

Pillar 3 Disclosures

30 September 2024

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1 Introduction

1.1 Background

This document presents the Pillar 3 disclosures of Skipton Building Society (the Society) and its subsidiaries at prudential group level as at 30 September 2024.

The disclosures have been prepared in accordance with the Capital Requirements Directive (CRD V), the United Kingdom's Capital Requirements Regulation (UK CRR) and the disclosure requirements set out in the Prudential Regulation Authority's (PRA) Rulebook.

The Pillar 3 disclosure requirements apply to banks and building societies and require firms to publish key details regarding their financial strength and risk management.

1.2 Scope of application

The Society is required to calculate and maintain regulatory capital on both a prudential consolidation and a Society only basis. The basis of consolidation for regulatory and accounting purposes are different.

For accounting purposes, the Group comprises the Society and all of its subsidiaries. The prudential Group comprises the Society and all of its subsidiaries excluding the Connells group, Jade Software Corporation Ltd and a small number of other entities whose activities are not closely aligned with the core business.

For an overview of the differences between accounting and regulatory scopes of consolidation, please see section 4 of the Pillar 3 disclosures as at 31 December 2023.

1.3 Basis of presentation

These Pillar 3 disclosures are presented using the prescribed disclosure templates in the PRA Rulebook. Row and column references are based on those prescribed in the PRA templates. No changes have been made to the fixed templates, unless specifically stated under the template.

The Group does not use the Internal Model Approach for market risk or the Internal Model Method for counterparty credit risk (CCR) exposures, therefore the following templates have not been presented:

- UK MR2-B - RWA flow statements of market risk exposures under the IMA; and
- UK CCR7 - RWEA flow statements of CCR exposures under the IMM.

All figures and narrative are as at 30 September 2024. Comparative information is disclosed in certain templates based on the previous disclosed reporting period as prescribed in the PRA Rulebook.

1.4 Frequency of disclosure

The Society is required to publish Pillar 3 Disclosures quarterly in accordance with the requirements set out in the PRA Rulebook on materiality, proprietary and confidentiality in Article 432 and with the disclosure frequency set out in Article 433a of the PRA Rulebook.

1.5 Media and location of publication

These Pillar 3 disclosures, and those from previous reporting periods, are published on Skipton Building Society's website (www.skipton.co.uk/about-us/pillar-3-disclosure).

1.6 Pillar 3 policy

The Board has adopted a formal policy for the production of the Pillar 3 disclosures. The Pillar 3 policy sets out the principles which ensure that the Pillar 3 disclosures satisfy the regulatory reporting requirements in respect of the basis, frequency, verification and appropriateness of disclosures, and the governance and control framework applied in the preparation of the disclosures. The Pillar 3 policy also ensures that the Group's risk profile is comprehensively disclosed and that our disclosures are comparable to other market participants.

1.7 Verification of disclosure

These disclosures have been reviewed and approved by the Board Risk Committee (BRC). These disclosures are not required to be, and have not been, subject to an independent external audit.

Capital and leverage ratios reported as at 30 September 2024 exclude unaudited profits for the reported quarter.

1.8 Scope of permission of Internal Ratings Based (IRB) Approach

The Society has PRA permission to apply the IRB approach to certain credit risk exposures. The Group has calculated the regulatory capital requirement for credit risk under the internally developed models for retail mortgage exposures¹ in the Society. It also applies the IRB approach to equity exposures² as per Articles 155 of the UK CRR and non-credit obligation assets³ including cash in hand as per Article 156 of the UK CRR. The standardised approach continues to apply to all other exposures, operational risk and market risk.

From 1 January 2022, new regulation applicable to internal ratings-based (IRB) models resulted in the Society applying a temporary model adjustment (TMA) to the Society's regulator-approved IRB model output. The TMA uplifts the expected loss (EL) and Risk Weighted Assets (RWAs) produced by the incumbent regulator-approved IRB rating system to the level expected once the rating system is updated to meet the regulatory requirements outlined in PRA Supervisory Statement SS11/13. This adjustment is applied at portfolio level.

The Society submitted an update to the incumbent regulator-approved IRB models to the PRA in 2021 to meet regulation that came into force on 1 January 2022. Following feedback from the PRA, these models have been further refined and were re-submitted in January 2024. As at 30 September 2024, the TMA has been updated to adjust IRB outputs to align with the IRB models that were resubmitted to the PRA in January 2024. The recent model development has reduced credit risk RWAs, measured under the IRB approach for residential mortgages, by £738.7m as set out in template UK CR8.

For further details on the IRB models and associated governance framework, refer to section 12 of the Pillar 3 disclosures as at 31 December 2023.

¹ Retail mortgage exposures include owner-occupied mortgages and residential buy-to-let mortgages.

² Equity exposures primarily relate to the cost of investment in subsidiary companies outside the regulatory group.

³ Non-credit obligation assets relate to property, plant and equipment, right-of-use assets and fair value adjustments for hedged risk assets under the IRB approach.

2 Key metrics

The template below provides a summary of the key prudential ratios and measures. Capital ratios and measures are presented with IFRS 9 transitional arrangements applied in accordance with Article 473a of the UK CRR.

2.1 UK KM1 – Key metrics template

	a	b	c	d	e	
	30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 23	
	£m	£m	£m	£m	£m	
Available own funds (amounts)						
1	Total Common Equity Tier 1 (CET1) capital	2,276.4	2,280.8	2,182.0	2,195.2	2,071.9
2	Tier 1 capital	2,276.4	2,280.8	2,182.0	2,195.2	2,071.9
3	Total capital	2,316.4	2,320.8	2,222.0	2,235.2	2,111.9
Risk-weighted exposure amounts (RWEAs)						
4	Total risk-weighted exposure amount	8,131.0	8,722.8	8,634.8	8,432.5	8,155.8
Capital ratios (as a % of RWEAs)						
5	Common Equity Tier 1 ratio (%)	28.00	26.15	25.27	26.03	25.40
6	Tier 1 ratio (%)	28.00	26.15	25.27	26.03	25.40
7	Total capital ratio (%)	28.49	26.61	25.73	26.51	25.89
Additional own funds requirements based on SREP (as a % of RWEAs)						
UK 7a	Additional CET1 SREP requirements (%)	1.16	1.14	1.15	1.15	1.16
UK 7b	Additional AT1 SREP requirements (%)	0.39	0.38	0.38	0.38	0.39
UK 7c	Additional T2 SREP requirements (%)	0.52	0.51	0.51	0.51	0.52
UK 7d	Total SREP own funds requirements (%)	10.07	10.03	10.04	10.04	10.07
Combined buffer requirement (as a % of RWEAs) ¹						
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
9	Institution specific countercyclical capital buffer (%) ²	1.81	1.82	1.82	1.81	1.82
11	Combined buffer requirement (%)	4.31	4.32	4.32	4.31	4.32
UK 11a	Overall capital requirements (%)	14.38	14.35	14.36	14.35	14.39
12	CET1 available after meeting the total SREP own funds requirements (%) ³	18.42	16.58	15.69	16.46	15.82
Leverage ratio ⁴						
13	Total exposure measure excluding claims to central banks	35,353.2	34,560.6	33,559.4	32,766.0	31,393.5
14	Leverage ratio excluding claims on central banks (%)	6.44	6.60	6.50	6.70	6.60
Liquidity Coverage Ratio ⁵						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	6,007.2	5,926.2	5,875.5	5,818.4	5,719.9
UK 16a	Cash outflows - Total weighted value	3,741.0	3,747.5	3,743.6	3,651.7	3,568.4
UK 16b	Cash inflows - Total weighted value	243.4	235.6	228.7	232.8	221.7
16	Total net cash outflows (adjusted value)	3,497.6	3,511.9	3,514.9	3,418.9	3,346.7
17	Liquidity coverage ratio (%)	171.96	169.05	167.46	170.53	171.23
Net Stable Funding Ratio ⁶						
18	Total available stable funding	33,084.5	32,154.7	31,356.6	30,604.1	29,836.0
19	Total required stable funding	24,134.7	23,727.6	23,200.4	22,608.8	21,997.5
20	Net Stable Funding Ratio (%)	137.08	135.48	135.16	135.37	135.72

Notes

- The buffer requirement in rows UK 8a, UK 9a to UK10a have been removed from the template as not applicable for the Group.
- The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which the Group has relevant credit exposures.
- Represents the level of CET1 capital available to meet buffer requirements after subtracting the amount of minimum CET1 capital required to meet Pillar 1 and Pillar 2A capital requirements, also referred to as total Supervisory Review and Evaluation Process (SREP) own funds requirements, as a percentage of RWAs. The current CET1 capital requirement for the Group is equivalent to the total SREP own funds requirement, less Tier 2 capital.
- The additional leverage ratio disclosure requirements only apply to financial institutions with deposits equal to or greater than £50bn or with non-UK assets equal to or greater than £10bn. The rows UK-14a to UK-14e have been removed from the template as the Group is not currently captured by either threshold.
- The values have been calculated as a simple average of the 12 month-end observations preceding the end of each quarter.
- The values have been calculated based on a four quarter rolling average of quarter-end positions.

2.2 Summary of key disclosures

2.2.1 Total regulatory capital

The Group's capital position remains strong with Common Equity Tier 1 (CET1) capital of £2,276.4m (30 June 2024: £2,280.8m). This is mainly due to a small decrease in the fair value reserve during the quarter.

2.2.2 Total risk weighted assets (RWAs)

The total RWAs decreased by £591.8m from £8,722.8m as at 30 June 2024 to £8,131.0m as at 30 September 2024 as set out in template UK OV1. The decrease was primarily driven by a £599.6m reduction in credit risk RWAs, measured under the IRB approach for residential mortgages. This was as a result of the recent model developments partially offset by an increase in RWAs due to strong mortgage lending in the quarter.

2.2.3 Capital ratios

As a result of the movement in regulatory capital and RWAs explained above, the CET1 Ratio and Total Capital Ratio have increased to 28.0% (30 June 2024: 26.2%) and 28.5% (30 June 2024: 26.6%) respectively.

2.2.4 Pillar 1 capital

The Group holds a minimum level of capital (Pillar 1) for credit risk, operational risk, and market risk. The IRB approach is applied to calculate the capital requirement for the majority of residential mortgages, as well as equity exposures and non-credit obligation exposures. The standardised approach is applied to all other exposures, operational risk and market risk.

2.2.5 Pillar 2A capital

Pillar 2A capital, also referred to as additional own funds requirements based on SREP, is provided to cover specific risks faced by the Group that have not been covered by Pillar 1, such as pension and interest rate risks. As at 30 September 2024, the Pillar 2A requirement set by the PRA was 2.07% of RWAs (30 June 2024: 2.03%).

2.2.6 Combined buffer requirement

Under CRD V, institutions are required to hold a combined buffer requirement comprising a Capital Conservation Buffer (CCoB) and a Countercyclical Buffer (CCyB) to provide capital that can be utilised to absorb losses in stressed conditions. As at 30 September 2024, the CCoB was 2.5% of RWAs and the CCyB was 2% of RWAs for exposures in the UK. The Group's specific CCyB was 1.81% of RWAs (30 June 2024: 1.82%), calculated based on the weighted average of the buffer rates in effect for the countries in which the Group has relevant credit exposures.

2.2.7 Leverage Ratio

The leverage ratio decreased to 6.4% as at 30 September 2024 (30 June 2024: 6.6%) mainly due to growth of the balance sheet during the period driven by mortgage lending.

2.2.8 Liquidity Coverage Ratio (LCR)

As at 30 September 2024, the LCR was 172.0% (30 June 2024: 169.1%) and above both the regulatory and internal limits set by the Board throughout the period. Further detail on the LCR is set out in section 4.

2.2.9 Net Stable Funding Ratio (NSFR)

As at 30 September 2024, the NSFR was 137.1% (30 June 2024: 135.5%) and above both the regulatory and internal limits set by the Board throughout the period.

2.3 Impact of IFRS 9 transitional arrangements

The Group has opted to apply the IFRS 9 transitional arrangements to capital calculations from 1 January 2018, in accordance with EBA/GL/2018/01, on a scaling basis, over the period to 31 December 2024. The implementation of IFRS 9 transitional arrangements does not have a significant impact on the Group's capital position. The template below shows key ratios and measures with and without the application of IFRS 9 transitional arrangements.

	a	b	c	d	e
	30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 23
	£m	£m	£m	£m	£m
Available own funds (amounts)					
1 Common Equity Tier 1 (CET1) capital	2,276.4	2,280.8	2,182.0	2,195.2	2,071.9
2 Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,276.2	2,280.6	2,180.9	2,194.1	2,070.3
3 Tier 1 capital	2,276.4	2,280.8	2,182.0	2,195.2	2,071.9
4 Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,276.2	2,280.6	2,180.9	2,194.1	2,070.3
5 Total capital	2,316.4	2,320.8	2,222.0	2,235.2	2,111.9
6 Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,316.2	2,320.6	2,220.9	2,234.1	2,110.3
Risk-weighted exposure amounts (RWEAs)					
7 Total risk-weighted exposure amounts	8,131.0	8,722.8	8,634.8	8,432.5	8,155.8
8 Total risk-weighted exposure amounts as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,131.0	8,722.7	8,633.7	8,431.4	8,153.8
Capital ratios					
9 Common Equity Tier 1 (as a percentage of risk exposure amount) (%)	28.00	26.15	25.27	26.03	25.40
10 Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	27.99	26.15	25.26	26.02	25.39
11 Tier 1 (as a percentage of risk exposure amount) (%)	28.00	26.15	25.27	26.03	25.40
12 Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	27.99	26.15	25.26	26.02	25.39
13 Total capital (as a percentage of risk exposure amount)(%)	28.49	26.61	25.73	26.51	25.89
14 Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	28.49	26.60	25.72	26.50	25.88
Leverage ratio					
15 Total exposure measure excluding claims to central banks	35,353.2	34,560.6	33,559.4	32,766.0	31,393.5
16 Leverage ratio excluding claims on central banks (%)	6.44	6.60	6.50	6.70	6.60
17 Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied (%)	6.44	6.60	6.50	6.70	6.59

3 Overview of risk weighted exposure amounts

3.1 UK OV1 – Overview of risk weighted exposure amounts

The template below provides an overview of RWAs and minimum capital requirements under the Pillar 1 capital requirement as at 30 September 2024. Pillar 1 credit risk exposures include balances which are off-balance sheet, such as credit commitments relating to mortgages not yet drawn down.

The Pillar 1 own funds requirement under both the IRB and standardised approach is calculated as 8% of the risk weighted exposure amount.

		a	b	c
		Risk weighted exposure amounts (RWEAs) 30 Sep 24 £m	30 Jun 24 £m	Total Own Fund Requirements 30 Sep 24 £m
1	Credit risk (excluding CCR)	7,168.7	7,781.3	573.4
2	Of which standardised approach	1,434.2	1,447.2	114.7
3	Of which the foundation IRB (FIRB) approach ¹	-	-	-
4	Of which slotting approach ¹	-	-	-
UK 4a	Of which equities under the simple risk weighted approach	304.5	304.5	24.4
5	Of which the advanced IRB (AIRB) approach ²	5,430.0	6,029.6	434.3
6	Counterparty credit risk (CCR)	123.2	105.1	9.9
7	Of which the standardised approach	26.5	23.9	2.1
8	Of which internal model method (IMM) ¹	-	-	-
UK 8a	Of which exposures to a CCP	9.7	9.2	0.8
UK 8b	Of which credit valuation adjustment - CVA ³	87.0	72.0	7.0
9	Of which other CCR	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	57.3	54.6	4.6
17	Of which SEC-IRBA approach ¹	-	-	-
18	Of which SEC-ERBA (including IAA) ⁴	57.3	54.6	4.6
19	Of which SEC-SA approach ¹	-	-	-
UK 19a	Of which 1250%/ deduction ¹	-	-	-
20	Position, foreign exchange and commodities risks (Market risk) ⁵	-	-	-
21	Of which the standardised approach ¹	-	-	-
22	Of which IMA ¹	-	-	-
UK 22a	Large exposure	-	-	-
23	Operational risk	781.8	781.8	62.5
UK 23a	Of which basic indicator approach ¹	-	-	-
UK 23b	Of which standardised approach	781.8	781.8	62.5
UK 23c	Of which advanced measurement approach ¹	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
29	Total	8,131.0	8,722.8	650.4

Notes

1. This approach is not applicable to the Group.
2. The advanced IRB approach includes exposures to non-credit obligation assets of £54.6m (30 June 2024: £54.2m) that are subject to 100% risk weight.
3. Credit Valuation Adjustment (CVA) is the adjustment applied to the fair value of derivatives for potential mark-to-market losses due to credit quality deterioration of a counterparty.
4. The Group has adopted the SEC-ERBA approach method to calculate the capital requirements of securitisation exposures. The Internal assessment approach (IAA) is not applicable to the Group.
5. As permitted per Article 351 of the UK CRR, the Group elected to set exposure to market risk as zero.

3.2 UK CR8 - RWEA flow statements of credit risk exposures under the IRB approach

The template below sets out the flow statement of credit risk RWAs under the IRB approach for retail mortgage exposures, as prescribed by the PRA, over the period from 30 June 2024 to 30 September 2024. The RWAs do not match with the amounts presented in row 5 of template UK OV1 for the credit risk exposures measured under the IRB approach as this also includes RWAs for non-credit obligation assets of £54.6m (30 June 2024: £54.2m).

	a Risk weighted exposure amount quarter to 30 Sep 24 £m	a Risk weighted exposure amount quarter to 30 Jun 24 £m
1 Risk weighted exposure amount as at the end of the previous reporting period	5,975.4	5,883.8
2 Asset size (+/-)	129.9	51.6
3 Asset quality (+/-)	8.8	40.0
4 Model updates (+/-)	(738.7)	-
5 Methodology and policy (+/-)	-	-
6 Acquisitions and disposals (+/-)	-	-
7 Foreign exchange movements (+/-)	-	-
8 Other (+/-)	-	-
9 Risk weighted exposure amount as at the end of the reporting period	5,375.4	5,975.4

The decrease in credit risk RWAs, measured under the IRB approach for residential mortgages, relates to the recent model updates. The TMA has been updated to adjust IRB outputs to align with the IRB models that were resubmitted to the PRA in January 2024.

4 Liquidity requirements

4.1 UK LIQ1 – Quantitative information of LCR

The template below shows the Group's breakdown of high-quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the Liquidity Coverage Ratio (LCR) followed by the qualitative information.

UK 1a	Quarter ending on (DD Month YY)	Total unweighted value (average)				Total weighted value (average)			
		a	b	c	d	e	f	g	h
UK 1b	Number of data points used in the calculation of averages	30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23	30 Sep 24	30 Jun 24	31 Mar 24	31 Dec 23
		£m	£m	£m	£m	£m	£m	£m	£m
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					6,007.2	5,926.2	5,875.5	5,818.4
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	28,316.7	27,393.6	26,436.5	25,569.6	1,931.4	1,854.5	1,758.2	1,668.3
3	<i>Stable deposits</i>	13,162.5	12,825.3	12,647.2	12,541.8	658.1	641.3	632.4	627.1
4	<i>Less stable deposits</i>	8,651.4	8,187.4	7,591.5	7,049.3	1,209.6	1,139.3	1,043.7	953.5
5	Unsecured wholesale funding	328.6	336.9	377.2	354.6	239.2	241.4	277.5	247.0
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	257.8	264.8	272.2	276.4	168.4	169.3	172.5	168.8
8	<i>Unsecured debt</i>	70.8	72.1	105.0	78.2	70.8	72.1	105.0	78.2
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	933.2	980.5	996.5	1,003.6	933.2	980.5	996.5	1,003.6
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	858.0	906.1	921.2	925.9	858.0	906.1	921.2	925.9
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	75.2	74.4	75.3	77.7	75.2	74.4	75.3	77.7
14	Other contractual funding obligations	19.4	19.6	20.8	21.0	-	-	-	-
15	Other contingent funding obligations	1,820.6	1,917.5	2,032.7	2,093.7	637.2	671.1	711.4	732.8
16	TOTAL CASH OUTFLOWS					3,741.0	3,747.5	3,743.6	3,651.7
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	207.3	203.7	198.2	192.6	167.8	163.6	157.4	150.3
19	Other cash inflows	75.6	72.0	71.3	82.5	75.6	72.0	71.3	82.5
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		-			-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	282.9	275.7	269.5	275.1	243.4	235.6	228.7	232.8
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
UK-20c	<i>Inflows subject to 75% cap</i>	282.9	275.7	269.5	275.1	243.4	235.6	228.7	232.8
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					6,007.2	5,926.2	5,875.5	5,818.4
22	TOTAL NET CASH OUTFLOWS					3,497.6	3,511.9	3,514.9	3,418.9
23	LIQUIDITY COVERAGE RATIO (%)					171.96	169.05	167.46	170.53

4.2 UK LIQB – Qualitative information of LCR, which complements UK LIQ1

(a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

The LCR, which is prepared in accordance with the Liquidity Coverage Ratio part of the PRA Rulebook for CRR firms, aims to ensure that the Group holds sufficient HQLA to survive a period of liquidity stress lasting 30 calendar days.

The LCR is driven by the size of the HQLA buffer, stressed retail outflows, mortgages which have been offered but are yet to complete, wholesale funding maturities and potential stressed collateral outflows.

The LCR disclosure (calculated as the simple average of month end observations over the 12 months preceding the end of each quarter) was 171.96% as of 30 September 2024.

(b) Explanations on the changes in the LCR over time

Overall, the LCR has increased slightly in the quarter due to an increase in the liquidity buffer as a result of growth in retail funding combined with a decrease in net cash outflows, with an average of 171.96% as of 30 September 2024 compared to an average LCR of 169.05% as of 30 June 2024. The Group has seen continued growth in customer deposits which has supported new mortgage lending, including greater commitments to support more customers to own their own homes.

(c) Explanations on the actual concentration of funding sources

The Group's funding position is predominantly supported by its retail customer deposit base, which has historically provided a highly stable source of funding and aligns with Society's strategy as a mutual organisation.

The Group also raises both unsecured and secured wholesale funding in order to provide diversification of funding and support the liquidity position. This funding includes deposits, certificates of deposits, medium term notes, capital, drawings from the TFSME, repos, covered bonds and RMBS.

Funding concentration by counterparty, currency and tenor is monitored on an ongoing basis as part of the Group's internal liquidity and funding risk management frameworks.

(d) High-level description of the composition of the institution's liquidity buffer

The Group's liquidity buffer consists almost entirely of Level 1 assets. Level 1 assets are primarily held as central bank reserves, UK government bonds and high quality supranational debt securities, with a smaller holding of Level 1 eligible extremely high quality covered bonds. The liquidity buffer also includes a small portion of Level 2B assets, which are high quality UK issued RMBS.

(e) Derivative exposures and potential collateral calls

The Group actively manages its derivative exposures and potential calls, including both due collateral and excess collateral, with derivative outflows under stress captured under the Historical Look Back Approach which considers the impact of an adverse market scenario on derivatives. Potential collateral calls due to a deterioration in the Society's credit rating are also captured.

(f) Currency mismatch in the LCR

The LCR is calculated on a GBP equivalent basis only as this is the Group's only significant currency in accordance with the Liquidity Coverage Ratio part of the PRA Rulebook definition.

The currency risk appetite of the Group is low and any wholesale funding issuances denominated in foreign currency are immediately swapped into GBP. Currency risk is monitored through the internal liquidity and funding risk management frameworks.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

We do not consider anything else of material relevance for disclosure.

Media Enquiries

For media enquiries please contact the Skipton press office.

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