NEWCASTLE BUILDING SOCIETY ANNOUNCES 2020 FINANCIAL RESULTS

Key Highlights

- Operating profit (before impairments) of £16.4m, maintained at 2019 levels
- Due to increased impairments in the year, profit before tax was £2.0m
- New savings customers: 13,877
- New branch customers: 6,069
- New mortgage customers: 5,206
- New first time buyers helped in purchasing their own home: 915
- Record mortgage lending in the second half of the year, supported by strong savings balance growth through our branches
- We reduced our Standard Variable Rate (SVR) for residential mortgages to 3.96%
- Awarded Platinum Investors in People accreditation, progressing on from our previous Gold award
- Built and launched our popular mobile savings app
- Colleague engagement scores increased further to an employee net promotor score of +45
- Awards:
  - North East Charity Awards (Outstanding Charity Support by Large Companies)
  - Mortgage Finance Gazette (Community Services)
  - North East Contact Centre (Business Continuity & Innovation)
  - What Mortgage (Best Regional Building Society) for the fourth consecutive year
- Supported multiple clients of our savings management outsourcing subsidiary Newcastle Strategic Solutions in winning no fewer than 21 industry awards
- £1.5m community commitment, which included two initial payments totalling £850,000 to Newcastle United Foundation, supporting the building of exciting new community facility, NUCastle, powered by Newcastle Building Society
- A higher percentage of our new lending was to people in the North East, Cumbria and North Yorkshire heartland from 14.5% to 16%
- Over £66m invested through our advice subsidiary, Newcastle Financial Advisers
- Supported 4,687 borrowers who requested mortgage payment holidays
- Launched deposit booster mortgage to help first time buyers
- Customer engagement scores increased further to a net promoter score of +78

Our Performance

Despite the challenges in the year, the underlying business performance was strong, not just in our response to the pandemic and the overall operational, trading and financial performance of the business, but also in our commitment to maintaining progress.

We welcomed over 6,000 new branch customers, growing our savings book by £376m (11%). Helped by our market leading triple access saver and competitive bonds across the year, our strong retail savings balances provided a solid foundation for our mortgage lending. More than 5,000 new lending customers joined the Society. Our Gross mortgage lending for the year was £645m and net core residential lending £228m (£575m in 2019).

Operating profit before impairments and provisions was stable at £16.4m (£16.3m in 2019). As a result of the impact of Covid-19 on the economic environment, impairments and provisions were £14.4m (2019: £1.6m). Group profit before tax was £2.0m for the year ended 31 December 2020, compared to £14.7m for 2019.

Total operating income increased by 6% to £79.2m in 2020 (£74.4m in 2019). Offsetting income is overall management expenses, which include business administration and depreciation expenses. Management expenses increased to a cumulative £62.8m from £58.1m in 2019, reflecting increased non-recurring costs associated with the Group's response to the Covid-19 pandemic, further investment in colleagues, our technology infrastructure and the branch network during the year.

The Society's net interest margin reduced to 0.87% from 0.91% in 2019 reflecting the competitive nature of the mortgage market. Net interest income increased by £3.3m to £40.2m due to the reduction in the Bank of England base rate and the fall in mortgage yields in comparison to the fall in savings rates.

The Group's capital ratios remain robust with Common Equity Tier 1 ratio of 14.1% (2019: 13.9%) and Tier 1 ratio was 14.4% (2019: 14.3%). The Group complied with Individual Capital Guidance plus capital buffers, as notified by the Prudential Regulation Authority, throughout 2020.

The Society continued its focus on core residential lending while winding down legacy portfolios. The net increase in customer loans and advances was £183m overall in 2020 and included a £228m net increase in core residential, of which £57m was in buy to let and £45m was in respect of a reduction in our non-core legacy mortgage portfolio.

The percentage of mortgages in arrears by three months or more remain at low levels for 2020. Overall number of loans arrears have seen an increase of 3bp to 0.36%.

The Group's liquidity, excluding encumbered assets, ended the year at 19.1% compared to 15.8% in 2019. This is comfortably in excess of the Society's minimum operating level.

A year like no other

The UK went into lockdown on 23 March. At that point, although we knew that the situation was grave, we had no real appreciation of what the course of the pandemic would be, or the depth of its impact on us individually, on our families, our communities and our working lives. It has been a life-changing event and for many individuals and families, it has been both difficult and distressing.

For all of us, the pandemic continues to curtail our interactions within our wider communities: the communities of work, of our friends and families, and of our local towns and high streets. But the temporary loss of those things we might, at times, have taken for granted has only served to renew their significance. It has reminded us that as humans we need and value real life interaction with others to enrich the experience of our day-to-day life.

Our purpose, ‘to connect our communities with a better financial future’, has been a powerful guide through the pandemic, helping us maintain our focus on customers enabling effective decision making in these fast moving and challenging times.

Although Covid-19 has had a profound impact on the Society’s operations during the year, our underlying business is still performing well, reflecting our resilient core. It is encouraging to be able to report that despite the property market having been effectively closed for a period and the need to absorb significant, non-recurring costs associated with Covid-19, the Group’s operating profit before impairments and provisions for 2020 was £16.4m broadly in line with our performance in the previous year (2019: £16.3m).

The knock on effects of the exceptional deterioration in the macro-economic environment has resulted in a significant increase in our credit provisions resulting in a pre-tax profit of £2.0m, compared to £14.7m for 2019. This result also included a write down in the value of our former head office building, Portland House, which we have chosen to exit as it no longer meets our needs as we evolve more flexible and efficient working practices. We remain strongly capitalised and continue to operate with appropriate levels of liquidity.

As a provider of an essential service, we have remained open for business throughout lockdown. We have supported our communities and strive to maintain this important focus as we also seek to play our part in enabling recovery in our region. I’m pleased to report that the pandemic has not prevented our Society achieving many of the goals we had at the start of 2020. We have needed to be reactive to fast changing environments and to deliver differently, but we have done so with positive impact.

I would like to extend heartfelt thanks to our colleagues for their incredible commitment, resilience and determination in facing into the challenges of 2020 and for what we have achieved together. Many of the team’s achievements would have been excellent in any ordinary year, but given the circumstances, they were truly remarkable.

Our region and purpose

We are the North East's largest building society with assets which have grown to £4.9bn (up from £4.4bn in 2019) and 30 branches across the North East, Cumbria and North Yorkshire. As an employer of more than 1,200 people and a purpose-led organisation we are committed to the people and places that make up our heartland.

Delivering our purpose, 'to connect our communities with a better financial future', is both a personal endeavour for colleagues and a shining example of what it really means to be a mutual, customer-owned organisation. It is also a sound foundation on which to build a sustainable, successful commercial enterprise which will benefit our Members and their communities in both the present and for the long term. Our consistently high levels of customer and colleague engagement ensure that we remain connected to our purpose and focused on delivering lasting, authentic relationships with our Members.

We continue to provide opportunities for local people to build meaningful careers, encouraging the diversity of those who join us from a variety of backgrounds and providing opportunity for all our colleagues to make a real and positive difference to the people and places that mean the most to them. We continue to support and work with our communities to create positive change, through a variety of partnerships and the provision of ongoing, significant financial support, acting quickly in the pandemic to commit funding when our communities need help more than ever.

We remain committed to delivering face to face services on our high streets. We believe that digital and physical distribution need to co-exist if we are to serve all our customers well. For us, technology is best deployed to enhance the quality of our human interactions, not just to replace them. The pandemic has served to reinforce this, as we have all come to realise just how much we were taking human interactions for granted.

We continue to invest in our shared future: building our brand through our communities; and creating commercial success through our scale, experience, skills and specialisms – including our leading edge digital and IT capabilities that serve the Society and other clients of our Newcastle Strategic Solutions subsidiary.

Building lasting, authentic relationships with our customers

In a year where service was interrupted significantly by so many external events and it was simply not possible to deliver our usual personal service, we were pleased to maintain very high customer satisfaction scores. In 2020 we achieved a satisfaction score of 95% per cent (2019: 95%).

Our net promotor score (NPS) measures the loyalty of our customer relationships and is driven by the quality and value our colleagues deliver to our customers. We enhanced our NPS tracking in 2020 to include all channels and were very pleased to record a score of 78. This compares very favourably on a like-for-like basis with the previous year's score of 76 and is at the higher end of the spectrum - NPS scores range from -100 to +100.

Our continuous online and mobile 'Customer Voice' survey provides valuable, real time feedback for us and we will be supplementing this in 2021 with the introduction of a dedicated customer panel.

Helping people save and plan their finances

We have remained open for business throughout lockdowns, providing uninterrupted access to the essential services we provide: on the high street, over the phone and through our digital channels. We have continued our sensible lending and the provision of mortgages, we have maintained convenient, local access to our savings service for our customers and continued to provide financial advice. Throughout, our priority has been to keep our customers and colleagues safe through the implementation of rigorous safety procedures and by extending our support for customers negatively impacted financially by the pandemic.

Safety measures were implemented for colleagues and customers, whose essential needs necessitated a branch visit. These included a one in one out policy; social distancing; safety screens; face coverings and masks for colleagues; colleagues working in small bubble teams; and reduced branch opening hours. These actions protected customers' access to cash and other key services and were reinforced by a partnership with the Post Office to provide local cash access to vulnerable customers in the event of an unavoidable branch closure.

Our Newcastle Financial Advisers subsidiary, which provides financial advice across our branch locations, experienced its best ever year for new investments. More than ever, customers have appreciated advice and guidance through these tumultuous times and while face-to-face advice sessions had to be reduced in response to Covid-19, the introduction of video and phone meetings ensured ongoing support for customers.

Our commitment to our high streets and the delivery of face to face services remains as strong as ever. We strive to make our branches even more welcoming, and human: a place where we aim to show that we are keen to listen and understand our customers' needs and where time is a commodity we are keen to share.

Prior to lockdown we formally opened our two new community partnership branches in Hawes in North Yorkshire, and Wooler in Northumberland - locations which had been left isolated on the closure of their 'last bank in town'. Both branches have been very positively received by local people, delighted to see financial services return to their high street, even through this troubled period. Embedded in the community, we have become part of the community, playing an integral role as part of a community hub at a fraction of the cost of a full scale branch.

Our branch network across the North East, Cumbria and North Yorkshire has maintained essential transactions and services for customers and the otherwise financially excluded. All but one of our branches have provided ongoing services throughout for essential transactions, with the exception of our Yarm Library branch, which was closed as part of a wider local council decision to close library locations.

As part of a strategic review of our core working locations we recently announced our intention to vacate our Portland House head office building in the centre of Newcastle. One of our two city-centre branches, our Portland House branch is integrally connected to the main Portland House head office building, and therefore closed in early 2021. Our Portland House branch customers were welcomed and will be served by our nearby Northumberland Street branch.

We have renewed our commitment to our ongoing, multi-million pound branch upgrade programme and where appropriate, to expanding our regional presence. We are currently working on an exciting new community branch in Tynemouth and we expect to announce progress on this second library partnership in 2021.

During the crisis the Bank of England reduced base rate to record low levels of just 0.1%. After much consideration, the Society made the decision to pass a corresponding rate reduction onto our variable rate savings customers. We continued to introduce new competitively priced fixed rate savings products through our branches.

Our average savings rate in 2020 was 0.49% higher than the market average for banks and building societies, based on CACI's independent financial benchmarking data.*

*CACI Current Account and Savings Database, Stock, including fixed and variable rates. CACI is an independent company that provides financial benchmarking data which covered 87% of the cash savings market in 2020. Data correct as at 8th February 2021.

Some of our savings products have financial penalties if they are closed ahead of the agreed term end. Where health issues or difficulties caused by Covid-19 made this necessary, we ensured customers could access their savings quickly and without penalty. This commitment was applied across all our savings products, with the exception of the Lifetime ISA which has a separately applied Government penalty.

Helping people own their own home

The housing market bounced back following the initial lockdown period, and has since experienced a high level of mortgage transactions, house sales and an overall increase in house prices, supported by continuing low interest rates.

The majority of our mortgage lending is done through UK-wide networks of mortgage brokers, and throughout 2020 we continued to build the depth of our relationships across this channel, increasing our intermediary distribution to 90% market coverage. Our service and response levels, along with the short time to offer we have maintained during the pandemic, have positively differentiated us from other providers.

The Society over performed against its plan, introducing more than 5,000 new mortgage customers to the Society, and helping over 900 first time buyers.

Following the announcement of the financial support package in response to Covid-19 by the Government and set out by the Financial Conduct Authority (FCA), the Society quickly responded to customer concerns, to requests for mortgage payment holidays, and for flexibility in repayments for those borrowers struggling to pay their mortgages as a result of Covid-19.
Where customers can afford to re-start their mortgage payments it is in their best interests to do so, but some may need additional support and for longer. The FCA extended the time to apply for a payment holiday initially to the end of October 2020 and then to 31 March 2021. We have provided payment deferral support to our mortgage customers experiencing financial difficulty as a result of the pandemic and will be investing significantly in a mortgage processing transformation programme in 2021 to facilitate further efficiency and even better customer service levels.

We were also very pleased to announce a significant reduction in our mortgage standard variable rate (SVR) to 3.96% from 5.99%, effective from 1 December 2020. SVR is the interest rate normally charged once a fixed, discount or tracker rate mortgage deal comes to an end. The change will positively impact all our customers currently on our SVR and SVR-linked products.

During and post lockdown, our focus has been on remortgages and mid loan to value mortgage products as part of our sensible lending policy. We introduced additional options to our mortgage range which included a new Joint Mortgage Sole Proprietor five year fixed rate mortgage, which enables family members to help close relatives own their own home, increasing the borrowing power of the applicant by allowing them to apply for a mortgage using the supporting income of a family member. This was supported by competitively priced 80 per cent loan to value mortgages with rates as low as 1.89% and rate reductions on our five year Buy to Let mortgage proposition of up to 0.20%.

Investing to help our communities make positive changes

We've made it a priority to increase support for our region's local communities during these troubled times, and I'm proud that we made a £1.5m commitment to good causes this year focusing our impact where it's needed most, and aiding our region's recovery.

This support for communities included the launch of a £1.1m partnership in July with Newcastle United Foundation, to deliver the redevelopment of the Murray House Recreation Centre in the City Centre into a hub for sports, education and wellbeing. The new centre will be known as 'NUCastle, powered by Newcastle Building Society'. With planning approved and the project underway, £850,000 has already been committed to support the build. Our relationship with the Foundation will also see us support the NU:Futures employability outreach programme, targeting thousands of schoolchildren and hundreds of young people not in education, employment and training across North of Tyne.

We launched our community grants programme in 2016 working with the Community Foundation Tyne & Wear and Northumberland. At the end of 2020 we reached a major milestone and celebrated £1m awarded in grants to charities and community groups across the North East, Cumbria and North Yorkshire. In 2020 the ongoing programme of community grants, awarded £179,000 to groups in our region most affected by the pandemic, including food banks; hospices; and charities providing support for cancer, dementia and older or isolated adults. These grants are made from the Newcastle Building Society Community Fund at The Community Foundation.

In addition, the Society donated £100,000 to launch the Community Foundation Tyne & Wear and Northumberland's Coronavirus Recovery & Response Fund, which has directed support to a wide range of groups and charities across the region. We also continued to provide ongoing financial support to the incredible Sir Bobby Robson Foundation and to The Prince's Trust, a valued partner in helping us deliver greater inclusion and improving the prospects of young people in our region.

Our efforts to help our communities make positive changes saw us contribute in numerous additional small but creative ways, often building on ideas suggested by colleagues. We worked with North East specialist medical cream manufacturer, Nursem, in its quest to provide free hand cream to our local nurses at the frontline of clinical care who suffer the drying effects of frequent hand washing and sanitising. We also donated a vital supply of much needed, hand sanitiser to communities in the Yorkshire Dales, partnering with a local, Yorkshire Dales-based distillery.

The application of new technologies can be a powerful way to bring people closer together and we continue to explore new opportunities to incorporate these technologies into our services. Our partnership with the National Innovation Centre for Ageing and tech for good company, onHand, has successfully connected our amazing colleague volunteers with local people needing support with minor tasks via a mobile app. This initiative has been particularly relevant during the pandemic, being able to operate within strict safety guidelines to keep all parties safely socially distanced.

Investing in our colleagues

We employ more than 1,200 people across our head office and branch locations. Measuring our employee net promoter score (eNPS) value tells us a great deal about how well our colleagues understand and are engaged with our purpose and their commitment to the Society and our customers. At the year end, we achieved a record high colleague eNPS of +45 which positioned us in the top 25 per cent of our survey provider's global finance sector benchmark.

We were delighted to receive the Platinum Investors in People accolade this year, progressing from our previous Gold award and putting us in the top three per cent of organisations nationwide assessed as part of the standard. This recognises the hard work of our human resources team, our leaders and our managers in establishing the policies and practices that support our colleagues be the best they can be. Being a Platinum-accredited organisation proves that right across the organisation, our people believe in the vital role they play in the success of the business.

The Society participated in the Government's Coronavirus Job Retention Scheme earlier in the year. This enabled us to keep all colleagues in their jobs and protect their livelihoods through a period of widespread and extreme uncertainty, when it was far from clear that all roles could otherwise be retained. All colleagues who were furloughed were able to return to their roles as the year progressed. Having seen a much more stable operating environment and a strong recovery in the housing market since the early days of the pandemic, we decided that it would be appropriate to return the Job Retention Scheme funds we had claimed, in full, to the Government, to the sum of around £600,000.

As a result of the Covid-19 pandemic changes to working locations, the majority of the Society's head office workforce has been working from home this year, with only a small number of colleagues working in Portland House and Cobalt Park. We intend to vacate our City Centre Portland House building and to make our extensive 100,000 square foot office space at Cobalt Park our main home while we complete a strategic property review. This will include consideration of new and upcoming commercial property developments in Newcastle City Centre, along with new ways of working, informed by colleague preferences and work life balance aspirations.

As part of a continuous conversation with colleagues via our Colleague Voice survey tool, we have also introduced a Colleague Insight Forum which will help provide additional layers of feedback and will be used to guide and shape a range of decisions.

Our focus on mental and physical colleague wellbeing continues and we are pleased to see how many of our colleagues are engaging with the various programmes and initiatives underway designed to help us manage the challenges we may face. Colleague wellbeing has been a consistent focus through the year. An additional day of holiday over the Christmas period and a 2021 special birthday day off were some of a number of wellbeing measures introduced across the Society.

Although the Society will not be paying any performance related colleague or Executive bonuses this year, in recognition of the challenges that 2020 has posed and the outstanding response of colleagues, we have made a three per cent colleague recognition payment as thanks. This payment does not apply to Executives.

A core part of our early talent programme is our apprenticeship programme. We continue to welcome apprentices into the Society across a range of functions and were thrilled to be rated in the top 20 of Rate My Apprentice Top 100 Employers (and to be rated first in financial services!).

We've been working with Common purpose to support their Young Leader programmes by speaking at events and have had 21 of our own young people participate in the young leader programmes, which were delivered virtually this year.

Investing in technology, helping our clients succeed

Maintaining essential financial services during Covid-19, while keeping our colleagues safe, necessitated a significant change in working practices as all but around 200 colleagues moved to work remotely, from home. Revolutionising our working environments while maintaining great service for our customers and clients is a tribute to the hard work, flexibility, and personal commitment of colleagues, our operational resilience team and our Newcastle Strategic Solutions subsidiary IT teams.

Using the convenience and speed of modern digital technologies plays a vital role in enriching the face to face experiences and deepening the personal relationships that we build with our Society customers.

This was enhanced by the introduction in 2020 of a mobile savings app which allows customers to check their online savings accounts whilst on the go. The app features easy-to-access balance and transaction information and uses secure cloud and biometric technology to allow customers to access their account information quickly and safely. The app has proved highly successful with Society savers, and a number of Solutions clients are in turn making it available to their own savings customers.

The Solutions subsidiary has continued to make a solid contribution to group profits, and helped its clients win recognition for savings service with 21 national awards this year, alongside welcoming two new SME-focused challengers as clients, Recognise Bank and B-North.

Through the Solutions subsidiary the Society continues to invest significantly in cyber security, IT infrastructure, and to provide a regional focus and fertile technology skills hub providing career opportunity to grow the region's dominance of this area.

Summary and look ahead

2020 has been a year unlike any other but in many ways has served to underline the importance of our purpose, to connect our communities with a better financial future.

Our purpose has been an anchor point and a focus, both of which have helped us to steer through these uncertain times.

We aspire to exit this period of crisis and recovery in a stronger position than we might have expected to achieve without this experience – even closer to our customers and moving forward with purpose and momentum. We recognise that this will not be without challenge and will require a need for caution in a period of severe economic stress and facing the broader impact of the Covid-19 pandemic.

We will be even more aligned to our purpose-led strategy, better serving our customers and communities. We will continue to invest in our technology and our people, who have inspired us in the past year with their dedication and resilience, in getting the job done to ensure the needs of our customers and clients are met.

Perhaps more than ever, through these most difficult days, we have come to recognise just how much we value interaction with other humans and just how powerful the concept of a mutual business can be. We will therefore, continue to strive in the years ahead to be not only technologically enabled, but be more, not less human; closer and more connected with our communities, our colleagues, our clients and most importantly of all, our customers.

Andrew Haigh
Chief Executive
4 March 2021

NEWCASTLE BUILDING SOCIETY
PRELIMINARY ANNOUNCEMENT
for the year ended 31 December 2020

SUMMARY CONSOLIDATED INCOME STATEMENTS

	2020	2019
	£m	£m
Interest receivable and similar income		
Interest income calculated using effective interest rate	**91.6**	90.8
Interest recognised in respect of insurance contracts	**12.7**	**13.6**
Net expense on derivatives hedging mortgage assets	**(21.4)**	(18.8)
Total Interest receivable and similar income	**82.9**	85.6
Interest payable and similar charges	**(42.7)**	(48.7)
Net interest income	**40.2**	36.9
Other income and charges	**39.7**	37.0
Gains less losses on financial instruments and hedge accounting	**(0.7)**	0.5
Administrative expenses	**(57.9)**	(53.9)
Depreciation and amortisation	**(4.9)**	(4.2)
Operating profit before impairments and provisions	**16.4**	16.3
Impairment charges on loans and advances to customers	**(10.5)**	(1.5)
Impairment charges on property and equipment	**(3.8)**	-
Provisions for liabilities and charges	**(0.1)**	(0.1)
Profit for the year before taxation	**2.0**	14.7
Taxation expense	**(0.6)**	(3.3)
Profit after taxation for the financial year	**1.4**	11.4

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2020 £m	2019 £m
Profit for the financial year	**1.4**	11.4
Other comprehensive income:		
Items that may be reclassified to income statement		
Movement on fair value through other comprehensive income	**0.6**	0.9
Income tax on items that may be reclassified to income statement	**(0.2)**	(0.1)
Total items that may be reclassified to income statement	**0.4**	0.8
Items that will not be reclassified to income statement		
Post-retirement defined benefit remeasurements	**(0.2)**	(0.8)
Other non-classified items	**0.1**	-
Total items that will not be reclassified to income statement	**(0.1)**	(0.8)
Total comprehensive income for the financial year	**1.7**	11.4

SUMMARY CONSOLIDATED BALANCE SHEETS

ASSETS	2020 £m	2019 £m
Liquid assets	**1,109.7**	862.5
Derivative financial instruments	**-**	0.1
Loans and advances to customers	**3,477.9**	3,295.1
Fair value adjustments for hedged risk	**214.3**	186.6
Non-current assets available for sale	**4.9**	-
Intangible assets	**5.7**	2.5
Property, plant and equipment	**34.8**	46.5
Fixed and other assets	**17.0**	18.8
TOTAL ASSETS	**4,864.3**	4,412.1
LIABILITIES		
Shares	**3,776.3**	3,400.9
Deposits and debt securities	**628.0**	579.4
Derivative financial instruments	**214.3**	185.9
Other liabilities	**18.2**	20.1
Subscribed capital	**20.0**	20.0
Reserves	**207.5**	205.8
TOTAL LIABILITIES	**4,864.3**	4,412.1

SUMMARY CONSOLIDATED CASH FLOW STATEMENTS

	2020	2019
	£m	£m
Net cash inflows from operating activities	**227.3**	189.0
Corporation tax paid	**(2.2)**	(1.3)
Payment into defined benefit pension scheme	**(0.2)**	(0.8)
Cash inflows from operating activities	**224.9**	186.9
Cash (outflows) / inflows from investing activities		
Purchase of property, plant and equipment	**(5.6)**	(8.6)
Sale of property, plant and equipment	**-**	0.4
Purchase of investment securities	**(110.7)**	(213.5)
Sale and maturity of investment securities	**158.8**	127.2
Net cash inflows/(outflows) from investing activities	**42.5**	(94.5)
Cash outflows from financing activities		
Interest paid on subordinated liabilities	**-**	(0.8)
Interest paid on subscribed capital	**(2.3)**	(2.3)
Repayment of subordinated liabilities	**-**	(25.0)
Payments for finance lease arrangements	**(1.2)**	(0.9)
Net cash outflows from financing activities	**(3.5)**	(29.0)
Net increase in cash	**263.9**	63.4
Cash and cash equivalents at start of year	**226.4**	163.0
Cash and cash equivalents at end of year	**490.3**	226.4

Summary of key financial ratios	**2020**	2019
	%	%
Gross capital as a percentage of shares and borrowings	**5.17**	5.67
Liquid assets as a percentage of shares and borrowings	**25.2**	21.7
Profit for the year as a percentage of mean total assets	**0.03**	0.28
Management expenses for the year as a percentage of mean total assets	**1.35**	1.45

Notes

1. The financial information set out above, which was approved by the Board of Directors on 4 March 2021, does not constitute accounts within the meaning of the Building Societies Act 1986.
2. The financial information for the years ended 31 December 2020 and 31 December 2019 has been extracted from the Accounts for those years and on which the auditors have given an unqualified opinion.