SKIPTON BUILDING SOCIETY
Since 1853

Investor Presentation

August 2024

Strategy, priorities and objectives

We have three key strategic priorities to deliver our purpose

- Help More People Have a Home
- Make Money Work Harder
- Make Membership Matter

Our Group

Our strategy is to deliver our purpose through leveraging the power of the Group for the benefit of our members, customers and our communities.

We are the UK's fourth largest building society by asset size. As a mutual organisation, the Society is owned by its members and as such we are able to take decisions to promote long term sustainability.

Our story started in 1853 and we have been helping generations of members for over 170 years; we are well placed to help even more in the future. We are a purpose led organisation and as times change our purpose stays the same, although how we fulfil it has and will evolve.

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, Connells group. Sitting alongside our primary businesses and supporting a thriving business model, the Group also comprises Skipton Business Finance and Jade Software Corporation. These Skipton Group businesses are collectively how we achieve our purpose. The Skipton Group is headed by Skipton Building Society.

Our Senior debt is rated A by Fitch and A2 by Moody's, both with a Stable outlook.

Connells group

Connells is the largest Estate Agency group in the UK, with approximately 10% market share and provide an ongoing dividend stream to the Society

Their strategy continues to focus on delivering the right results for customers and clients throughout the process of buying, selling and renting homes.

SKIPTON INTERNATIONAL

Skipton International Limited (SIL) is a bank based in Guernsey, with a balance sheet of c£2.7bn.

Based in Guernsey, SIL provides an ongoing dividend stream delivering a superior return on capital within our core markets, servicing ExPats and foreign nationals, particularly in the Channel Islands. Lending is secured against property on the Channel Islands and on BTL properties in the UK.

Sbf. Skipton Business Finance

Skipton Business Finance (SBF) is an Invoice Factoring Business, operating in the UK.

SBF provide a strong return on capital for a relatively low risk business, and a proven hedge to an economic downturn. Their purpose is to provide business people with financial support to expand their business and create wealth and additional employment in their local economy.

jade

Jade Software helps its clients accelerate growth using technology as an enabler and has around 280 staff, based across the United Kingdom, Australia and New Zealand. It designs, builds and supports world-class enterprise solutions, enables customers to maximise the value from their core systems and to create engaging digital experiences for their customers. Jade also has a strong presence in regulated environments through its anti-money laundering solution, Jade ThirdEye.

Group Highlights

Strong and sustainable performance

Strong Profits

- **Group PBT** of **£157.0m** (2023HY: £148.9m).
- Group **net interest margin** decreased to **1.27%** (2023HY: 1.62%).

Strong Capital Base

- Group **Common Equity Tier 1 ratio** grew to **26.1%** (2023: 26.0%).
- Group **Leverage ratio** of **6.6%** (2023: 6.7%).

Increased Home Ownership

- Group **mortgage balances** grew by **5.5% to £30.1bn**.
- 41% of new lending helped first time buyers into homes (2023HY: 31%)
- Part of which was through our Track Record product enabling those renting to get on the housing ladder and has so far helped 375 FTBs

Rewarding Savers

- **Savings balances** grew YoY by **16.6% to £27.6bn**.
- Member benefit, **Regular Saver, Bonus Saver, Member Fixed Bonds (inc. 66+ Monthly Income Bond)** product launches.
- Minimum variable savings rate 3.25%

Robust Asset Quality

- Group UK residential mortgages in **arrears by three months** or more remained at a low level of **0.27%** (2023: 0.23%).
- This compares very favourably to the industry average of 0.94% (2023: 0.91%).

Provisioning

- **£9.3m credit in loan impairment provisions** as a result of a revision to the Group's forward-looking economic assumptions and associated scenario weightings.

Membership Matters

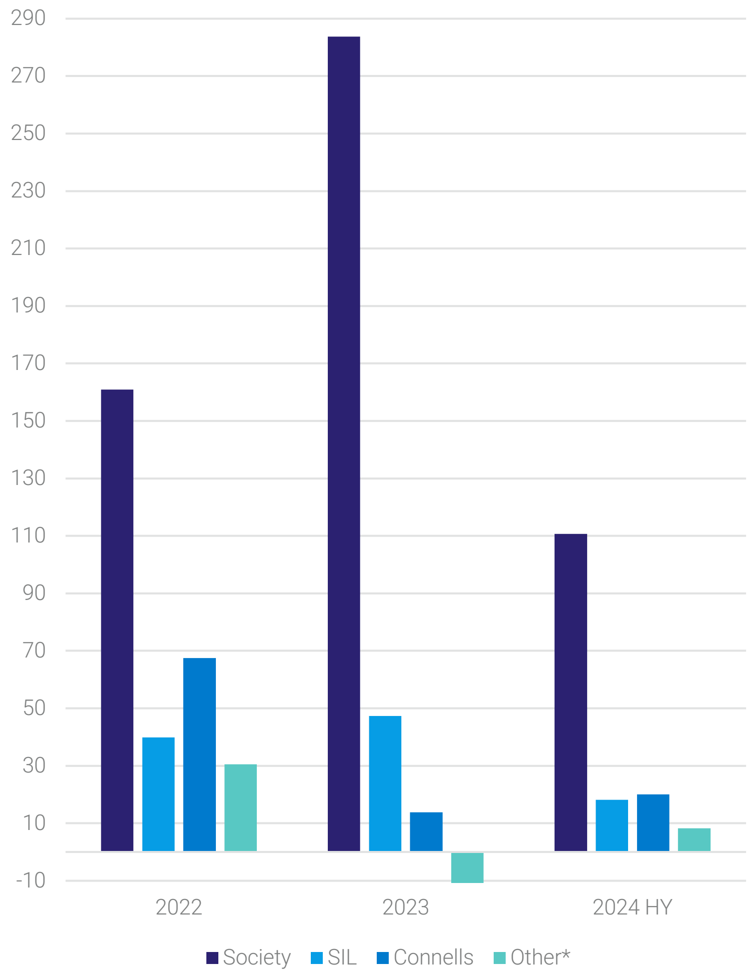
- Paid an **average savings rate** of 0.74% above the market average. This equates to an extra **£80.1m in members' pockets**.

Wholesale Funding

- Successfully issued €500m of Covered Bonds.
- **Repaid £200m of TFSME** during 2024. All remaining TFSME due October 2025

Strong and sustainable performance

Group PBT (£m)

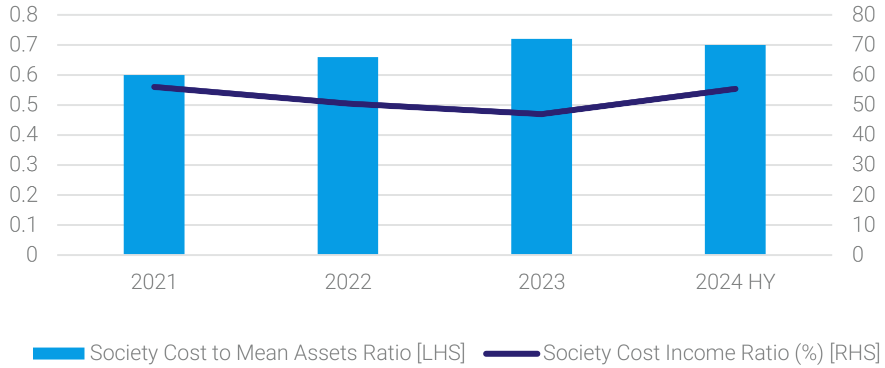


PBT By Key Business Line	2024 HY £m	2023 HY £m	2023 £m
Society	113.0	127.8	283.7
SIL	18.2	24.5	47.3
Connells	20.0	(5.8)	13.8
Other*	5.8	2.4	(11.4)
Group PBT	157.0	148.9	333.4

KPIs	2024 HY	2023 HY	2023
Group Net Interest Margin	1.27%	1.62%	1.53%
Society Cost to Mean Asset Ratio	0.70%	0.72%	0.72%
Society Cost Income Ratio	55.4%	45.1%	47.0%
Financial Advice FUM	£4.5bn	£4.1bn	£4.3bn

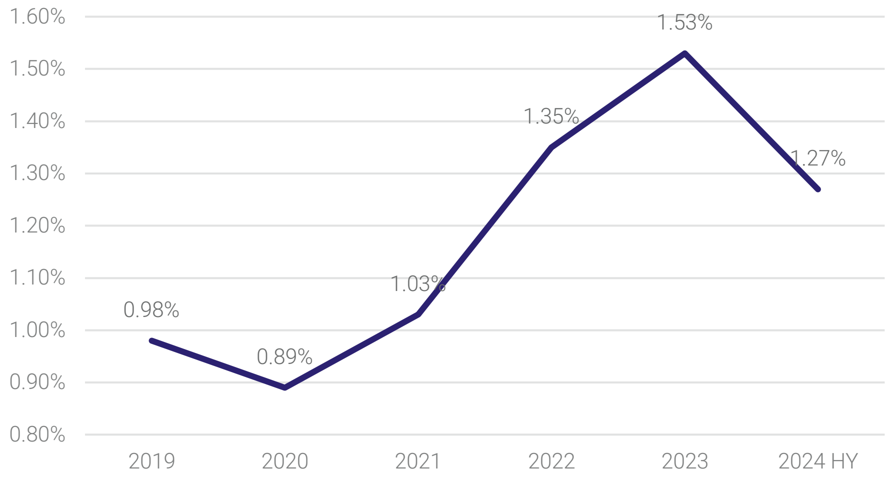
* Information regarding segments that are not separately reportable is combined within the 'Other' category, together with the impact of Group consolidation adjustments.

Society Cost Ratios



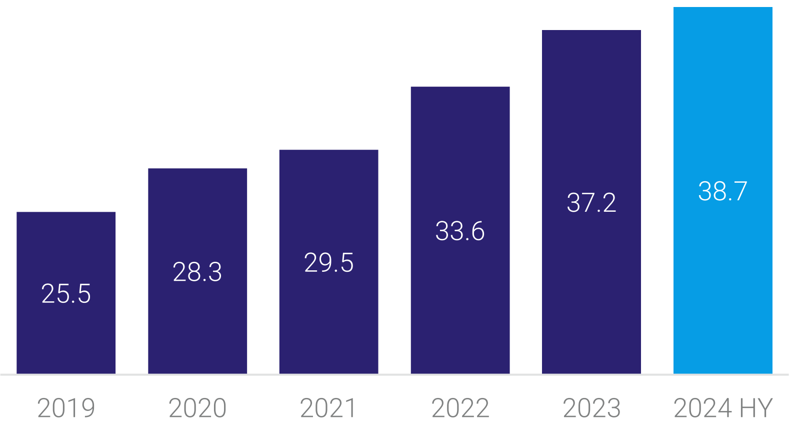
Increase in costs over recent years primarily due to investment in our digital customer proposition and ensuring we retain our high calibre colleagues to deliver our excellent customer services

Group Net Interest Margin

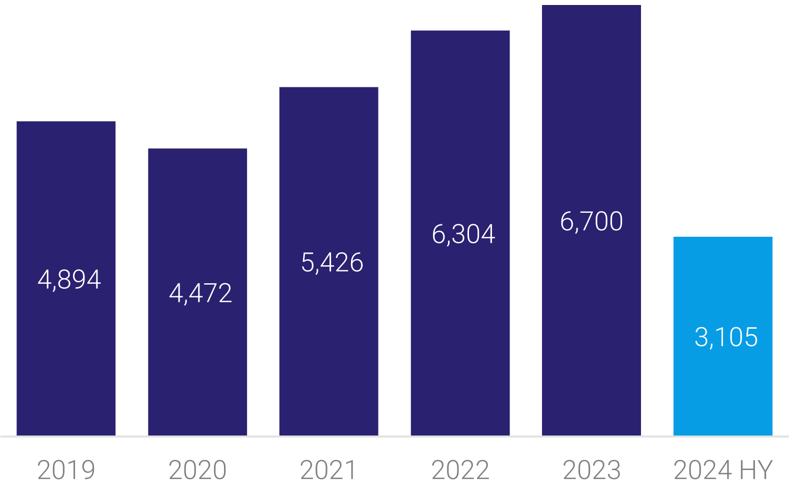


Strong and sustainable performance

Total Group Assets (£bn)



Gross Mortgage Lending (£m)

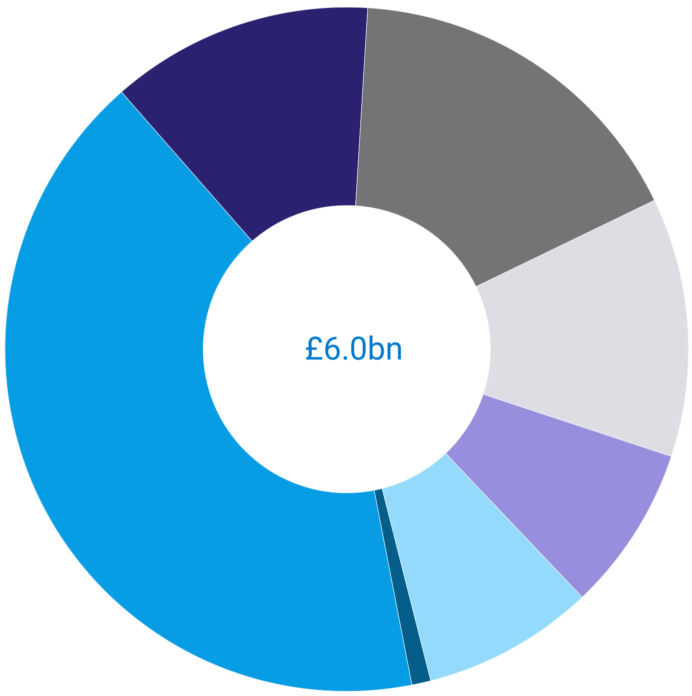


Group Statement of Financial Position	2024 HY £m	2023 HY £m	2023 £m
Liquid Assets	7,113	6,998	7,093
Mortgages	29,674	25,859	28,161
Other Assets	1,934	2,722	1,967
Total Assets	38,721	35,579	37,221
Shares	27,533	23,398	25,950
Wholesale Funding[1]	7,259	8,302	7,317
Other Liabilities	650	882	806
Subscribed Capital and Subordinated Liabilities	723	685	727
Total Members' Interests	2,556	2,312	2,421
Total Members' Interests & Liabilities	38,721	35,579	37,221

[1] *Including Skipton International Limited retail funding*

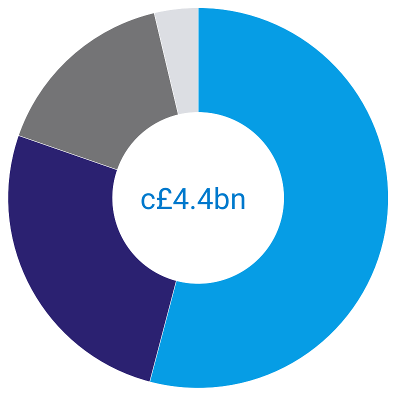
Other KPIs	2024 HY	2023	2022
LCR	188%	173%	175%
UK Leverage Ratio	6.6%	6.7%	6.8%

High Quality Liquid Assets by type



Diverse wholesale funding portfolio

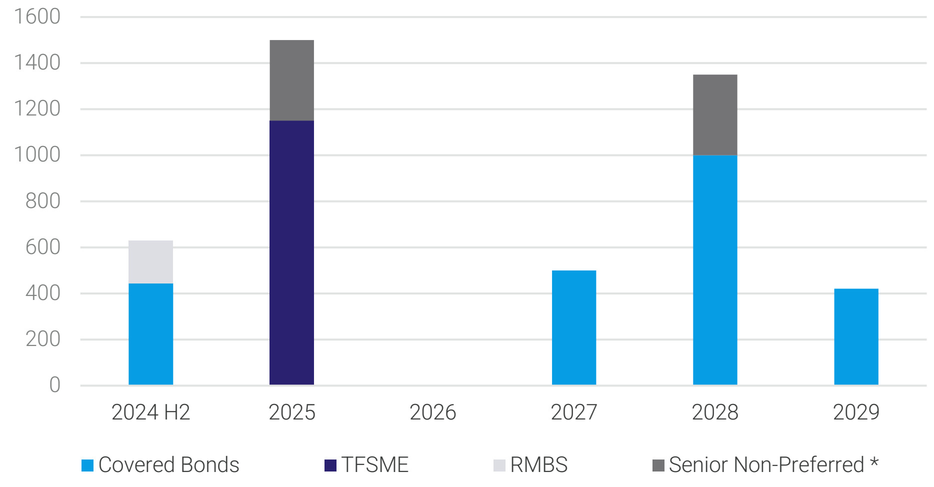
Wholesale Funding by type (June 2024)



Credit Ratings

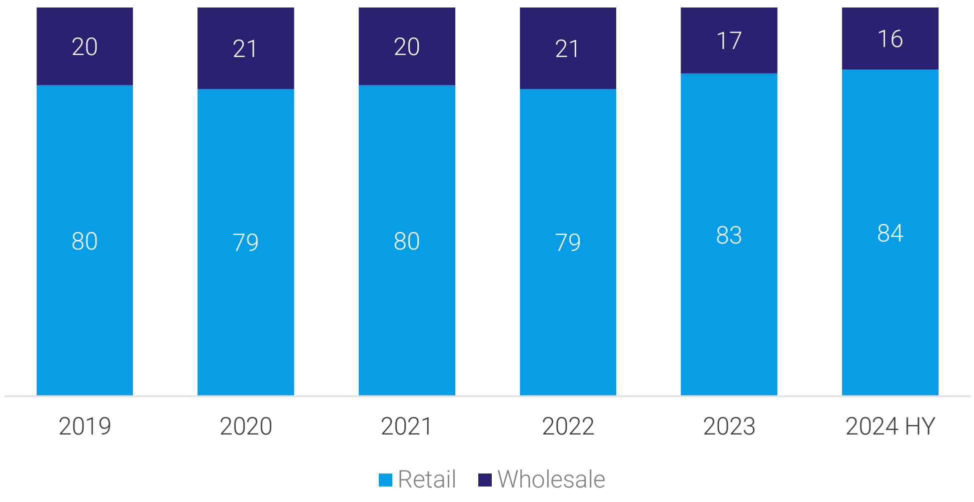
	Fitch	Moody's
Covered Bond	AAA	Aaa
Senior Preferred	A	A2
Baseline Credit Assessment (BCA)	N/A	A3
Issuer Default Rating (IDR)	A-	N/A
Short Term	F1	P-1
Senior Non-Preferred	A-	Baa1
Outlook	Stable	Stable
Last Rating Change	August 2021	July 2021

Wholesale Funding Maturity (£m)



** Senior Non-Preferred maturity shown to call date*

Funding Profile



Capital & Provisioning

Capital developments

Increase in Risk Weighted Assets (RWAs)

Risk weighted exposure amounts (RWAs) have increased by £290.3m in the period to £8,723m (31 December 2023: £8,432m - restated). This increase is principally driven by strong residential mortgage book growth in the period.

Temporary Model Adjustment to IRB model

In the context of regulatory changes applicable to IRB models effective 1st January 2022, the Society has been applying a Temporary Model Adjustment ("TMA") whilst updated models are under review by the PRA [1]

Stable CET1 ratio

The CET 1 ratio has remained stable at 26.1% from 26.0% at 31 December 2023 - restated, showing that the increase in total regulatory capital is offset by the growth in RWAs.

Leverage ratio remains stable

Whilst the Society is not subject to a Leverage Ratio requirement [2], its position has remained stable, and in excess of the 3.25% supervisory expectation set by the FCA and PRA.

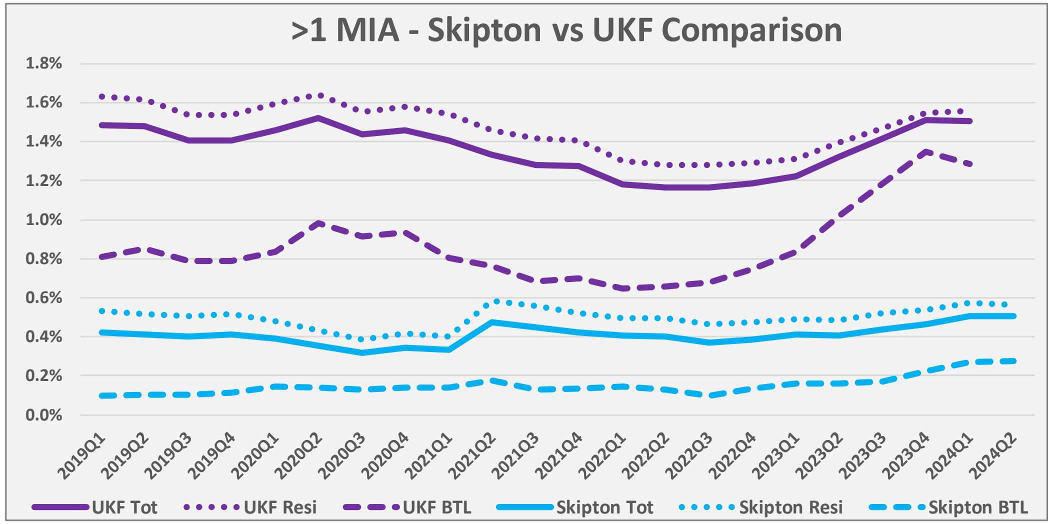
	2023	2024 HY
CET1	26.0% [3]	26.1%
Total Capital	26.5% [3]	26.6%
Tier 1	26.0% [3]	26.1%

	2023	2024 HY
CET1	£2,195m	£2,281m
Regulatory Capital	£2,235m	£2,321m
Tier 1	£2,195m	£2,281m

	2023	2024 HY
RWAs	£8,432m [3]	£8,723m
UK Leverage	6.7%	6.6%
MREL	34.8% [3]	34.6%

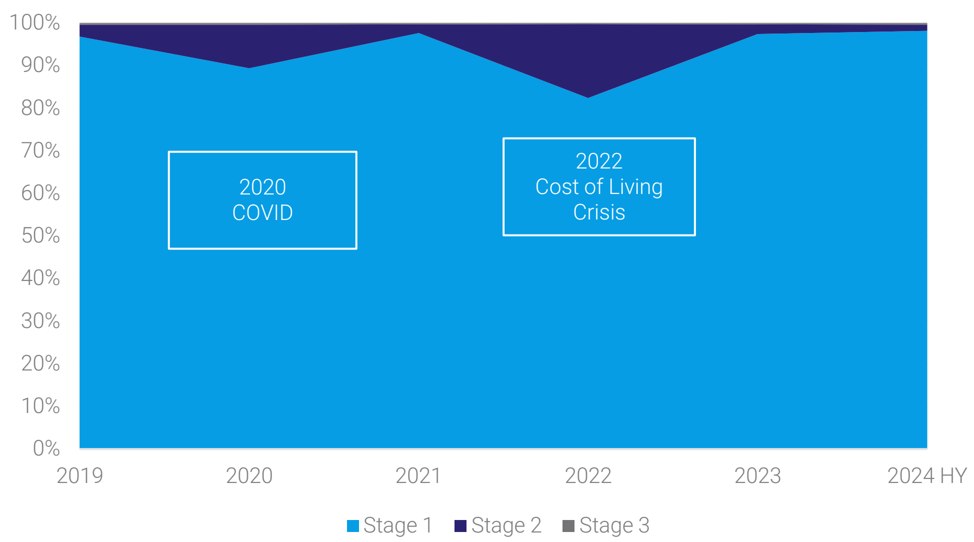
Notes: (1) Until the IRB models are approved by the PRA, the TMA remains subject to change and may cause variations in capital metrics; (2) The UK Leverage Ratio framework applies to firms with retail deposits in excess of £50bn; all other firms are out of scope, however, these firms are subject to a supervisory expectation to maintain a Leverage Ratio in excess of the 3.25% minimum (3) These comparative figures are restated following a review of the interpretations and capital calculations in relation to the risk exposure amount for operational risk

Robust asset quality, despite economic uncertainty



Economic variables	Scenario	Unaudited as at 30.06.24 2024	2025	2026	2027	2028
Bank of England base rate (%) *(note A)*	Upside	3.50	3.50	3.50	3.50	3.50
	Central	4.75	3.75	3.75	3.75	3.75
	Downside	5.50	2.50	2.00	2.00	2.00
Unemployment (%) *(note A)*	Upside	4.1	4.0	4.0	4.0	4.0
	Central	5.0	5.0	5.0	4.7	4.1
	Downside	9.0	7.2	6.6	6.0	6.0
House price inflation (UK) (%) *(note B)*	Upside	4.2	4.2	4.2	4.2	4.2
	Central	1.0	2.5	3.0	3.0	3.0
	Downside	(15.6)	1.9	4.0	4.0	4.0
Commercial property price growth (%) *(note B)*	Upside	2.0	2.0	2.0	2.0	2.0
	Central	(7.6)	(4.8)	(1.0)	1.0	1.0
	Downside	(14.7)	(7.5)	0.0	0.0	0.0

Group Residential Loans by stage



*Stage 3 loans as a % of gross balances are negligible.

Asset Quality KPIs	2024 HY	2023	2022
Group 3m+ arrears cases*	**0.27%**	**0.23%**	0.16%
3m+ arrears cases industry average**	**0.94%**	**0.91%**	0.71%

*UK residential mortgages only.

**Industry average is >3 months, whilst our measure is 3 months plus.

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.

ESG

ESG Highlights

Greener homes

In November 2023, we announced our plans to conduct a residential property retrofit study, together with academic partners Leeds Beckett University and Leeds University. The study will help the Group to develop a deeper understanding of the costs, behaviours and experiences faced when undertaking a retrofit and to identify ways to support and promote access to a wider cross-section of customers.

EPC Plus

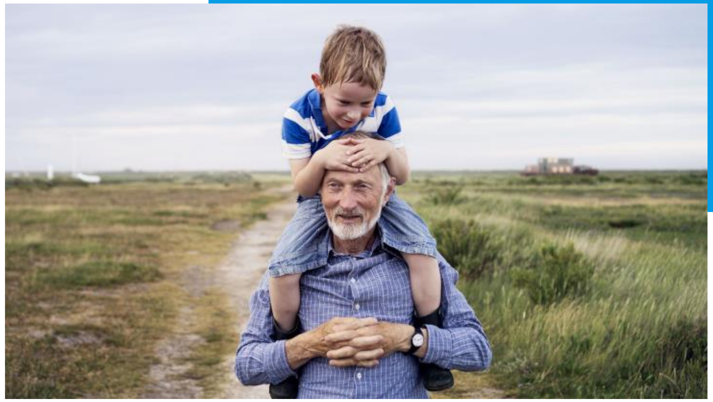
We continue to work with our Group company, Vibrant Energy, to offer Society members and colleagues a free home energy performance certificate assessment, with an additional report including recommendations for improvement opportunities and funding options where available (EPC Plus). In addition, our green additional borrowing products are available for any existing members who are looking to make energy efficient home improvements.

Access to finance

In 2023 we have focused on improving access to financial guidance in branches, especially for members with lower savings balances. We offer free reviews to our members to help with their savings and investment goals and to support long-term financial wellbeing. In August 2023, we also launched a free pension health check for our members.

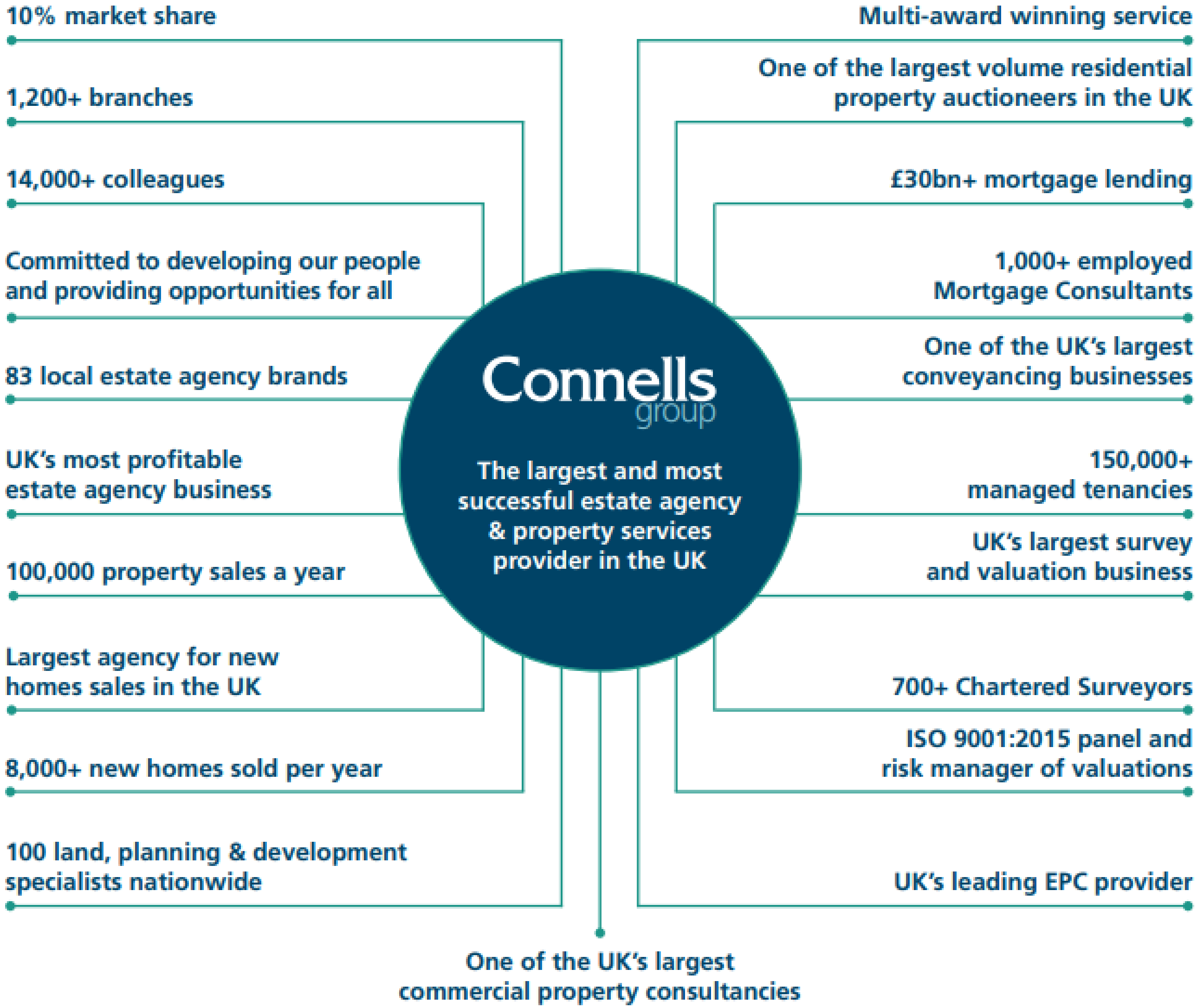
Charitable giving

Through our commitment to donate 1% of Group pre-tax profits each year, we are helping tackle significant societal challenges on behalf of members and colleagues, aligned to our purpose and Group strategic priorities. This is part of our commitment to make membership matter.



Estate Agency

Connells Group



Estate Agency and Surveying

+14% increase in new instructions vs Q2 2023

£362,436 the average asking price at instruction in June 2024

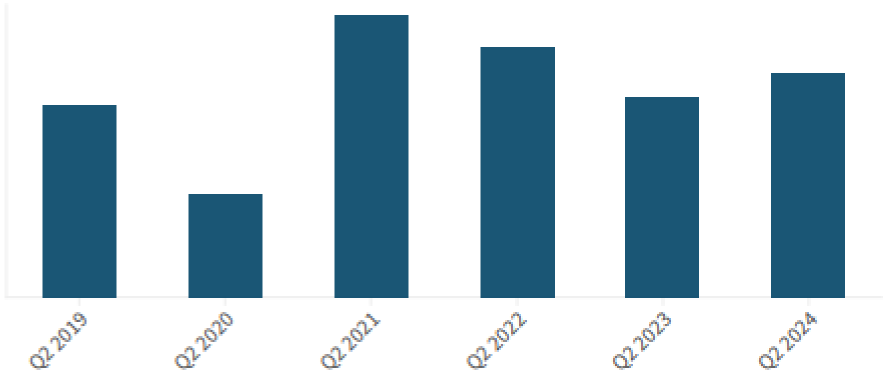
+11% increase in viewing activity vs Q2 2023

+13% increase in sales agreed vs Q2 2023

Following a strong start to the year, the spring market has continued to demonstrate growth across key metrics, especially year on year.

Q2 encompassed several holiday periods and the lead-up to the general election, however the number of prospective buyers searching for properties in Q2 across the Connells Group network rose by 12% year on year and sat 16% above numbers seen in Q2 2019.

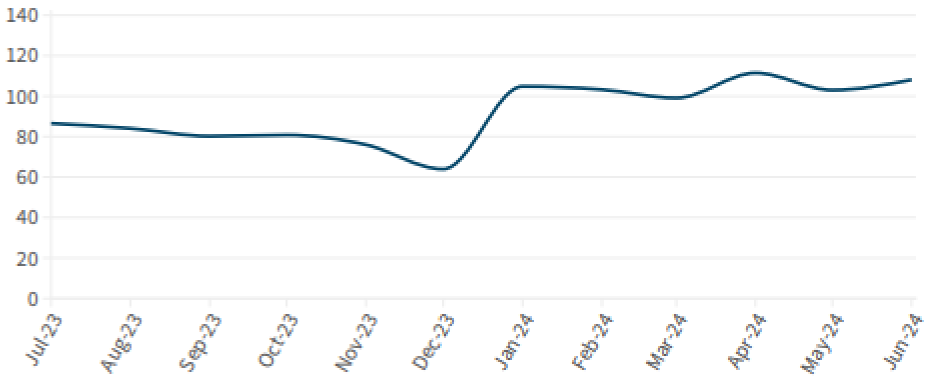
Number of prospective buyers registered



(indexed against January 2019)

Buyer activity positively influenced sales transactions, with the number of sales agreed in Q2 2024 showing an increase of 13% compared to Q2 2023. These figures show the strong performance of the market and the continued demand for properties.

Number of sales agreed



(indexed against January 2019)

Appendix

Lending Criteria

	Criteria	Lending Policy
Residential Lending Policy	Maximum loan size	Up to £600k (max 100% LTV) Up to £800k (max 85% LTV) Up to £1m (max 80% LTV) £3m (max 75% LTV) – Loans greater than £3m require Executive Committee member approval
	Maximum Loan to Value (LTV)	Capital & Interest: 100% Part & Part: 80% Interest only: 70% Debt consolidation outside of policy
	Affordability	The stressed mortgage payment is calculated on a Capital & Interest basis over the mortgage term requested at the prevailing mortgage variable interest rate plus any rate loading, the current residential stress rate is 7.24%
	Interest Only	Not available to First Time Buyers. Affordability assessment calculated on a Capital & Interest repayment basis. Acceptable repayment strategies are limited to 'Equity in another property in the UK', sale of a main residence property (min £300k equity and maximum LTV for the interest only element is 50% LTV), 'UK shares and bonds held as investment', 'Cash savings in a UK deposit account', 'payment through an endowment policy', 'Pension – 25% of the projected pension pot can be used as a repayment vehicle, subject to minimum projected pot value of £600k or a minimum current pot of £300k'.
	Lending into retirement	If retirement <=10 years away, proof of projected pension income & current income with the lower of the two used in the affordability model. If retirement 10+ years away and the loan term ends within five years of the start of retirement, evidence that a pension exists is required. If retirement 10+ years away and the loan term ends beyond five years after retirement starts, additional underwriter assessments are carried out.
	Contract variation	The following post completion changes are considered to have a material impact on affordability, therefore an affordability assessment is conducted in all cases: - term extension - changing from interest only to repayment (and vice versa) - product switches (depending on circumstances) - consent to let - addition or removal of customer - additional borrowing
	Track Record Mortgages	Must have 12 months of rental payments Max loan to income multiple of 4.49 Max LTV up to 100% CMS capped at current average monthly rental payment Max loan up to £600k
Buy-to-Let Lending Policy	Maximum loan size	£1.5m
	Maximum LTV	75% LTV. For let-to-buy and consumer buy-to-let, capped at 70% LTV
	Minimum Income	£20k per annum.
	Portfolio Size	Less than 4 mortgaged properties (£3m maximum portfolio size with the Society).
	Rental Income Cover	Rental income cover for higher rate and additional rate tax payers must meet the Society's calculation of 145% at 7.05%. Where the product term is fixed for a period of 5 years or more the rental income calculation is 145% at 5.99%. For standard rate tax payers the required rental coverage is 125% at 7.05%. Where the product term is fixed for a period of 5 years or more the rental income calculation is 125% at 5.99%. Like for Like remortgages will be assessed at 125% on either 5.99% or 7.05% (depending on the product as above) regardless of tax status.
Buy-to-Let Lending Policy Portfolio Landlord	Maximum loan size	Same as Buy-to-Let.
	Maximum LTV	75%
	Minimum Income	£45k sole, £60k joint per annum
	Portfolio Size	4+ mortgaged properties. A maximum of 5 properties with the Society and a maximum portfolio size of 10 properties (£3m maximum portfolio size with the Society).
	Rental Income Cover	Rental income cover must meet Society's calculation of 145% at 7.05%. Where the product term is fixed for a period of 5 years or more the rental income calculation is 145% at 5.99%. Like for Like remortgages will be assessed at 125% on either 5.99% or 7.05% (depending on the product as above) regardless of tax status.

Outstanding wholesale funding

Covered Bonds

Issue Date	Maturity Date	Currency	Amount	GBP Equiv.	Coupon
25/09/2019	22/09/2024	EUR	€500m	£443.5m	Fixed 0.01%
04/04/2022	22/03/2027	GBP	£500m	£500m	SONIA + 45bps
26/06/2023	22/06/2028	GBP	£500m	£500m	SONIA + 52bps
30/10/2023	23/10/2028	GBP	£500m	£500m	SONIA + 58bps
18/06/2024	18/06/2029	EUR	€500m	£421.5m	Fixed 3.25%

Securitisation

Issue Date	Step-up (End Date)	Currency	AAA Notes Issued*	AAA Notes Outstanding*	Coupon
24/02/2020	20/12/2024 (Dec 2057)	GBP (Darrowby 5)	£600m	£163m	SONIA +53bps

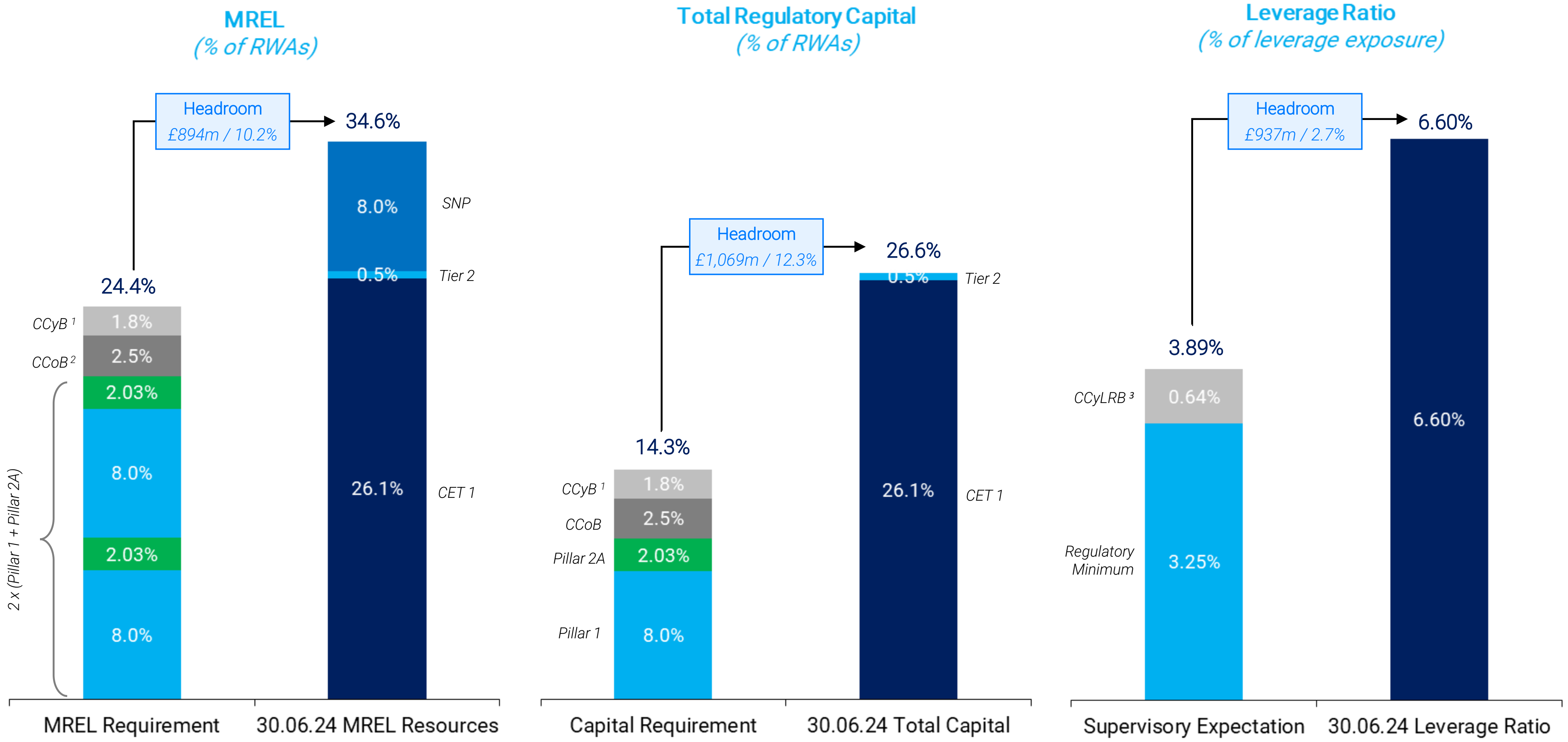
**N.B. The AAA Notes Issued includes the AAA Notes retained by Skipton Building Society. The AAA Notes Outstanding excludes the AAA Notes retained by Skipton Building Society.*

Unsecured Debt

Issue Date	Maturity Date	Currency / Instrument	Amount	GBP Equiv. Outstanding	Coupon
02/10/2020	02/10/2026**	GBP / 6NC5 SNP (MREL)	£350m	£350m	Fixed 2.00%
25/04/2023	25/04/2029***	GBP / 6NC5 SNP (MREL)	£350m	£350m	Fixed 6.25%

***N.B. The transaction has an optional redemption date of 02/10/2025.*
****N.B. The transaction has an optional redemption date of 25/04/2028.*

Robust regulatory capital position maintained

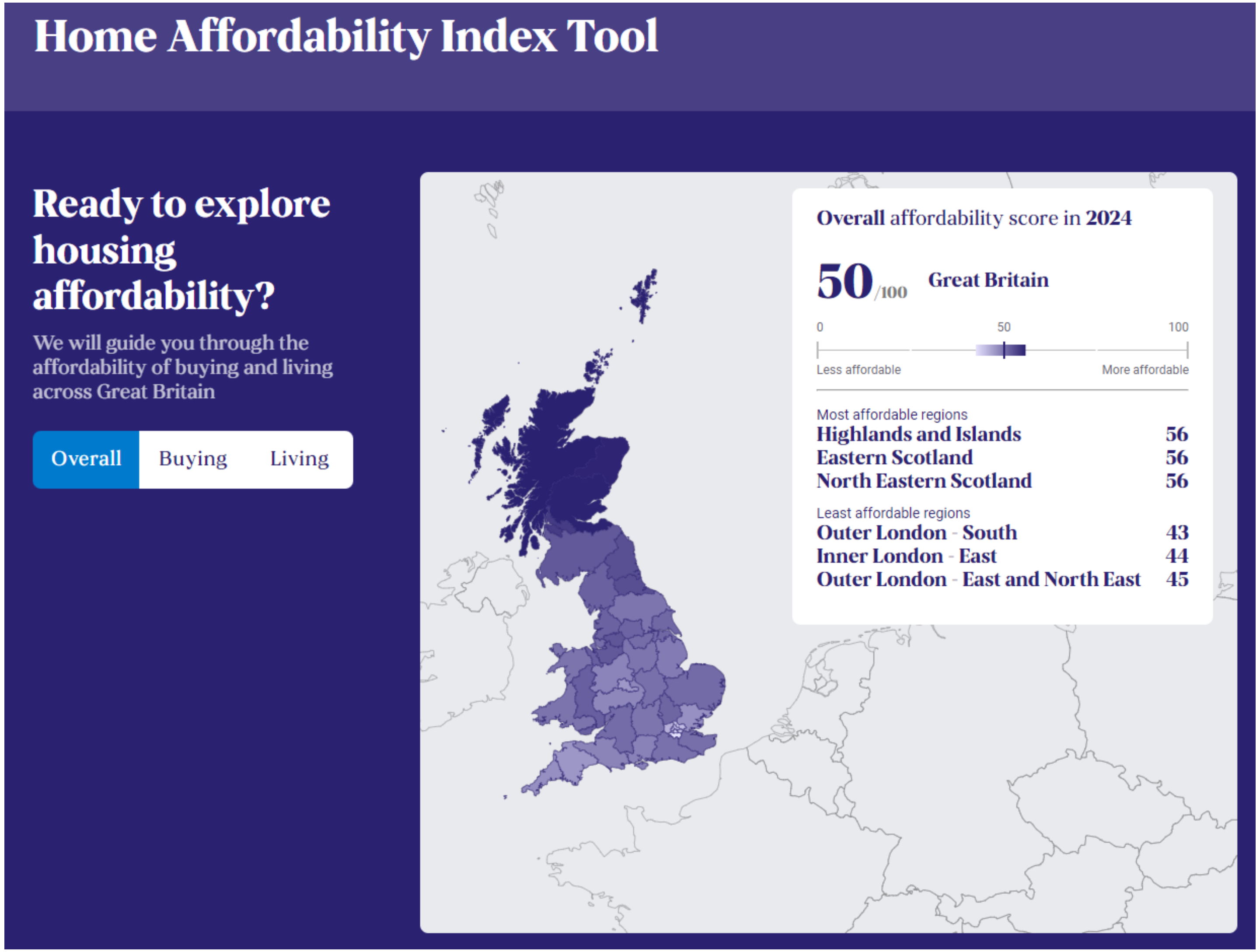


Notes: (1) The UK FPC increased the UK Countercyclical buffer (CCyB) rate to 2% effective July 2023, (2) Capital Conversion Buffer (CCoB), (3) Countercyclical Leverage Ratio buffer calibrated at 35% of risk-weighted CCyB rate, (4) Minimum requirements exclude any confidential PRA Buffer (Pillar 2B)

Skipton Group – New Affordability Index Tool

- The Home Affordability Index captures Great Britain's housing challenge.
- We do this by assessing both buying affordability and living affordability.
- These two measures (on their own we class them as sub-indices) are combined to produce the overall Home Affordability Index.
- The Index (and sub-indices) are scored from 0 to 100. A score of 50 reflects the average affordability score across Great Britain in Q1 2020.
- The Index allows comparisons of housing affordability to be made over time. It also allows you to track affordability across different groups of the British population.

https://www.skiptongroup.com/affordability-index/



Skipton Group – New Affordability Index Tool

- We have already started to leverage the unique power of our collective Group expertise and the launch of the Home Affordability Index is a great example of how we can make the most of the power and potential of our Group data and insights.
- The Skipton Group Home Affordability Index provides a fresh perspective on how housing costs vary for households across the country, exploring where and for whom the challenges are most significant.
- The timing of the launch has given us the opportunity to contribute to the national debate, informing critical agenda and supporting policy with important insights. We will continue to develop our Group data capabilities throughout 2024, exploring where we can make meaningful change for society.
- We recognise the role we have as Skipton Group to enable us to become a well-known 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 are building a platform that harnesses our individual businesses as part of a strong and respected Group brand, adding real value to people who need us.

Key Findings

Only **1 in 8** potential first-time buyers can purchase the average first-time buyer house in their area, based on their own financial situation.

Almost **80%** of potential first-time buyers have insufficient savings for the deposit needed to get onto the property ladder in their area.

Despite improving during the pandemic, **housing affordability has fallen over the course of the cost-of-living crisis** and sits almost exactly where it was in Q1 2020.

Nearly **4 in 10** renters spend **45%** or more of their income on essential housing costs, compounding their inability to save for a deposit.

First-time buyer **affordability is worst in the West Midlands**, **London**, and **Wales**.

Fewer than **1 in 100** first-time buyer households earning below £22,850 a year (the bottom 25% of earners) can afford to take the first step on the property ladder in their local area.

Only **44%** of potential first-time buyer households earning over £71,250 a year (the top 25% of earners) can afford to buy their first home in their local area.

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Useful links:
Financial Results
Pillar 3
Group Responsible Business Report

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