

PRESS RELEASE

2 August 2023

SKIPTON GROUP DELIVERING AGAINST STRATEGIC AND SOCIAL PRIORITIES. 43% INCREASE IN FIRST-TIME BUYERS; INCREASED FINANCIAL SUPPORT TO MEMBERS; ACCELERATED MEMBERSHIP GROWTH; STRONG FINANCIAL PERFORMANCE

Skipton Group, built on the core foundational principles of helping more people have a home and helping make people's money work harder, has over 1.1 million members, 1,200 branches and over £35bn of assets. It includes the UK's largest estate agency and provides mortgages, savings and free financial advice for members. Today the Group announces a strong half year performance in 2023, allowing it to invest more in the services and propositions it provides to its growing membership.

Stuart Haire, Group Chief Executive, said:

"In the face of extraordinary pressure on households, we are making good progress on our strategic priorities to help more people have a home and increase long term financial wellbeing. In my first six months leading the business we've created a unified Group focused on three core divisions – Homes, Estate Agency, and Money. The attractiveness of our approach has accelerated growth in membership and we've seen market share gains with mortgage advances growing 27% year-on-year, and us helping 43% more first-time buyers.

Skipton Group includes the UK's largest estate agency, which gives us unique insight into the housing market. Despite the challenging headwinds, we've seen positive signs of improvement in the first half of the year as the housing market stabilises. Home buyers remain active but are exercising caution, with many adjusting their property expectations and their approach to financing while continuing to search for a home. The ambition to own a home remains strong, with the proportion of UK house sales going to first-time buyers at a record high.

The economic environment remains challenging. It's why we passed on only one third of the 1.5% rise in base rates in the period to borrowers, maintaining one of the lowest mortgage reversion rates in the market. And we introduced our new *Track Record* mortgage to address an under-served part of the market. The value of this product has been clearly demonstrated, with applications totalling over £28m since its launch in May. In offering very competitive savings products, including a market-leading 7.5% regular saver account to members, in the first five months of the year we paid 0.61% above the market-average to savers; passing on 75% of the rise in base rate. This equates to an extra £57.5m in our members' pockets. We will continue to introduce products that help improve financial wellbeing and allow all our members to have free access to financial advice."

H1 Operating Performance

- £3.4bn of mortgage advances - up 27% year on year;
- Nearly 9,000 first-time buyers helped - up 43% year on year;
- Mortgage arrears of three months or more at only 0.18% of mortgage accounts compared to the industry average of 0.72%;
- Increased market share in both mortgages and savings;
- Financial advice customers up 3.2%;

- Membership growth - Skipton now has 1.17m members.
- Group profit before tax (PBT) of £148.9m with a commitment to donating 1% to causes linked to our purpose.

Skipton Group strategic review

Our founding purpose is to help more people have a home, help people save for life ahead and support long term financial wellbeing. Following the arrival of Stuart Haire as Group CEO in January, we launched a comprehensive strategic review. It identified three member priorities that leverage the collective power of the Group:

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

Skipton's strong H1 Group financial performance has seen profits reinvested during the period to deliver value for members and value for society, delivering on its purpose of helping tackle social issues related to homes and financial wellbeing:

- We have actively managed our MVR/SVR rates to maintain one of the lowest rates in the market, holding more than half of base rate increases back from our members and only passing on 0.5% of the 1.5% rise to mortgage customers in the period;
- In May, Skipton helped people trapped in expensive rents get their own home by launching its ground-breaking fixed rate, zero deposit *Track Record* mortgage;
- In June, Skipton launched a market-leading 7.5% regular saver account for all members and the Group's 18,000 UK based colleagues;
- In January, we offered all colleagues and members a free Home Energy Efficiency Assessment Report (EPC Plus), to help understand how to make their individual home more energy efficient;
- Skipton offers free financial advice to all members. It has over £4.1bn funds under management.

Commenting on Skipton Group's performance, Stuart Haire, added:

"We have an ambition to make a positive impact through assisting the buying and selling of homes and offering innovative home financing solutions. In May we took a stand, by launching a new option for aspiring first-time buyers that no lender has before with our *Track Record* mortgage helping those trapped in expensive rents to get access to a mortgage. It links clearly to our founding purpose and why building societies exist. Despite it being a new product on the market, we are very encouraged by its early impact. Not only does this help people realise their home-ownership aspirations, they are also saving money compared to more expensive rental payments.

We provide free financial advice to our members, helping them decide on their saving and investment options, and to make their money work harder. With access to a financial adviser in every one of our branches, this is a service that sets us apart. We have launched a new regular saver that pays an interest rate of 7.5%, allowing members to make the most of their hard-earned savings. And we have announced a free EPC Plus assessment and report for members, to make their homes more energy efficient. I joined Skipton Group with a passion to collaborate with like-minded colleagues who want

to help as many people as possible in achieving their financial and home security dreams. We are uniquely placed to help even more people have a home, save for life ahead and deal with these testing financial times.”

The UK housing market outlook

The Skipton Group touches each aspect of the property journey like no other organisation: from first to market savings products like the cash Lifetime Individual Savings Account (Lifetime ISA); to innovative mortgage products; combined with the UK’s largest estate agency, including the Connells, Countrywide and Hamptons brands, which is responsible for one in ten houses bought and sold in the UK. That gives us unique insight into the state of the UK housing market:

- In the second quarter of 2023 we have seen positive signs of improvement as transaction volumes recover.
- Rather than waiting for economic uncertainty to ease, home buyers remain active but are exercising caution, with many adjusting their property expectations and their approach to financing.

Highlights include:

- Enquiries have remained steady, underscoring the ambition of people to own their own homes, with mortgage uptake 6.8% higher than H1 2022.
- Different expectations from buyers and caution over mortgage commitments has removed some of the heat we’ve seen in house pricing in recent years, an adjustment rather than a drop, and pricing remains healthy.
- Changes in average house prices for Q2 2023:
 - Average house prices at Instruction of £380,988, 3.3% ahead of Q1 2023, and 3.2% lower than Q2 2022.
 - Average house prices at Exchange of £301,987, 3.9% ahead of Q1 2023, and 4.3% lower than Q2 2022.
- The proportion of UK house sales going to first-time buyers is at a record high (27.3%).
- In the rental market, we have not seen an exodus of landlords. Some landlords have tested the sales market and found it weaker than anticipated before returning their property to rental.
 - While upward pricing pressure has been maintained on rents, demand has eased reflecting concerns over affordability.
- Mortgage arrears of three months or more accounts for just 0.18% of mortgage accounts compared to the industry average of 0.72%, with the small volume of arrears predominantly driven by life events – such as unemployment, sickness and divorce - rather than the interest rate environment.

We believe that the housing market should be viewed over the long term. We have seen some volatility in pricing and demand during the pandemic and since interest rates started to rise, however home ownership aspirations remain and the UK continues to have a supply shortfall, therefore the UK housing market continues to be an attractive proposition.

ENDS

About Skipton Group

Skipton Group is built on two core foundations: Homes and Money. With over 1m members, and 1,200 branches, we provide mortgages, savings and free financial advice for members. It includes the UK's largest estate agency network, which gives us unique insight into the housing market - that helps one in ten individuals buy and sell homes, helps policy makers make better decisions and helps society address the needs of the hardest hit.

As well as Connells and Skipton Building Society, the Skipton Group includes Skipton International and Skipton Business Finance and our proprietary IT platform, Jade Software Corporation.

Skipton Group has an ambition to make a positive impact through Buying and Selling Homes with our Estate Agencies and by financing homes through our Home Financing business, in order to tackle the UK's housing crisis by enabling more first-time buyers to realise their homeownership aspirations. It recently launched *Track Record* for first-time buyers, offering renters the opportunity to own their own homes without a deposit or support from the Bank of Mum and Dad. We were the first Cash Lifetime ISA (LISA) provider and we remain one of the largest, helping over 162,000 first-time buyers save for their first home. We are committed to the acceleration of greening homes across the UK and have offered 1.17 million members a free EPC Plus home assessment and bespoke report for their properties – the first of its kind.

Skipton Building Society has been named the number three Best Big Company to Work For in the final 2022 national league table and has held 3-star Best Companies accreditation since 2021.

Skipton Group is rated by two major credit rating agencies. Moody's assigns a long-term deposit and senior preferred rating of A2 with a stable outlook and a short-term rating of P-1. Fitch assigns a long-term deposit and senior preferred rating of A and a short-term rating of F1, also with a stable outlook.

For more information, or if you would like insight and data on house prices, mortgages and savings from across the Skipton Group or commentary and case studies please contact:

Stacey Dickens
Head of Corporate Communications
Stacey.Dickens@skipton.co.uk
If outside Press Office hours (8.30am – 5pm, Monday to Friday),
please call 07793 699 878.