

SKIPTON DELIVERS STRONG FINANCIAL PERFORMANCE AND CONTINUES TO FOCUS ON HELPING MORE FIRST-TIME BUYERS

Skipton Group (“Skipton”), which includes the Skipton Building Society, Connells Group - the UK’s largest estate agency; and other group businesses, today presents its half year results for the six months to 30 June 2024.

Stuart Haire, Skipton Group Chief Executive, said:

“Skipton’s first half performance has seen very encouraging progress to create a stronger, more sustainable and more purposeful Skipton Group. The recent launch of our Home Affordability Index makes clear the significant challenge the UK faces in helping more people buy their first home. Given our position as the largest owner of estate agencies in the UK, we continue to develop innovative products, such as Track Record, to play our part in driving collaborative change across the UK housing sector.

“We delivered a strong first half financial performance, driven by growth in mortgages and savings balances, which has seen us generate a Group profit before tax (PBT) of £157.0m. We’ve maintained our financial strength and disciplined approach to managing arrears, while also investing in our members, Group capabilities, and strengthening our executive team.”

Update on strategic priorities

- **Helping More People Have a Home:** Group mortgage balances growth of 10.8% year-on-year to £30.1bn; 41% of new lending to first-time buyers (FTBs) (June 2023: 31%); 127,090 UK properties under management (June 2023: 125,025); Maintained market share with Skipton Group handling about one in ten of UK home purchases and sales.
- **Making Money Work Harder:** Savings balance growth of 16.6% year-on-year to £27.6bn; 15,654 financial advice conversations (June 2023: 14,427); 1.01m savings members and investors (June 2023: 0.93m).
- **Making Membership Matter:** £80.1m value returned to members (June 2023: £57.5m); Building society membership growth of 7.5% year-on-year to over 1.26 million.

Financial highlights – H1 2024

- Group PBT of £157.0m (June 2023: £148.9m), up 5% year-on-year; with underlying Group PBT of £149.1m (June 2023: £143.8m), reflecting the improvement in housing market activity with Connells Group total revenue up 12% to £508m (June 2023: £453m); offset by the effect of downward pressure on net interest income in the Society.
- A Liquidity coverage ratio (LCR) of 188% at June 2024 (June 2023: 186%).
- Group UK residential mortgages in arrears by three months or more of only 0.27% of mortgage accounts, well below the industry average of 0.94% (*Source: UK Finance industry arrears data (residential mortgages in arrears by more than three months) at 31 March 2024 – being the latest available data*).
- A strong capital position - Common Equity Tier 1 (CET1) and leverage ratios of 26.1% and 6.6% (June 2023: 26.1% and 6.9%).
- Group net interest margin of 1.27% (June 2023: 1.62%), driven by £250m more in interest payments year-on-year, with net interest income of £238.9m, compared to £277.7m for the same period in 2023.
- Despite paying £250m more in interest to members year-on-year, the Society delivered a strong first half profit before tax (PBT) of £113.0m (June 2023: £127.8m). Skipton International

performed similarly well, with PBT of £18.2m (June 2023: £24.5m). Connells Group achieved profits of £20.0m, as housing market activity continues to recover; compared to a loss in the comparative period (June 2023: £(5.8)m loss).

Group housing market data

Skipton Group encompasses the UK's largest estate agency, including the Connells, Countrywide and Hamptons brands (plus 80 other high street brands). It is responsible for around one in ten houses bought and sold in the UK, which gives Skipton Group unique insights:

H1 2024

- The number of properties placed on the market increased by 15% compared to June 2023.
- The average number of properties available for sale across our 1,200+ estate agency branches stood at 60 per branch, up from 50 per branch in June 2023.
- The number of house viewings to June 2024 was 15% higher than June 2023.
- Rental supply – the Group ended the half year with 24% more properties available to rent than at June 2023.
- Rental market – During the period we saw no significant signs of landlords exiting the market, with Connells Group re-letting over 77% (June 2023: 77%) of properties at the end of their tenancies. The average tenancy length was 30.9 months (June 2023: 27.3 months).
- Rental arrears – the number of rental properties in arrears represented just 4.92% of tenancies managed (June 2023: 4.94%).

Skipton Group outlook

CPI Inflation dropped back to the Bank of England's target of 2.0% in May. We expect this may increase slightly throughout the rest of the year but remain close to the target. Service and wage inflation has remained higher than CPI in recent months, a key focus for the Bank of England. Both measures are expected to reduce in the near future. If that's the case, this could allow the Bank of England to begin cutting Base Rate. Following the first 0.25% cut on 1 August, we expect a further 0.25% cut in Q4.

Despite predictions of a more subdued year for the mortgage market, 2024 has been encouragingly buoyant so far. Application volumes in the market year to date sit around 9% up year-on-year, with first-time buyers driving the highest proportion of demand. Mortgage rates remain elevated against historic lows (sub 1.00%) but with inflation falling and Base Rate expected to follow suit, this is reflected in mortgage product pricing, with the average market rate for a five-year fixed mortgage at 4.99%, and the current average rate for a two-year fixed rate mortgage at 5.37% (*Source: Rightmove weekly mortgage tracker, 3 July 2024*).

We are continuing to see strong demand for savings this year and expect that to continue throughout the rest of the year while interest rates remain higher. We are particularly seeing strong demand for ISAs, as customers look to make their savings as tax efficient as possible. With a large amount of market savings maturities in the second half of the year, we expect to see a lot of savers shopping around for the best rates. We also expect fixed rate demand to remain high and some of the demand may shift to longer term products as savers look to capitalise on higher rates for longer. This is particularly the case given a further anticipated Base Rate reduction in the second half of the year, where savings rates across the market will likely start to decrease.

House prices fell by less than expected in 2023 and we expect low growth for 2024. The market is expected to remain sensitive to mortgage rates, which has tempered demand somewhat, while supply has ticked up, with this increased supply expected to keep house prices in check. However, the steady flow of homes onto the market will likely support overall market health. Any Base Rate cuts, which would feed through to mortgage rates, will also further boost activity in the housing market.

Building on our social purpose

Skipton Group stands ready to contribute to the national debate and play our part in building a better society. We know that addressing the housing crisis requires cooperation and investment from a range of stakeholders. By sharing our insights and data with policy-makers we can enable decision making to be based on real-time movements and impacts across the whole system. We want to bring other organisations that work within the housing system alongside us to unblock the challenges, unlock new thinking and ultimately use the power of homes to help society thrive. The more people we can help to build stable foundations, the more prosperous our nation will be.

We recognise the power we have at Skipton Group as a voice campaigning on socially important matters, such as affordable housing. This year we will be an advocate for change, delivering solutions that make a real difference to peoples' lives for a better future. We stand ready to work with others and to share our data and insights to help even more people into homes.

Given our position as the largest owner of estate agencies in the UK, alongside our financial capabilities, collectively we have great potential to drive transformative change in the UK housing market and financial services industry. We have already started to leverage the unique power of the collective Group expertise by launching our innovative Skipton Group Home Affordability Index to provide a fresh perspective on how housing costs vary for people across the country, exploring where and for whom the challenges are most significant.

ENDS

Journalists - For further information on this release, or if you would like any insight and data on house prices, mortgages and savings from across the Skipton Group or commentary and case studies please contact:

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Notes to editors

Skipton Group is led by Skipton Building Society and is built on two core foundations: homes and money. The Skipton Group consists of a diversified portfolio, Skipton Building Society (Home Finance and Money businesses), Connells Group (Estate Agency and Property Services), Skipton Business Finance, Skipton International (our bank in the Channel Islands), and Jade Software (database and AI company).

With the building society and Connells Group at the heart of the core business, Skipton Building Society has over 1 million members and 82 branches. Connells Group has over 1,200 estate agency branches and is the UK's largest estate agency and property services provider. Skipton Group employs around 18,000 colleagues.