

NEWCASTLE BUILDING SOCIETY ANNOUNCES 2021 FINANCIAL RESULTS

Key Highlights

- Profit for the year before taxation increased significantly to £29.1m (2020: £1.4m)
- Operating profit before impairments and provisions increased significantly by £13.6m to £28.5m (2020: £14.9m)
- Underlying operating profit of £22.0m (2020: £16.9m)
- Gross mortgage lending for the year was £861m and net core residential lending £330m (£645m gross and £228m net in 2020)
- Market leading mortgage innovation through Deposit Unlock - the first lender to market with a successful pilot and rollout of an innovative new build homes initiative supporting those with a small deposit to get a foot on the housing ladder
- First Homes – participation in the government scheme to support affordable home ownership on new homes developments
- Over £82m of funds invested for Members through our advice subsidiary, Newcastle Financial Advisers Limited
- Customer satisfaction score at an all-time high of 95% and net promoter score (NPS) improved further to +82 (2020 +78)
- More than £750,000 in community funding through charity partnerships, community grants, and colleague fund raising matches
- Awards:
 - Best Regional Building Society - 5th consecutive year (What Mortgage)
 - Best Building Society for Mortgages (Credit Strategy Lending Awards)
 - 4* Mortgage Provider rating (Financial Advisor Service Awards)
 - Best Community Services (Mortgage Finance Gazette)
 - Best Use of Customer Insight (International Engage Awards 2021)
 - North East Apprentice of the Year
 - Gold Better Health At Work Status
 - 21 additional awards our Solutions subsidiary helped their clients to win

Chief Executive's Statement

Strength through purpose

Throughout 2021 the Covid-19 pandemic continued to cast a shadow over various aspects of our lives and work. As the year progressed the second pandemic wave in the UK asserted its hold through the highly infectious Omicron variant, and once again individuals, families and communities were forced to reassess how to be together.

The majority of our colleagues continued to work remotely as we delayed our return to our new head office location at Cobalt Park until the first half of 2022. In this period the housing market maintained unusually high levels of transactions and house prices continued on their upward trajectory, relatively immune from the wider economic impacts of the pandemic. Meanwhile the base rate remained at its historically low level until the very end of the year, and the unwelcome prospect of rising inflation started to materialise.

At the end of 2020, I stated that we aspired to exit this period of crisis and recovery in a stronger position than we might have expected to achieve without having gone through this experience, and I'm very proud that we have delivered on this. For your Society despite the many challenges, 2021 was a year of achievement, characterised by a spirit of can do, innovation, agility, responsiveness, ongoing commitment and investment, which I will cover in more detail in the body of my review.

The underlying financial performance has been strong with record pre-tax profit and operating profit. The Group's operating profit before impairments and provisions for 2021 was £28.5m, an increase on last year by £13.6m. This resulted in a pre-tax profit of £29.1m, compared to £1.4m for 2020 and ahead of what was budgeted. This position reflects the ongoing success of our purpose-led strategy and the tireless commitment of our colleagues to deliver for customers, regardless of the challenging environment.

Also during the year, I was delighted to join my colleagues in extending a very warm welcome to James Ramsbotham, who joined us as our new Chair in September following our previous Chair, Phil Moorhouse, stepping down. I am hugely grateful to Phil for the leadership he provided to our Board through a very challenging period and the significant personal contribution he made to the success of the Society during that time. We consider that we are very fortunate to have James on our Board. He has extensive experience and clear focus on both customers and communities, and we very much look forward to working with him in the years ahead.

Purpose

We are the North East's largest building society with assets of £4.9bn and 30 branches across the North East, Cumbria and North Yorkshire. We are committed to the people and places that make up our region and believe in the power and value of lasting, authentic customer relationships.

We are a purpose-led, Member owned organisation. Our purpose is to connect our communities with a better financial future. This informs our strategy, our decision making, and defines how we measure our success.

During 2021 we evolved the pillars which support delivery of our purpose to emphasise our commitment to diversity, inclusion and the environment. This includes introducing a new pillar “Caring for our environment and ensuring sustainability for future generations”. This brings emphasis to our inter-generational commitment to longer term sustainability to take account of the challenges we face as a Society, in particular the need to protect and preserve our environment, a key focus for us in 2022 and beyond.

We employ over 1,300 people and continuously invest in our colleagues, creating opportunities for talented individuals from a wide variety of backgrounds to succeed. We work with like-minded partners who share our aim, not just to make a positive difference, but to help create environments where people can overcome disadvantage and ultimately thrive.

Using our ‘always on’ customer feedback tool, insight, and daily conversations we try to anticipate our Members’ needs, building authentic relationships that stand the test of time.

Alert to the challenges faced by potential and existing home owners, we innovate products and propositions to help people move on and up the property ladder. We employ digital technology to enhance choice and convenience, to support but not replace our face to face, personal service. We develop supportive services in tune with our customers’ needs to help them through life’s most challenging moments. We make financial advice you can trust accessible and convenient on the high street, available in a network of 30 branches that come with a commitment to maintaining and enhancing our high street presence.

We bring our communities with us. We share our success as part of our shared future. Whether building our Newcastle Building Society Community Fund at the Community Foundation to more than £2.5m in value as a permanent legacy to support charities across the region through grant funding; or the involvement of colleagues in hundreds of local volunteering missions; or creating meaningful career opportunities for talented individuals who may not otherwise have had a chance; or providing our best (in some instances high street market leading) savings rates to those in our heartland via our branches; or helping people on to the housing ladder for the first time, with innovative products such as Deposit Unlock and First Homes.

This is what a purpose-led mutual business looks like; this has driven our 2021 success.

Our financial performance

Our gross mortgage lending for the year was £861m (2020: £645m) and our net core residential lending was £330m (2020: £228m).

Group profit for the year before tax was £29.1m for the year ended 31 December 2021, compared to £1.4m for 2020.

The business performed very well with a 91% increase in operating profit before impairments and provisions of £13.6m taking the total for the year to £28.5m (£14.9m in 2020). Key underlying adjustments of £6.5m resulted in operating profit on an underlying basis of £22.0m. (2020: £16.9m).

At 2020 year end, we reported a significant increase in our credit and legacy provisions which resulted in a pre-tax profit of £1.4m. During 2021 we have seen a write-back of impairment charges on our residential and commercial books, reflecting a more positive outlook. We continue to be watchful in this respect.

Impairment charges on property and equipment was £2.0m in 2021 (2020: £3.8m), relating to charges in relation to IT equipment and leasehold property.

In addition to positive headlines in our financial performance, we remain strongly capitalised and continue to operate with appropriate levels of liquidity.

In comparison to the significant impairment and provisions for 2020 of £13.5m and as a result of the positive economic environment, impairments and provisions were a write-back of £0.6m for 2021.

Total operating income increased by 28% to £99.5m in 2021 (£77.7m in 2020). Offsetting income is overall management expenses, which include business administration and depreciation expenses. Management expenses increased to a cumulative £71.0m from £62.8m in 2020, reflecting continued investment in our colleagues and infrastructure during the year.

The Society's net interest margin increased to 1.21% from 1.04% in 2020 and net interest income increased by £10.7m to £59.0m (2020: £48.3m).

The Group's capital ratios remain robust with Common Equity Tier 1 ratio of 13.8% (2020: 14.1%) and Tier 1 ratio was 13.9% (2020: 14.4%). The Group complied with Individual Capital Guidance plus capital buffers, as notified by the Prudential Regulation Authority, throughout 2021.

The Society continued its focus on core residential lending while winding down legacy portfolios. The net increase in customer loans and advances was £228m overall in 2021 and included a £330m net increase in core residential, of which £48m was in buy to let, and a £102m reduction in our non-core legacy mortgage portfolio.

The percentage of mortgages in arrears by three months or more remains at low levels for 2021. Overall number of loans in arrears have seen an increase of 0.06% to 0.42%. The Group's liquidity, excluding encumbered assets, ended the year at 17.1% compared to 19.1% in 2020. This is comfortably in excess of the Society's minimum operating level.

In December 2021, we significantly increased our funding capability and diversification as well as our access to both external funding and government funding schemes. Through our newly created Tyne Funding No. 1 plc. which utilises buy to let loans, we completed and fully retained our first Residential Mortgage Backed Securities (RMBS) issuance.

Continuing to build authentic relationships

Our continued prioritisation to provide good value products and high standards of service to our customers, in branch, on the phone, or when dealing with us online, has seen us deliver an outstanding year.

I'm extremely pleased that our 2021 customer satisfaction score of 95% has matched our previous year's high (2020: 95%). We further improved our 2021 net promoter score (NPS) to +82, an increase of 4 points on an already impressive score of +78 in 2020. NPS measures the strength of our customer relationships and is driven by the quality and value our colleagues deliver. NPS scores can range from -100 to +100.

Our continuous online and mobile 'Customer Voice' survey provides valuable, real time feedback, which is shared across all levels of the business. We supplemented this in 2021 with the introduction of a dedicated online customer panel, 'Connected Communities'. Connected Communities has already become a vibrant means by which Members provide valuable thoughts, views and feedback on a range of topics, and share insights and information with each other and with us. Members who would like to sign up to be part of Connected Communities, can find more information on our website.

Helping people save and plan their finances

Our subsidiary, Newcastle Financial Advisers Limited, which provides financial advice across our branch locations, experienced another strong year for new investments. The team of professional advisers, located in each of the network of branches across the region, delivered 7,000 customer advice journeys to enable customers to make the most of their money.

Despite the pandemic challenges of face to face meetings in the first half of the year, a customer survey (Ongoing Service Survey, October 2021) demonstrated advisers had contact with 88% of existing customers in the last 12 months. Customers value the service highly and are happy to refer onto family and friends, with the subsidiary achieving a customer NPS of +91.

Newcastle Financial Advisers also runs Academy, its training programme (in association with Openwork), as part of a commitment to recruit and skill the next generation of professional advisers.

Despite the ongoing national trend of bank branch closures, we believe in the value of face to face customer contact and maintaining a physical presence within the communities we serve. We remain committed to our high streets and continue to invest in our branch network, as well as new digital technologies. Looking after our customers means being available to them and making it easy for them to interact with us in the way they choose.

We remained 'open for business' throughout the pandemic. We have maintained a full branch operation including access to cash, which was vital for some of our most vulnerable customers.

After a Covid-enforced pause, we also re-commenced our multi-million pound branch investment programme. This saw our West Denton branch relocate to a more convenient and prominent location in the Denton Park Centre. A dedicated community room forms part of the new design and is available for local people and community groups to use free of charge.

We also began work on a full refurbishment of our branch in Bishop Auckland, which will relaunch in early 2022. Our plans to open a brand new community branch in the library in Tynemouth are progressing and we continue to discuss other partnership opportunities across our network that align with our strategy and future plans.

Early in 2021 we moved out of our Newcastle city centre head office location, reducing our administrative building footprint from two to one. As part of this head office change we had to close our Portland House branch, which was integrated into the main building. Branch customers were given a warm welcome at the nearby Northumberland Street branch.

We continued to offer significantly better than UK average savings interest rates - paying an average rate across our products of 0.71% versus a whole of market average of 0.27%. (*Based on CACI's Current Account and Savings Database as at October 2021*).

We also launched a 2% Regular Saver, which proved very attractive to Members in the current low rate environment, and which attracted new Members to save with us through our branch network.

While the Bank of England base rate remained at an historic low of 0.1% for much of 2021, a late December increase took it to 0.25%. Your Society passed on the rate increase in full in January 2022 to 97% of Members with a variable rate savings product.

Innovating

Helping people own their own home

Our gross mortgage lending in 2021 was £861m (2020: £645m) with net core lending at £330m (£228m in 2020) and we welcomed 5,300 (2020: 5,206) new mortgage customers to the Society.

2021 was a year of innovation for us in the mortgage space. For a number of years house prices across the country have continued to rise, while wages haven't kept pace. Achieving the dream of home ownership without family or other financial assistance can seem out of reach when a large deposit is required. This impacts both first time buyers and low deposit, next time buyers. But our participation in launching two new innovative mortgage support schemes this year has provided some assistance.

First Homes: We announced our participation in the government-led 'First Homes' scheme which helps local first-time buyers – particularly key workers such as NHS staff and armed forces veterans – onto the property ladder by offering homes at a discount of at least 30% compared to the market price.

A proportion of new homes are made available on new home developments under the First Homes scheme, with a minimum 30% discount on the open market value, which will be passed on with the sale of the property to future first-time buyers. This means homes will always be sold below market value and local communities will benefit from easier access to them for generations to come. A number of developments across the country are now running the scheme.

Deposit Unlock: One area of the market particularly challenging for buyers is purchasing a new build home with a small (5%) deposit, as most lenders don't offer high loan to value lending on a new build mortgage. We were therefore delighted to announce 'Deposit Unlock' earlier this year, an innovative new build mortgage product which helps those with a small deposit to realise their dream of owning a new build home.

We helped develop this 'first' for the UK in collaboration with insurance broker, Gallagher Re, The Home Builders Federation and four of its members. Newcastle Building Society was the first lender to offer mortgages under this arrangement, initially as part of a regional pilot, and was also the first to offer Deposit Unlock on a national basis. A number of young buyers are now on their home owning journey as a result.

We supported these national 'firsts' with other mortgage moves specifically designed to improve access and affordability for borrowers.

- We re-introduced 90% and 95% loan to value lending
- We extended the availability of our Self Build and Custom Build mortgages, increasing the loan to value cap to 85%
- We re-introduced our Help to Buy range, including a unique re-mortgage product for customers who are in a position to repay their equity loan to do so and consolidate this to their existing mortgage
- We re-introduced and enhanced our Large Loan proposition to support higher earning professional customers with enhanced income multiples and increased loan amounts.

The financial support package for home buyers set out by the FCA in response to the pandemic, the Covid-19 payment deferral scheme, ended in October 2021. Through participation in this we helped over 4,500 borrowers experiencing financial difficulties as a result of the pandemic, allowing payment deferrals of up to 6 months. We're pleased that 99% of borrowers who requested a payment deferral have since returned to normal monthly payments.

Investing

In addition to providing a market leading outsourced savings management service, our subsidiary Newcastle Strategic Solutions Limited also serves the Group's technology needs. Investment is ongoing in the Group technology infrastructure to strengthen and enhance resilience and performance, build greater business flexibility, and adapt to changing propositions while delivering value for clients and customers.

We have invested in capacity and capability across IT, risk and compliance, financial crime, and the Group's IT security. Our technology infrastructure has also received investment to support current remote working requirements and our future desired state, along with the people and talent required to deliver it.

We are investing in modern workplace technology in our head office, along with the latest in laptop performance and enhanced connectivity. Work has also commenced to update our savings and mortgage platforms with a digital, customer-centred design approach. This follows the successful introduction of our Mortgage Renewal Online Portal, which enables mortgage customers to renew their mortgage conveniently online.

Newcastle Strategic Solutions manages savings accounts on behalf of some of the UK's leading savings providers, supporting UK banks and building societies looking to launch or grow their savings operations, or transform the management of their existing portfolio. During 2021 Solutions achieved record balances under administration and has built a strong pipeline of new business into 2022, while retaining all its existing clients.

We continue to develop our mobile app which is available to our Solutions' clients and in the latter part of the year, Solutions also successfully launched an online business savings account for small and medium sized businesses. This new saving product capability has already been taken up by new client, Recognise Bank, and by the Society.

Over the past 12 months 21 awards have been secured by clients of the subsidiary, supported by the servicing operations of Newcastle Strategic Solutions.

Building Employability

For more than two years now, we have focused our efforts on supporting employability across our region in response both to the challenges of the pandemic and wider economic inequalities.

Great place to work

Being a great place to work continues to feature strongly in our thinking, in the authentic relationships we build with customers and clients; the talent we nurture; the leadership and creativity we foster and in the communities we serve.

Our People Strategy focuses on creating a healthy and sustainable culture, connecting our colleagues with our purpose, strategy, values and behaviours; providing an inclusive environment where colleagues have a sense of belonging and do their best work; and creating ways of working to drive engagement and operational effectiveness.

Attracting and growing the right talent is key to ensuring the long term success of your Society. Sitting alongside this is our desire to develop a high performance environment where colleagues own their own performance, take accountability for delivery and are rewarded and celebrated for their contribution.

Your Society continues to create career advancement and opportunities for continued development for colleagues. This is against a backdrop of Society growth and success necessitating new roles.

We made a significant step forward in our pay position with a move ahead of the market in April, recognising both the organisation's ongoing success and the competitive nature of the wider labour market. Recognising their hard work and contribution in such another challenging year, we made an additional recognition payment to all colleagues other than executives in December.

Our apprentice programme continues to thrive and is fit to take a much more prominent role in our recruitment, talent and succession strategy. We had four apprentices shortlisted in the regional final of the national apprentice awards and were recognised for the third year running when our South Shields branch customer advisor apprentice, Eryn Wood, won the North East Apprentice of the Year 2021.

In the last four years we have created 38 apprenticeship routes to permanent employment, including five new apprentices who joined us this year. Our ambition next year is to bring 25% of new colleagues in through our early talent programme. Our early talent pool includes the opportunity to join us via apprenticeships, graduate roles, and student placements, in addition to a ring fenced Prince's Trust apprenticeship and a ring fenced Newcastle United Foundation's NU: Futures Programme apprenticeship.

We work hard to build a great experience for our new joiners and were therefore proud to make the 'Rate my Placement' Top 50 Employer list for the third year running. This year we entered the top 10 for the first time.

We continue to support the Common Purpose Young Leader programmes which supports young people in the UK to develop their leadership skills. Five of our own young leaders have attended the programme this year, along with two young people from the NU:Futures Programme.

We also achieved the goal we set for the Women in Finance Charter of achieving 40% females in senior management ahead of our original target of 2023 and are now working towards gender parity.

In line with colleague feedback, we made the decision that hybrid working would be our preferred future working model. As part of this arrangement, our base assumption is that full time colleagues will spend two days a week in our head office environment and three days working from home.

During 2021, following the sale of our Portland House office building, we re-located our head office to a property we already owned and occupied at Cobalt Park, North Tyneside. The transformation of our new head office building provides an opportunity for us to embed an environmentally friendly approach and practice. Investing in our shared future to reduce our carbon footprint has also included the introduction of an

electric vehicle leasing scheme as a colleague benefit and we are committed to launching a cycle to work scheme when colleagues return to regular office-based working.

This change in location has provided an opportunity for us to introduce new workspace concepts, to encourage easier collaboration and provide efficient use of space. We are taking advantage of this opportunity to fully digitise the way we work in the office, in how we interact with our workspace, for example to book meeting rooms or hot desks, and in seamlessly connecting those in physical meetings with remote meeting participants.

We consider the benefits of the time that colleagues will spend together in the office makes a vital contribution to our culture of connection and to delivering our purpose with impact.

Our eNPS, which measures our employee net promoter score, or how likely our colleagues are to recommend Newcastle Building Society is in the top 25% of the global finance sector at +43. Our apprentice eNPS is +90, which is 50 above the benchmark.

Partnerships & Grants

Our commitment is to support talent and success from a diverse range of backgrounds. One of the ways we do this is through our active community partnerships, which include the Newcastle United Foundation, and The Prince's Trust. We have also focused a significant portion of our community grants towards employability support activities within grass roots charities.

Following the launch of our £1.1m partnership with the Newcastle United Foundation last year to deliver 'NUCASTLE powered by Newcastle Building Society', a new-build community hub for sports, education and wellbeing, significant progress has been made in its construction. We witnessed the first local youngsters trying out the rooftop pitch in October, ahead of the planned launch in March 2022, which will dramatically expand opportunities for local people.

Delivery of our joint programmes - Newcastle United Foundation's NU:Futures and the Prince's Trust Team programme - continued despite the challenges of remote delivery required in lockdown. Career advice and other information sessions, including financial education, have been consistently delivered, thanks to the commitment of our colleagues from our branch network and across our Society.

Recognising that the pandemic has brought significant challenge to our communities, our grant giving programme through the Newcastle Building Society Community Fund at the Community Foundation Tyne & Wear and Northumberland was refocused to support Covid-19 recovery.

The Newcastle Building Society Community Fund grants are providing ongoing support to programmes delivering employability skills and experience; addressing food poverty; and helping with debt management. In 2021 we provided £185,000 in support grants across these areas of focus.

Our total community contributions this year, made up of grants, match funding, and our ongoing partnership donations, was more than £750,000. Through these various activities we have positively impacted over 21,700 people of all ages in our region in the past year.

Again, despite the challenges of working remotely, our colleague fundraising surpassed the previous year's total at £14,772 (£16,129.88 including match funding) raised through a combination of Give as you Earn, fund raising days and a variety of other fund raising activities.

Wider community

Colleague volunteering continues to be a fundamental way we support our communities. In 2020 we worked with tech for good business, onHand and the National Innovation Centre for Ageing to roll out an innovative volunteering app across our region. In 2021, through this and other volunteering commitments, colleagues have delivered more than 400 days of support to our communities –whether through befriending calls, shop drops, prescription collections, sports coaching and a variety of other activities. Our work with onHand has also meant that over 3,200 trees were planted on our behalf in 2021, aligned to our levels of volunteering.

Summary and Look Ahead

I am delighted with how our colleagues have responded to the many and unique challenges of 2021, the progress we've made together towards our strategic goals and the sustained impact across all aspects of our purpose. Once again I offer my personal thanks for our colleagues' continued support and tireless efforts on behalf of our customers and clients – I feel truly privileged to lead this remarkable team. I also thank our Members for their continued support and their fantastic engagement with the Society.

The combined commitment and participation of colleagues, Members and communities has not only delivered a highly successful financial year, it has put us in a strong position for 2022. While we all remain hopeful that 2022 will be the year when we see the Covid-19 pandemic reduce its impact on our day to day lives, it is clear that our customers and communities will face many new challenges in the years ahead and internationally, events in Ukraine are a new source of concern for all. However, the resolve and determination of our colleague team, along with our investment in the Society's capabilities and infrastructure, will ensure we can continue to be there for our Members in the ways and places they need us to be. We will continue to compete with the best; and in so doing, deliver a stand out regional building society, committed to delivering its purpose and serving its Members within and beyond our region.

Andrew Haigh
Chief Executive
1 March 2022

NEWCASTLE BUILDING SOCIETY
PRELIMINARY ANNOUNCEMENT
for the year ended 31 December 2021

SUMMARY CONSOLIDATED INCOME STATEMENTS

	2021	2020
	£m	restated £m
Interest receivable and similar income		
Interest income calculated using effective interest rate	92.0	91.6
Interest recognised in respect of insurance contracts	11.9	12.7
Net expense on derivatives hedging mortgage assets	(13.1)	(13.3)
Total Interest receivable and similar income	90.8	91.0
Interest payable and similar charges	(31.8)	(42.7)
Net interest income	59.0	48.3
Other income and charges	45.7	39.7
Gains less losses on financial instruments and hedge accounting	(5.2)	(10.3)
Administrative expenses	(65.8)	(57.9)
Depreciation and amortisation	(5.2)	(4.9)
Operating profit before impairments and provisions	28.5	14.9
Impairment reversals / (charges) on loans and advances to customers	2.8	(9.6)
Impairment of tangible and intangible assets	(2.0)	(3.8)
Provisions for liabilities and charges	(0.2)	(0.1)
Profit for the year before taxation	29.1	1.4
Taxation expense	(5.2)	(0.3)
Profit after taxation for the financial year	23.9	1.1

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2021	2020
	£m	restated £m
Profit for the financial year	23.9	1.1
Other comprehensive income:		
<i>Items that may be reclassified to income statement</i>		
Movement on fair value of debt securities through other comprehensive income	(0.2)	0.6
Income tax on items that may be reclassified to income statement	0.3	(0.2)
Total items that may be reclassified to income statement	0.1	0.4
<i>Items that will not be reclassified to income statement</i>		
Post-retirement defined benefit remeasurements	-	(0.2)
Other non-classified items	-	0.1
Total items that will not be reclassified to income statement	-	(0.1)
Total comprehensive income for the financial year	24.0	1.4

SUMMARY CONSOLIDATED BALANCE SHEETS

	2021	2020
	£m	restated £m
ASSETS		
Liquid assets	956.4	1,109.7
Derivative financial instruments	14.5	-
Loans and advances to customers	3,794.5	3,567.1
Fair value adjustments for hedged risk	62.1	116.1
Non-current assets available for sale	2.4	4.9
Intangible assets	7.5	5.7
Property, plant and equipment	31.0	34.8
Fixed and other assets	26.0	19.1
TOTAL ASSETS	4,894.4	4,857.4
LIABILITIES		
Shares	3,731.8	3,776.3
Deposits and debt securities	746.7	628.0
Derivative financial instruments	147.6	214.3
Other liabilities	24.2	18.7
Subscribed capital	20.0	20.0
Reserves	224.1	200.1
TOTAL LIABILITIES	4,894.4	4,857.4

SUMMARY CONSOLIDATED CASH FLOW STATEMENTS

	2021	2020
		restated
	£m	£m
Net cash (outflows) / inflows from operating activities	(62.6)	227.3
Corporation tax paid	(4.4)	(2.2)
Payment into defined benefit pension scheme	-	(0.2)
Cash (outflows) / inflows from operating activities	(67.0)	224.9
Cash (outflows) / inflows from investing activities		
Purchase of property, plant and equipment	(7.7)	(5.6)
Sale of property, plant and equipment	4.9	-
Purchase of investment securities	(106.6)	(110.7)
Sale and maturity of investment securities	84.6	158.8
Net cash (outflows) / inflows from investing activities	(24.8)	42.5
Cash outflows from financing activities		
Interest paid on subscribed capital	(2.3)	(2.3)
Payments for finance lease arrangements	(1.2)	(1.2)
Net cash outflows from financing activities	(3.5)	(3.5)
Net (decrease) / increase in cash	(95.3)	263.9
Cash and cash equivalents at start of year	490.3	226.4
Cash and cash equivalents at end of year	395.0	490.3

Summary of key financial ratios	2021	2020
	%	%
Gross capital as a percentage of shares and borrowings	5.45	5.17
Liquid assets as a percentage of shares and borrowings	21.36	25.20
Profit for the year as a percentage of mean total assets	0.49	0.03
Management expenses for the year as a percentage of mean total assets	1.45	1.35

Notes

1. The financial information set out above, which was approved by the Board of Directors on 1 March 2022, does not constitute accounts within the meaning of the Building Societies Act 1986.
2. The financial information for the years ended 31 December 2021 and 31 December 2020 has been extracted from the Accounts for those years and on which the auditors have given an unqualified opinion.
3. 2020 comparatives were restated for a change in accounting policy in relation to Insurance Contracts. Further details can be found in note 35 of the Annual Report and Accounts which will be available from 23 March 2022.