SKIPTON BUILDING SOCIETY

Since 1853

Investor Presentation

March 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£2.4bn.

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 **£333.4m** (2022: £298.8m).
- Group **net interest margin** increased to **1.53%** (2022: 1.35%).

Strong Capital Base

- Group **Common Equity Tier 1 ratio** grew to **26.3%** (2022: 25.8%).
- Group **Leverage ratio** of **6.7%** (2022: 6.8%).

Increased Home Ownership

- Group **mortgage balances** grew by **12.1% to £28.6bn** (2022: 9.6% growth).
- Helped over 19,000 First time buyers into homes.
- **Track Record** product launched in 2023, helping those renting to get on the housing ladder.

Rewarding Savers

- **Savings balances** grew by **15.4% to £26.0bn**, (2022: 13.6% growth).
- Member benefit, **Regular Saver** product launch.
- Minimum variable savings rate 3.25%

Robust Asset Quality

- Society UK residential mortgages in **arrears by three months** or more remained at a low level of **0.23%** (2022: 0.17%).
- This compares very favourably to the industry average of 0.91% (2022: 0.71%).

Provisioning

- **£3.1m 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

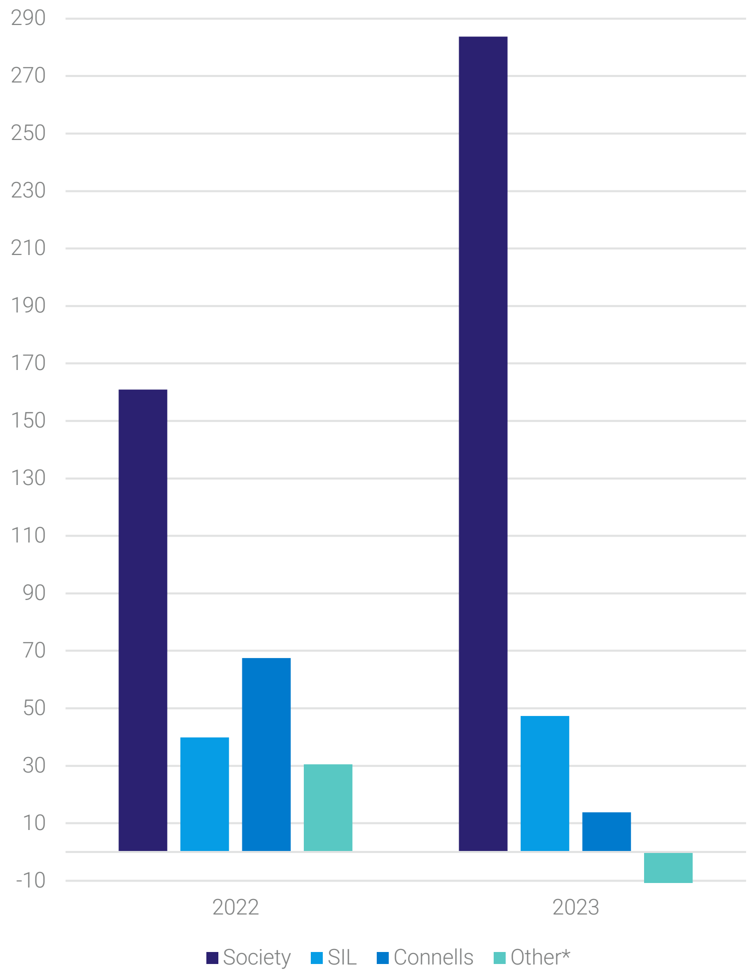
- Paid an **average savings rate** of, 0.65% above the market average. This equates to an extra **£148m in members' pockets**.

Wholesale Funding

- Successfully issued £350m of Senior Non Preferred Notes and £1.0bn Covered Bonds.
- **Repaid £550m of TFSME** during 2023.

Strong and sustainable performance

Group PBT (£m)

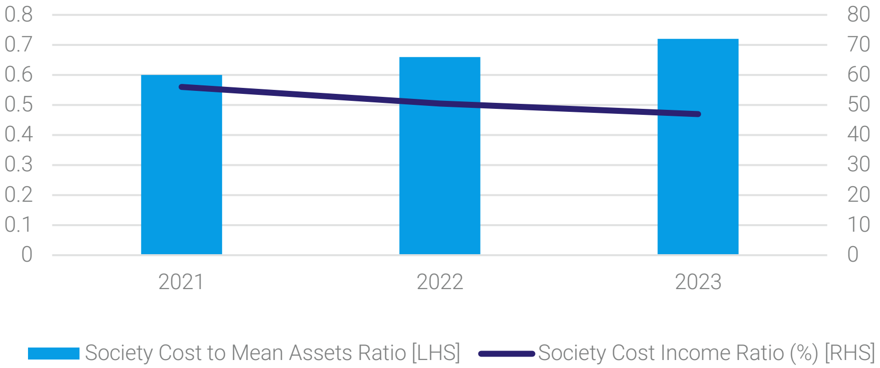


PBT By Key Business Line	2023 £m	2022* £m
Society	283.7	160.9
SIL	47.3	39.9
Connells	13.8	67.5
Other**	(11.4)	30.5
Group PBT	333.4	298.8

KPIs	2023	2022
Group Net Interest Margin	1.53%	1.35%
Society Cost to Mean Asset Ratio	0.72%	0.66%
Society Cost Income Ratio	47.0%	50.5%
Financial Advice FUM	£4.3bn	£3.9bn

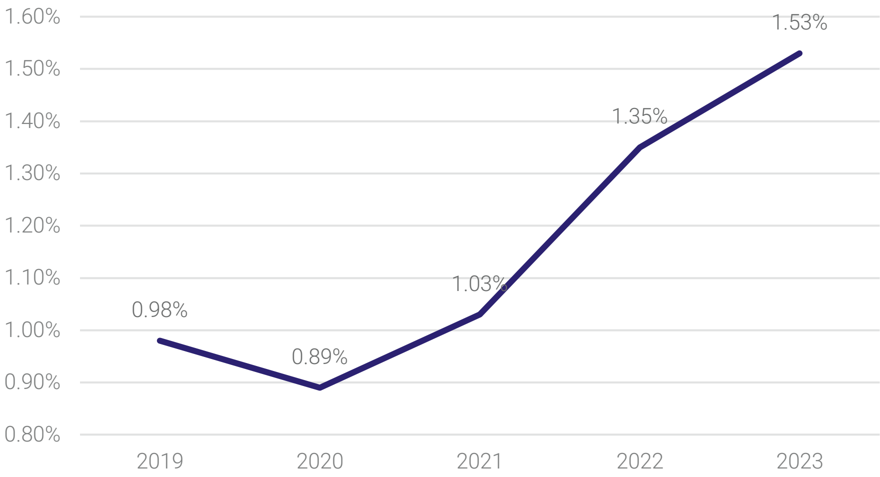
* The comparative analyses are restated following a revision of the Group's reportable segments with effect from 1 January 2023. The impacts of this change are presentational only and there is no impact on total Group amounts reported.
** Information regarding segments that are not separately reportable is combined within the 'Other' category, together with the impact of Group consolidation adjustments.

Society Cost Ratios



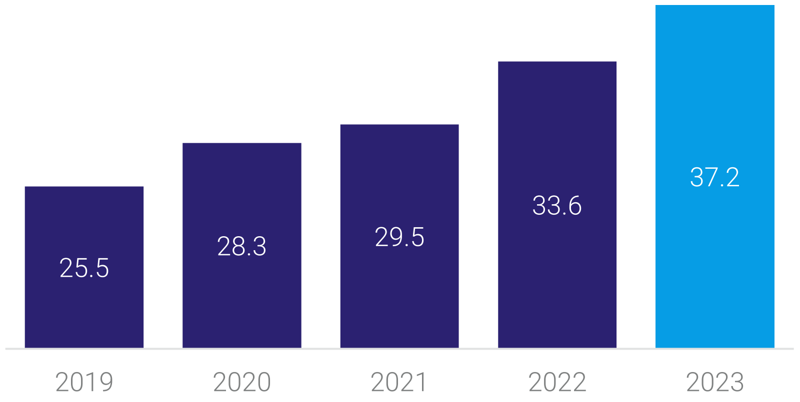
Increase in costs over recent years primarily due to investment in our digital customer proposition and ensuring we retain our high calibre colleagues to deliver our excellent customer services

Group Net Interest Margin

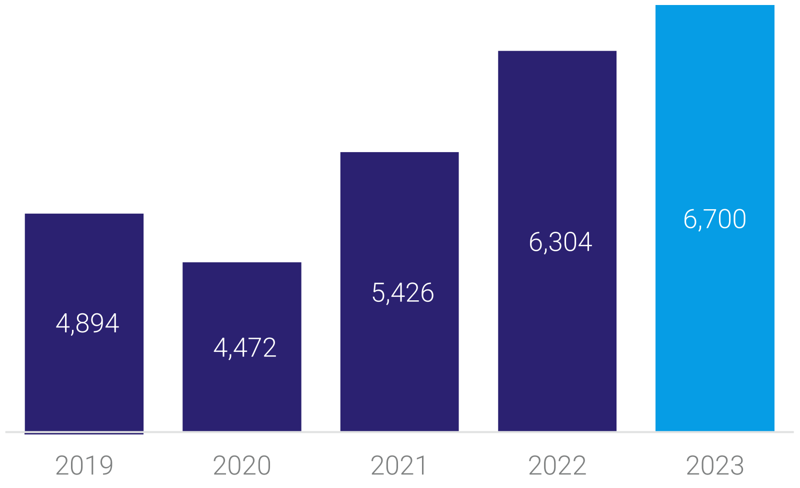


Strong and sustainable performance

Total Group Assets (£bn)



Gross Mortgage Lending (£m)

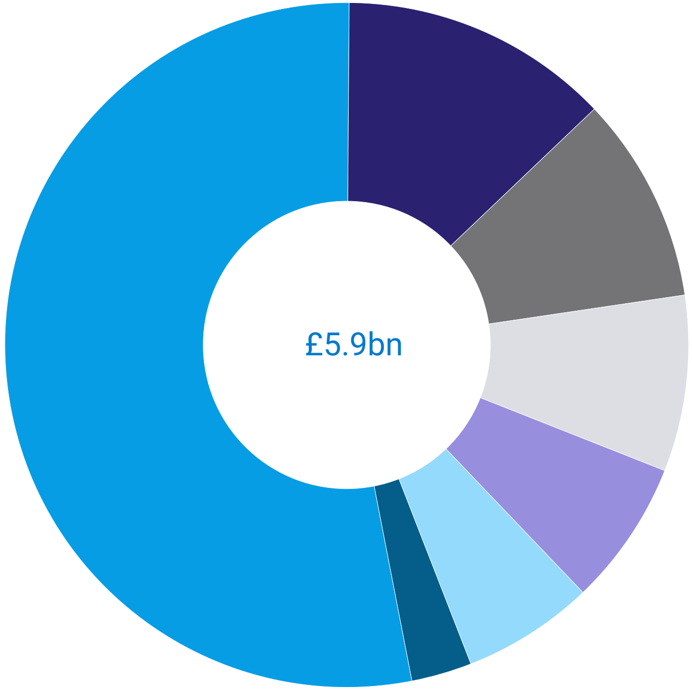


Group Statement of Financial Position	2023 £m	2022 £m
Liquid Assets	7,093	6,793
Mortgages	28,161	24,452
Other Assets	1,967	2,326
Total Assets	37,221	33,571
Shares	25,950	22,350
Wholesale Funding[1]	7,317	7,894
Other Liabilities	806	781
Subscribed Capital and Subordinated Liabilities	727	353
Total Members' Interests	2,421	2,193
Total Members' Interests & Liabilities	37,221	33,571

[1] *Including Skipton International Limited retail funding*

Other KPIs	2023	2022
LCR	173%	175%
UK Leverage Ratio	6.7%	6.8%

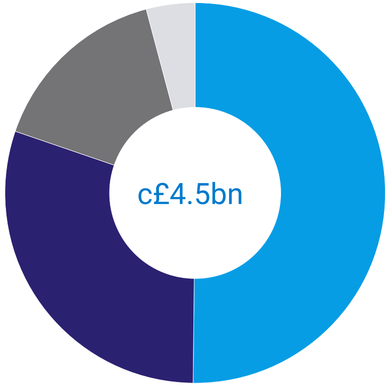
High Quality Liquid Assets by type



- £3,155m Balances with the Bank of England
- £759m Covered bonds
- £580m Fixed rate bonds
- £494m Treasury bills
- £408m RMBS
- £369m Gilts
- £170m Floating rate notes

Diverse wholesale funding portfolio

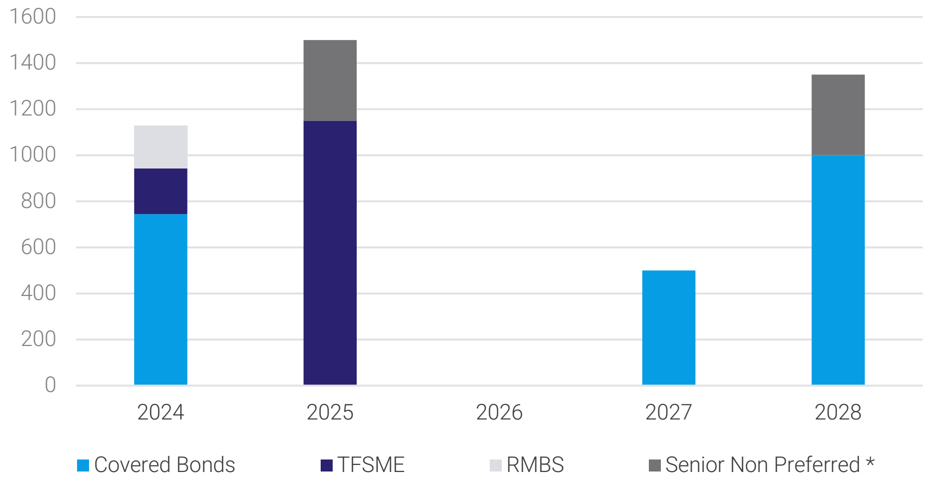
Wholesale Funding by type



Credit Ratings

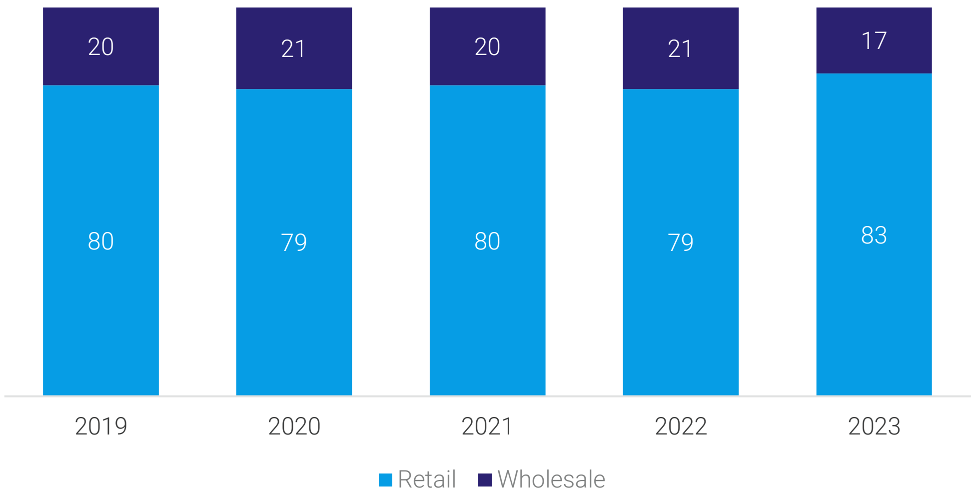
	Fitch	Moody's
Covered Bond	AAA	Aaa
Senior Preferred	A	A2
Baseline Credit Assessment (BCA)	N/A	A3
Issuer Default Rating (IDR)	A-	N/A
Short Term	F1	P-1
Senior Non-Preferred	A-	Baa1
Outlook	Stable	Stable
Last Rating Change	August 2021	July 2021

Wholesale Funding Maturity (£m)



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

Funding Profile



Capital & Provisioning

Capital developments

Increase in Risk Weighted Assets (RWAs)

RWAs have increased by £767.7m in 2023 to £8,343.3m (2022: £7,575.6m). This increase is principally driven by strong residential mortgage book growth in the year.

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]

Increased CET 1 ratio

The CET 1 ratio has increased to 26.3% from 25.8% at 31 December 2022, driven by the increase in total regulatory capital, partially 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.

	2022	2023
CET 1	25.8%	26.3%
Total Capital	26.3%	26.8%
Tier 1	25.8%	26.3%

	2022	2023
CET 1	£1,953m	£2,195m
Regulatory Capital	£1,993m	£2,235m
Tier 1	£1,953m	£2,195m

	2022	2023
RWAs	£7,576m	£8,343m
UK Leverage	6.8%	6.7%
MREL	30.9%	35.2%

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

Robust asset quality, despite economic uncertainty

Scenarios	Residential		Commercial	
2023	ECL £m	Stage 2 share of gross balances (%)	ECL £m	Stage 2 share of gross balances (%)
Upside	10.1	1.5	6.6	28.0
Central	18.3	2.1	8.0	28.0
Downside	51.7	4.0	11.1	28.0
Actual probability weighted ECL*	29.0	2.1	9.0	28.0

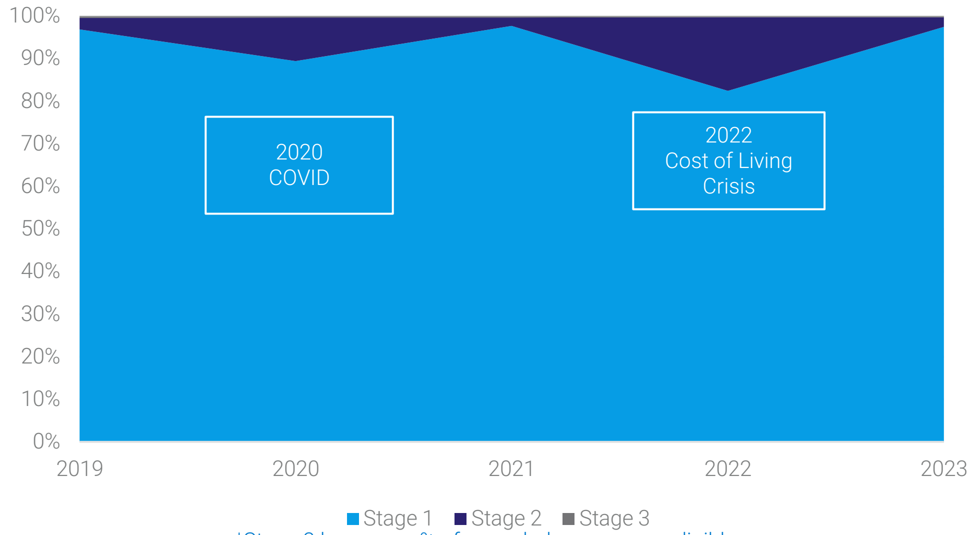
*Scenario weightings are as follows: 10% Upside, 55% Central, 35% Downside.

N.B. For the Commercial portfolio, the staging of gross exposures is driven by arrears, watchlist cases and sector factors; the share of gross exposures held in each stage does not therefore vary according to scenario weightings.

Economic variables (annual rate)	As at 31.12.23					
	Scenario	2024	2025	2026	2027	2028
Bank of England Base Rate (%) *(note A)*	Upside	3.50	3.50	3.50	3.50	3.50
	Central	5.00	4.00	3.75	3.75	3.75
	Downside	5.00	2.50	2.00	2.00	2.00
Unemployment (%) *(note A)*	Upside	4.1	4.0	4.0	4.0	4.0
	Central	4.7	5.0	5.1	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	(4.0)	1.5	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	(8.7)	(4.5)	1.0	1.0	1.0
	Downside	(18.6)	(3.2)	0.0	0.0	0.0

Notes
A. The Bank of England Base Rates and unemployment rates are the position at 31 December each year.
B. House price inflation and commercial property price growth are the annual growth rate in each year. The Group's views for commercial property price growth are specific to the Group's own commercial portfolio and are not intended to reflect views for the entire UK commercial property market. In addition to house price inflation / commercial property price growth, the Group's impairment calculations also 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, taking into account the specific circumstances of each account and the property in question.

Group Residential Loans by stage



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

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

*UK residential mortgages only.

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

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

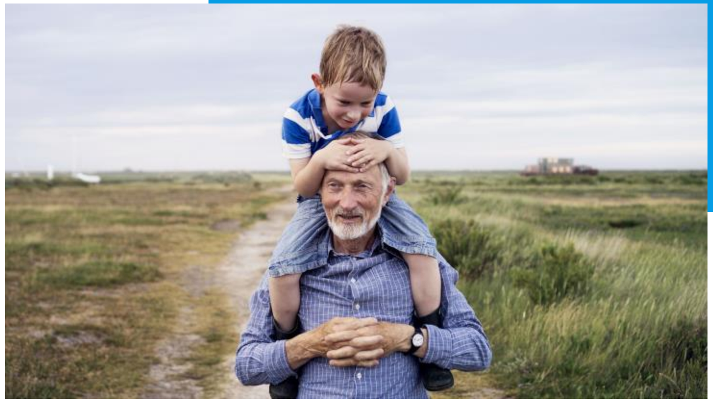
We continue to work with our Group company, Vibrant Energy, to offer Society members and colleagues a free home energy performance certificate assessment, with an additional report including recommendations for improvement opportunities and funding options where available (EPC Plus). In addition, our 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.

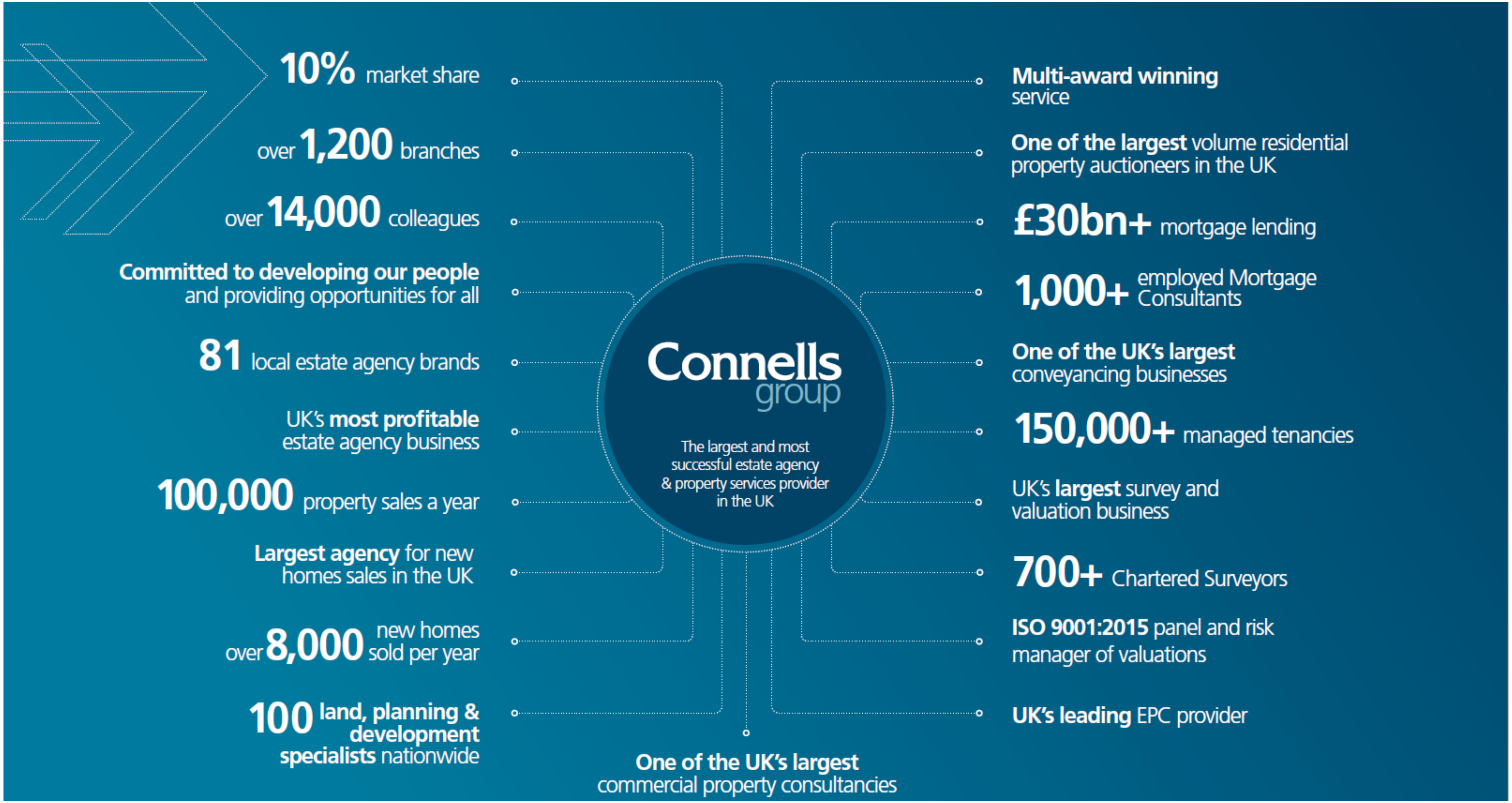
Charitable giving

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

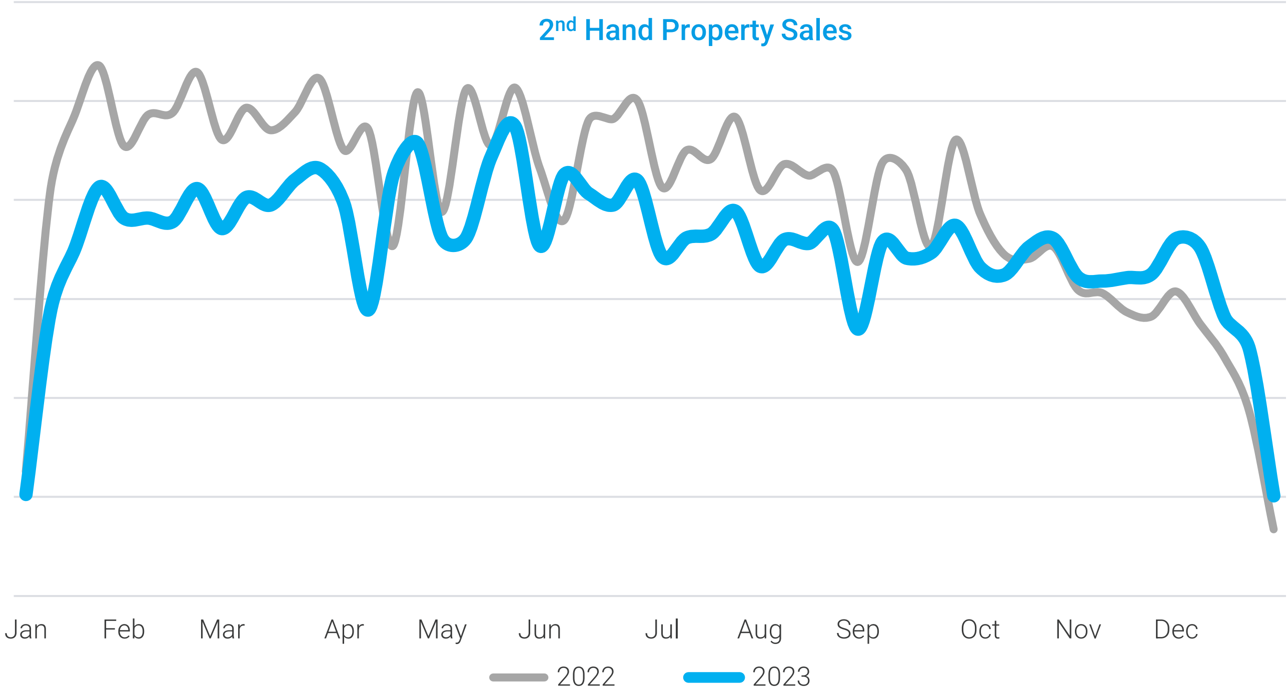
Connells Group



Connells Group 2023 Highlights

- Slow recovery post 2022 Mini Budget, lowest transactions since 2008.
- 5 base rate increases weakened purchaser confidence leading to a significant reduction in sales activity.
- Connells group entered 2023 with a materially lower sales pipeline. The tougher economic environment impacted upon Connells' results.
- Connells group realised a reduced PBT of £13.8m in 2023 (2022: £67.5m profit).

- Earnings before interest, tax, depreciation and amortisation (EBITDA), a common measure of estate agency performance, was £63.7m.
- Renting: The Connells Group ended 2023 with 10% more properties available to rent than at the end of December 2022. 2023 saw no significant signs of landlords exiting the market, Connells is re-letting over 77% of properties at the end of their tenancies. At the end of 2023 the number of rental properties in arrears represents just 0.9%
- Buying: The number of properties placed on the market increased by 5% in 2023 compared to 2022. The average number of properties available for sale across the 1,200+ estate agency branches stood at 54, up from 44 per branch in 2022. The number of house viewings in 2023 was 6% lower than 2022.



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 7.6%. Where the product term is fixed for a period of 5 years or more the rental income calculation is 145% at 6.29%. For standard rate tax payers the required rental coverage is 125% at 7.6%. Where the product term is fixed for a period of 5 years or more the rental income calculation is 125% at 6.29%. Like for Like remortgages will be assessed at 125% on either 6.29% or 7.6% (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 7.6%. Where the product term is fixed for a period of 5 years or more the rental income calculation is 145% at 6.29%. Like for Like remortgages will be assessed at 125% on either 6.29% or 7.6% (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

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	£186m	SONIA +53bps

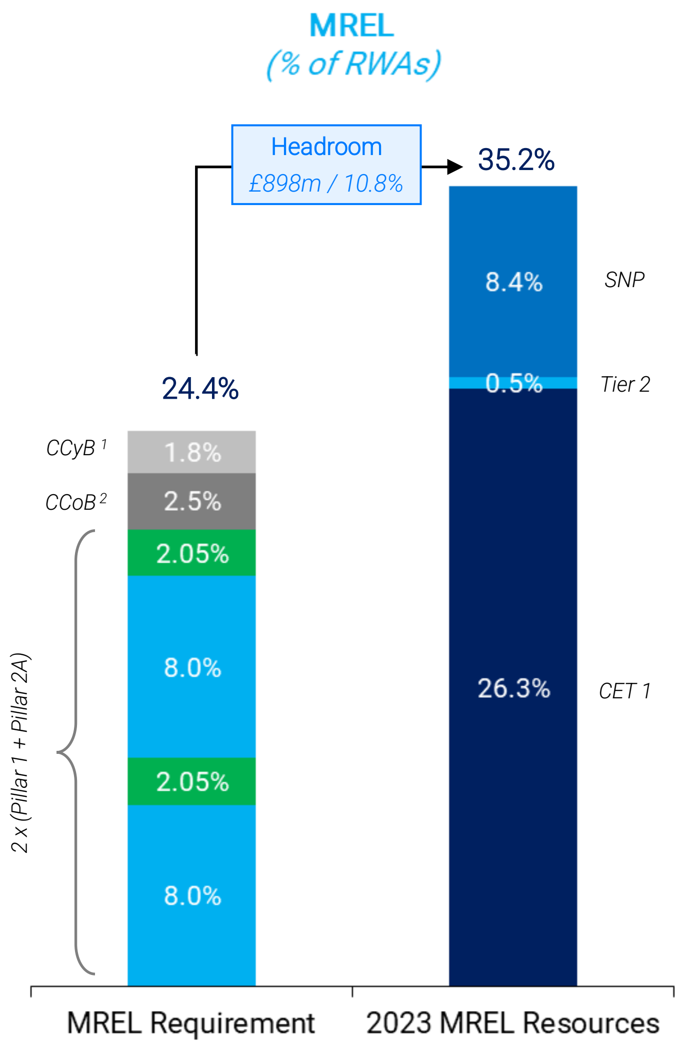
**N.B. The AAA Notes Issued includes the AAA Notes retained by Skipton Building Society. The AAA Notes Outstanding excludes the AAA Notes retained by Skipton Building Society.*

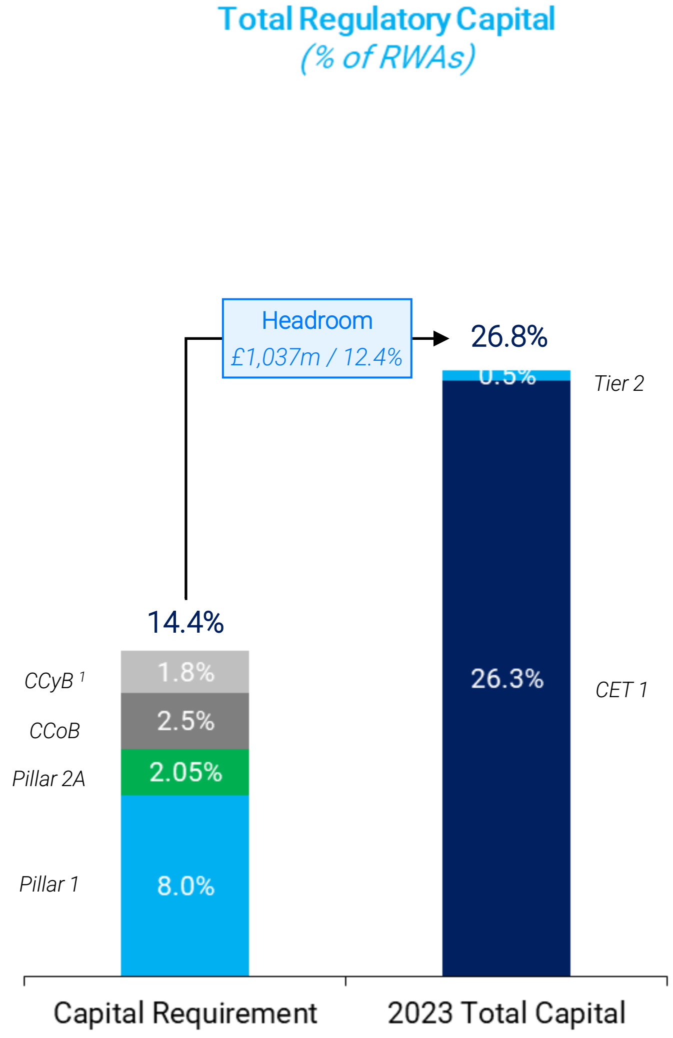
Unsecured Debt

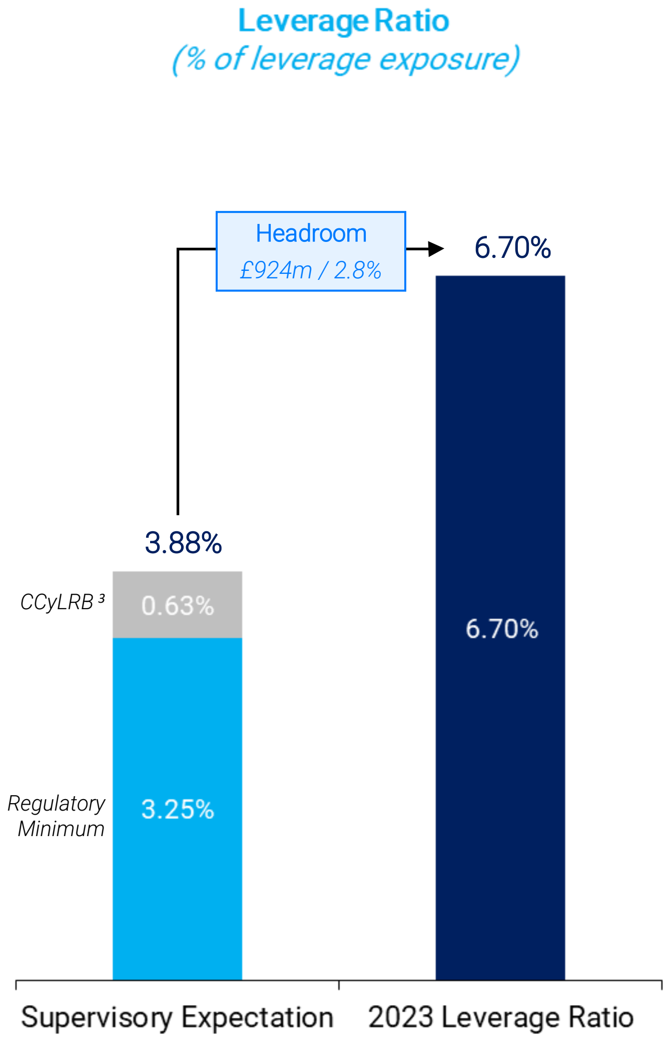
Issue Date	Maturity Date	Currency / Instrument	Amount	GBP Equiv. Outstanding	Coupon
02/10/2020	02/10/2026**	GBP / 6NC5 SNP (MREL)	£350m	£350m	Fixed 2.00%
25/04/2023	25/04/2029***	GBP / 6NC5 SNP (MREL)	£350m	£350m	Fixed 6.25%

***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)

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Pillar 3
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