals to serve on its boards who have the necessary capabilities, skills and experience required to promote the long-term success of a large and complex group such as the Skipton Group.

Separately, PwC were also asked to review the Chair's fee and this was found to be significantly below benchmark. A proposal to increase the Chair's fee was made by the Senior Independent Director, Mark Lund, and approved by the Board. This fee remains below market median.

As a result, the annual fees payable for all non-executive director roles increased for 2023, as per the table below. The non-executive directors did not receive a cost of living increase for 2023.

	2023 £	2022 £
Chair	260,000	205,000
Non-Executive Directors base fee	70,000	54,700
Senior Independent Director (SID) fee	78,613	61,900
Chair of Board Audit and Board Risk Committees fee	25,000	15,300
Chair of Board Remuneration Committee fee	20,000	15,300
Chair of Board Nominations Committee fee[1]	-	-
Chair of Board Change Committee fee[2]	20,000	-
Board Audit, Board Risk, Board Change and Board Remuneration Committee membership fees	10,000	-
Chair of Connells group board	50,000	35,000
Chair of Connells group Audit & Risk Committee	15,000	-

Notes:
1. There is no separate Nominations Committee chair fee as the Board Chair assumes this role.
2. Board Change Committee is a new Committee formed in 2023.

2024 look forward

The Society seeks to offer an overall reward package that is market competitive, compelling to new hires and fair and equitable to existing colleagues. The buoyant UK market has brought about recruitment and retention challenges in certain areas, for example technology, finance, legal and audit.

Looking forward to 2024, to continue supporting colleagues in challenging economic times we have agreed a one-off additional payment of £500 be paid to the lowest earners across our Society.

In line with the regulatory requirements for listed companies, we choose to put the Directors' Remuneration Policy to a member vote at least every three years. A full review of the policy will take place during 2024 and this will be put to an advisory vote at our AGM in 2025.

With the agreement of the new Corporate Plan in December 2023, the SVPA scheme has been reviewed for 2024 to maintain a clear link between the bonus plan and how it supports and re-enforces business strategy.

The 2024 SVPA will have metrics and weightings across four groups of performance measures as set out in the table below:

	Performance measures	Group Chief Executive	Executive committee members	Risk	Group Chief Internal Auditor
Financial	Group Profit	25%	20%	10%	-
	Society Profit	20%	25%	15%	-
Customer & colleague	Net Customer Satisfaction	15%	15%	15%	-
	Colleague Engagement & Culture	5%	5%	5%	-
ESG	2 metrics (including diversity and inclusion)	5%	5%	5%	-
Personal Objectives	Personal objectives/performance - what?	15%	15%	25%	50%
	Personal objectives/performance - how?	15%	15%	25%	50%

The maximum bonus opportunity will remain 50% of base salary, with the target opportunity 30% of base salary.

Statement of voting at the 2023 AGM

At the 2023 AGM the Directors' Remuneration Report was subject to an advisory vote of members, the results of which were as follows:

	Votes for	Votes against	Withheld
2022 Remuneration Report	53,525 (91.69%)	4,848	1,297

On behalf of the Committee, I hope this report gives you a clear view of how we have implemented the remuneration policy in 2023 and how we are investing to support the Group's ambitions and strategic priorities set out in Our Corporate Plan.

Steven Davis
Chair of the Board Remuneration Committee
27 February 2024

We can provide documents in large print, Braille or audio if you need them.
Please speak to a member of our team on 0345 850 1733 to find out more.