Preliminary results 2023

14 March 2024

2023 Results

Financial performance

- The Group achieved an underlying profit before tax of £426.0m, or £607.6m excl. the adverse EIR adjustment
- The net underlying loan book grew by 9% supported by £4.7bn of new lending, or 10% excl. the adverse EIR adjustment
- Underlying net interest margin reduced to 251bps, after an impact of 63bps from the adverse EIR adjustment
- Underlying return on equity of 16%, or 22% excl. the adverse EIR adjustment

Our lending franchise

- Gross organic lending reduced by 20% to £4.7bn
- Continued demand across the Group's core residential and Buy-to-Let sub-segments
- Precise Mortgages focused on residential lending and Kent Reliance concentrated on more complex Buy-to-Let lending
- InterBay commercial new lending increased 46% to £405.6m
- Retention[1] particularly strong, 78% of Kent Reliance BTL borrowers and 66% of Precise

1. Remortgaged with the respective brand within 3 months post their fixed term ending

Strong credit and risk management

- Credit performance remained robust with Group's balances over three months in arrears at 1.4% (2022: 1.1%)
- Underlying impairment charge of £48.5m represented a loan loss ratio of 20bps
- The impairment charge principally reflected modelled IFRS 9 stage migration and the increase in arrears over three months

Strong liquidity and capital position

- CET1 strong at 16.1%, with a total capital ratio of 19.5%
- Issued £250m of Tier 2 notes and £300m of senior notes in 2023. The Group met its interim MREL requirement in January 2024 following a further £400m issuance of senior notes
- Progressive total dividend per share of 32.0 pence including a recommended final dividend of 21.8 pence per share
- £50m share buyback over the next six months to commence on 15 March 2024 and Board to consider further capital returns later in the year[2]

2. Subject to further MREL issuance to support growth opportunities and meet the final Basel 3.1 requirements once published, subject to regulatory approval

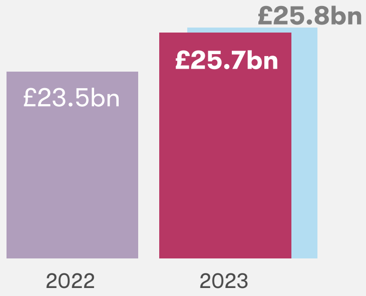
Outlook for 2024

- Based on current application volumes and against the backdrop of a subdued wider mortgage market, we expect to deliver underlying net loan book growth of c.5% for 2024
- The underlying net interest margin is expected to be broadly flat to 2023, reflecting the impact of a higher cost of funds and the full year impact of some lower margin lending in 2023, due primarily to delays in mortgage pricing reflecting the rate rises and higher swap costs
- We will maintain our cost discipline and efficiency however the underlying cost to income ratio is expected to be broadly flat to 2023, commensurate with the NIM guidance

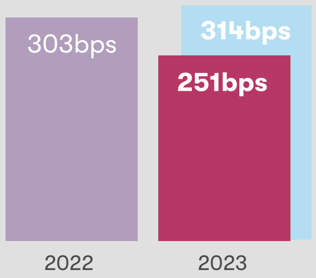
Financial highlights - statutory

Financial highlights – underlying and excluding the adverse EIR adjustment

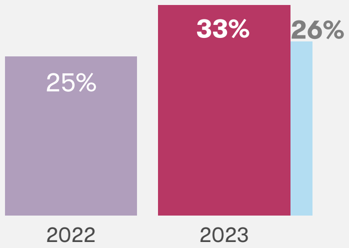
Net loan book



Net interest margin

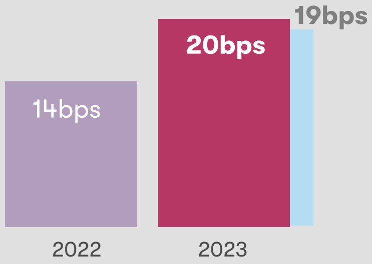


Cost to income ratio

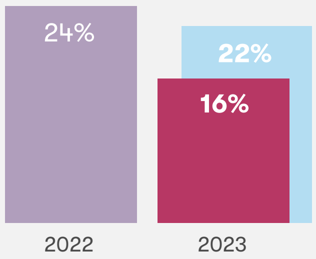


The total ordinary dividend for 2023 of 32.0 pence per share represents a 29% payout ratio, excluding the adverse EIR adjustment

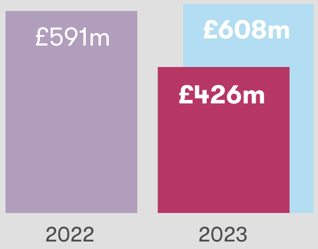
Loan loss ratio



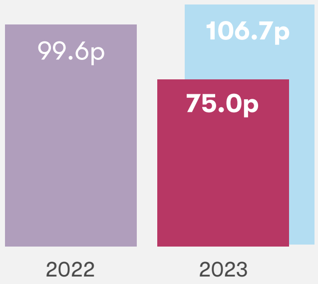
Return on equity



Profit before tax



Basic EPS (pence per share)



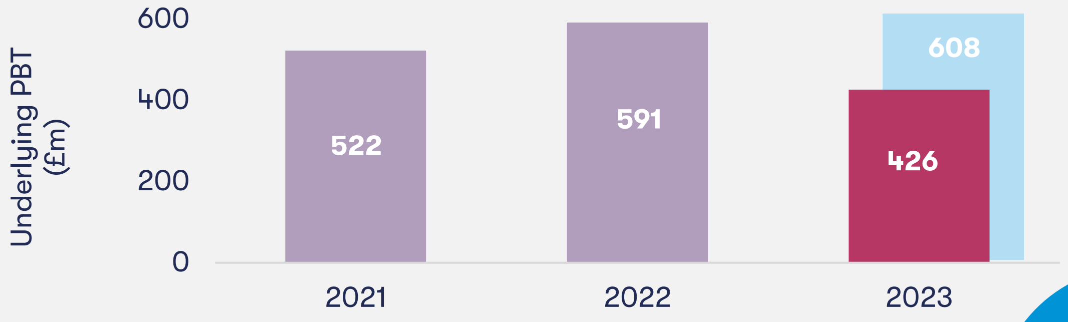
Group underlying 2023

Group underlying 2022

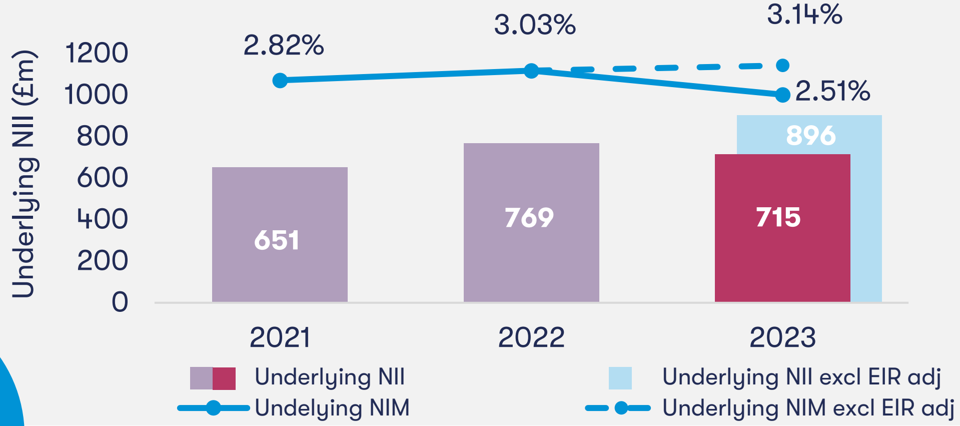
Group underlying 2023 excluding the adverse EIR adjustment

Attractive underlying fundamentals

1. Profit before tax

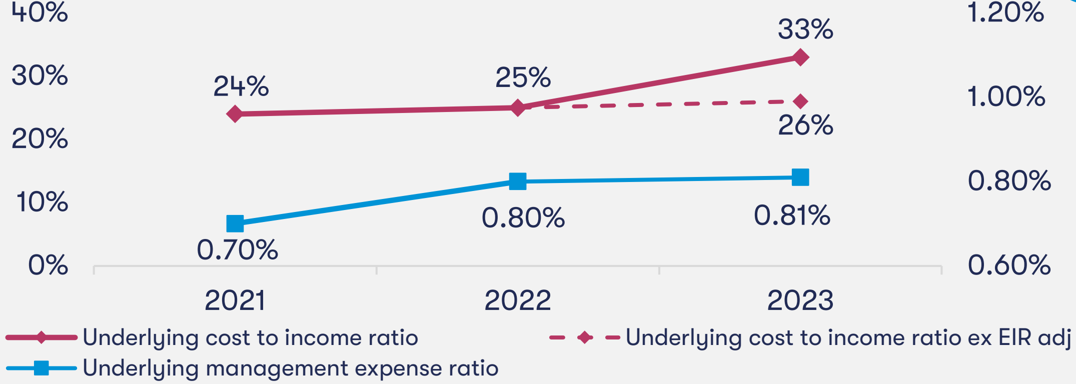


2. NII and NIM

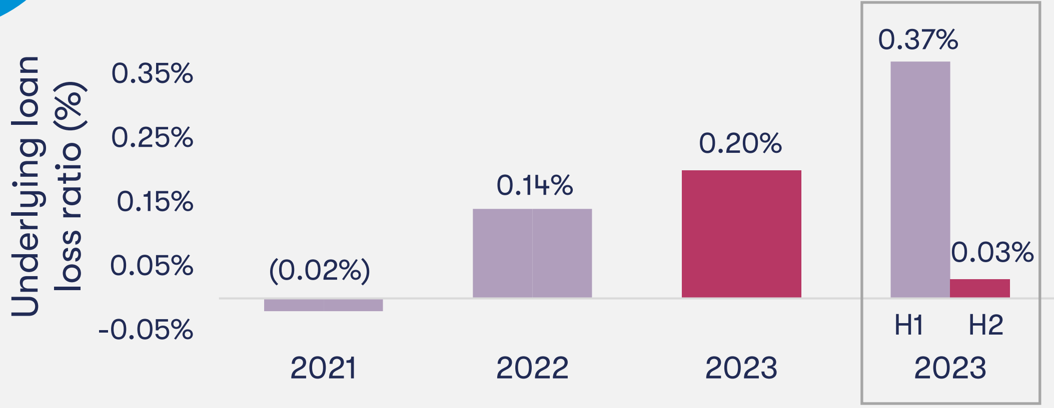


2023 underlying RoE of **16%, 22%** excl. EIR adj

3. Cost discipline and efficiency



4. Credit performance



Underlying results for 2023

	Underlying P&L[1]			
	2023 £m	**2022 £m**	**Change £m**	**Change %**
Net interest income	714.7	769.1	(54.4)	(7)
Net fair value (loss)/gain on financial instruments	(10.8)	48.5	(59.3)	<(100)
Other operating income	3.9	6.6	(2.7)	(41)
Total income	707.8	824.2	(116.4)	(14)
Administrative expenses	(232.9)	(204.0)	(28.9)	(14)
Provisions	(0.4)	1.6	(2.0)	<(100)
Impairment of financial assets	(48.5)	(30.7)	(17.8)	(58)
Profit before taxation	426.0	591.1	(165.1)	(28)
Profit after taxation	319.7	448.7	(129.0)	(29)
Basic EPS (pence per share)	75.0	99.6	(24.6)	(25)

- Underlying NII reduced by 7% as the benefit of net loan book growth was more than offset by the adverse EIR adjustment
- Fair value loss on financial instruments of £10.8m primarily due to fair value losses on mortgage pipeline swaps versus gains in the prior year
- Administrative expenses increased by 14% largely due to balance sheet growth and the anticipated impact of inflation and planned investment in people and operations
- Impairment charge of £48.5m reflecting modelled IFRS 9 stage migration and an increase in arrears over three months
- Underlying PBT decreased by 28%, reflecting the adverse EIR adjustment
- Underlying EPS reduced to 75.0 pence per share, in line with lower underlying profit after tax

1. For reconciliation of underlying PBT to statutory PBT, see the Appendix on slide 18

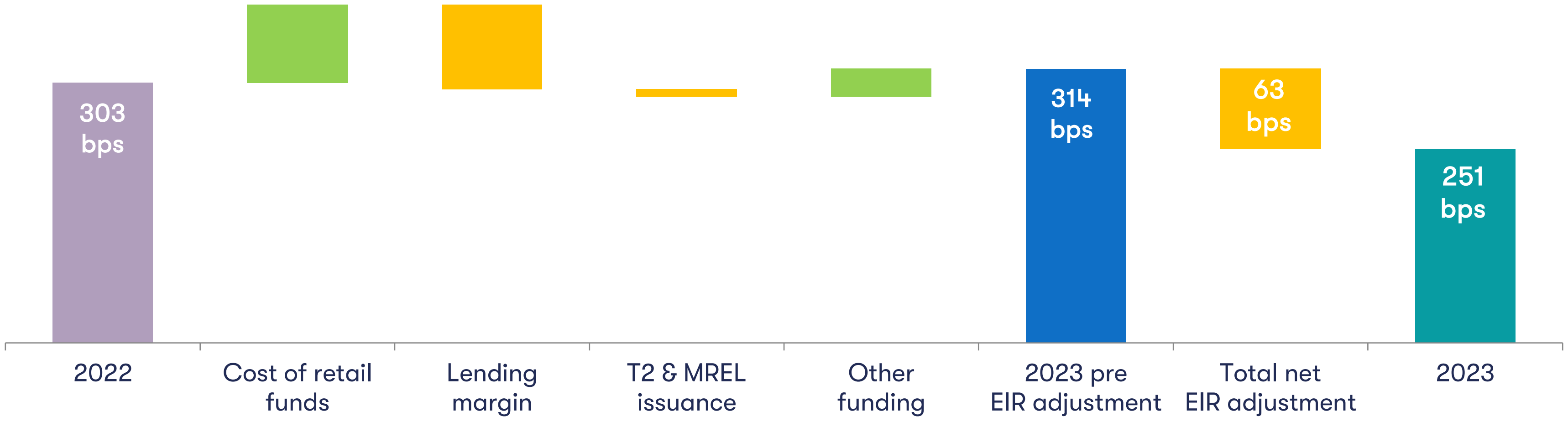
Strong, secure balance sheet

Lending	2023 £m	2022 £m	Change £m	Change %
Statutory net loans and advances to customers	**25,765**	23,613	2,152	9
Expected credit losses	**(146)**	(130)	(16)	(12)
Funding and liquidity				
Customer deposits	**22,127**	19,756	2,371	12
Debt securities in issue	**819**	266	553	>100
Term Funding for SMEs	**3,352**	4,232	(880)	(21)
Indexed Long-Term Repo	**10**	301	(291)	(97)
Liquid assets	**3,436**	3,779	(343)	(9)

	Group		OSB		CCFS	
	2023	2022	2023	2022	2023	2022
3 months + in arrears (%)	**1.4**	**1.1**	**1.6**	**1.2**	**1.2**	**0.9**
Interest coverage ratios (BTL origination) (%)			**176**	**207**	**154**	**191**
Average book LTV (%):	**64**	**60**				
- Buy-to-Let			**67**	**63**	**68**	**66**
- Residential			**48**	**45**	**59**	**57**

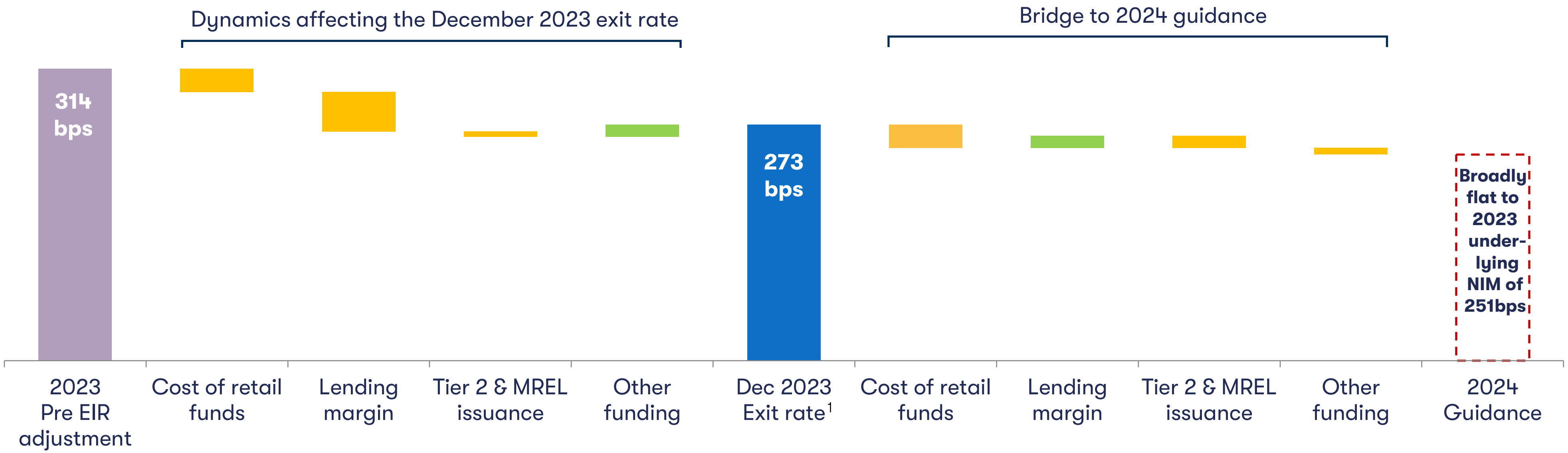
- Statutory and underlying net loan book growth of 9% supported by strong organic originations of £4.7bn and improved retention
- Credit performance remained robust with Group's balances over three months in arrears at 1.4% (2022: 1.1%) largely driven by the elevated costs of living and borrowing
- The weighted average book LTVs increased to 64% due to negative house price inflation (2022: 60%) with LTV of new business written by the Group reducing to 68% (2022: 71%)

2023 NIM Waterfall



- Underlying NIM excluding the EIR adjustment increased by 11bps to 314bps
  - *Cost of retail funds* - there were delays in the market passing base rate rises on to savers in full and the cost of new retail funding also benefitted from widening swap spreads
  - *Lending margin* - there were also delays in mortgage pricing fully reflecting the rate rises and higher swap costs
  - *Tier 2 and MREL issuance* - the cost of MREL qualifying debt issuance during the year included £250m of Tier 2 debt in April and £300m of senior debt in September
  - *Other funding* - primarily related to the benefit of equity funding in a higher rate environment
- The impact of the EIR adjustment was 63bps resulting in an underlying NIM of 251bps for 2023

NIM Outlook



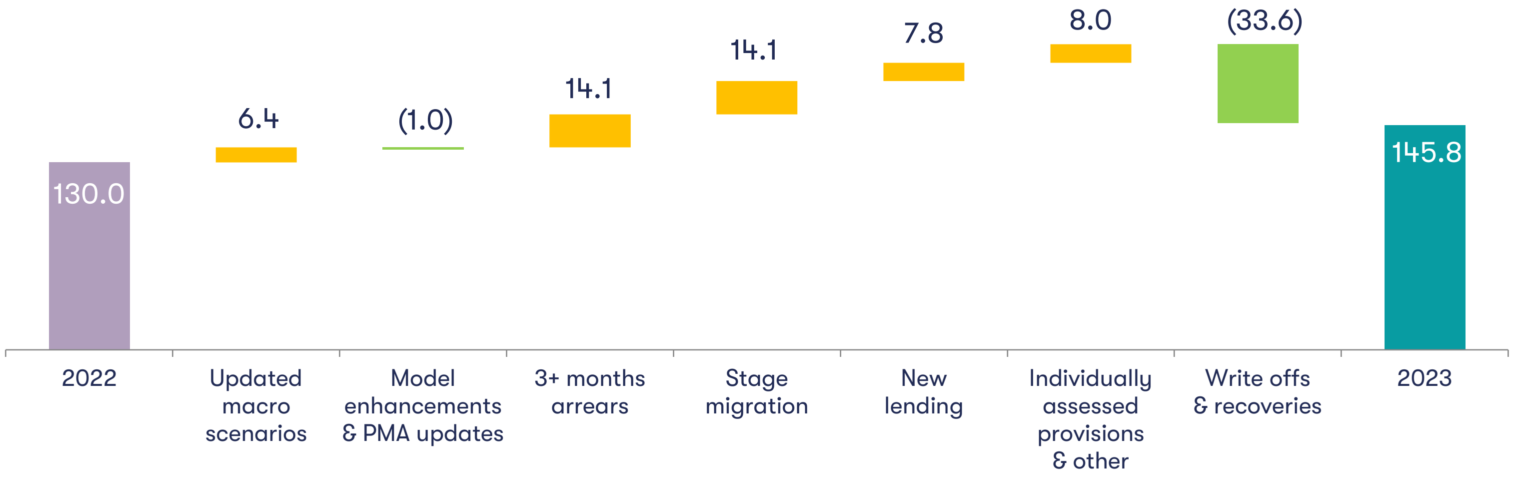
- The exit rate for NIM in December 2023 of 273bps was 41bps lower than the full year NIM, excluding the EIR adjustment, of 314bp reflecting:
  - *Cost of retail funds* - deposit spreads normalised in the second half, increasing the cost of new deposits and also of retention, as the fixed back book started to recycle onto higher prevailing spreads
  - *Lending margin* – continued delays in the market passing base rate rises and higher swap costs on to mortgage pricing
  - *Tier 2 and MREL issuance* – cost of issuance during the year
  - *Other funding* - included the benefit of equity funding in a higher rate environment and lower liquidity levels in December after TFSME paydowns

- The 2024 underlying NIM is expected to be lower than the December exit rate reflecting:
  - *Cost of retail funds* - continued impact of the fixed deposit book recycling on to higher prevailing rates, which is expected to be largely complete in 2024
  - *Lending margin* - new lending and retention margins are expected to be accretive to NIM in 2024 based on current pricing, swap spreads and planned mix of business
  - *Tier 2 and MREL issuance* - including the full year impact of 2023 issuance
  - *Other funding* - includes the impact of wholesale funding issuance to help support repayment of TFSME
- Underlying NIM for 2024 is therefore expected to be broadly flat to the 2023 underlying NIM of 251bps

1. December 2023 annualised

Impairment provisions

Expected credit losses £m

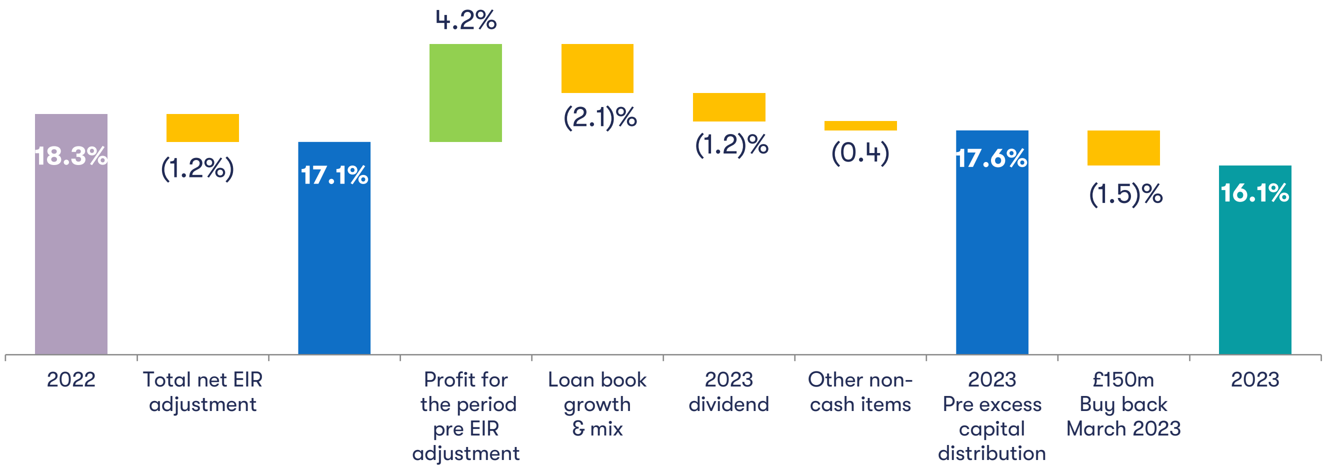


As at 31 December 2023	Gross carrying amount (£m)	Expected credit losses (£m)	Coverage ratio %
Stage 1	**20,576.8**	**22.4**	0.11%
Stage 2	**4,537.9**	**54.3**	1.20%
Stage 3 + POCI	**782.4**	**69.1**	8.83%
Total	**25,897.1**	**145.8**	**0.56%**
As at 31 December 2022			
Stage 1	18,722.3	7.2	0.04%
Stage 2	4,417.1	50.9	1.15%
Stage 3 + POCI	588.7	71.9	12.21%
Total	**23,728.1**	**130.0**	**0.55%**

- The statutory expected credit loss provision increased by £15.8m. The main components of this change were:
  - £6.4m charge for the updated forward-looking macroeconomic scenarios used in the Group's IFRS 9 models
  - enhancements to models and post-model adjustments resulted in a net release of £1.0m
  - £14.1m charge related to the accounts with arrears of three months or more
  - £14.1m charge due to stage migration of borrowers as they transitioned through modelled IFRS 9 impairment stages
  - £7.8m increase in Stage 1 balances due to new lending
  - £8.0m charge related to individually assessed accounts and other items
- The Group's ECL provision was reduced by write-offs of £33.6m of specific provisions that were previously expensed to the P&L when the provisions were raised
- See the Appendix for the macroeconomic scenarios

Strong capital base

CET1 ratio



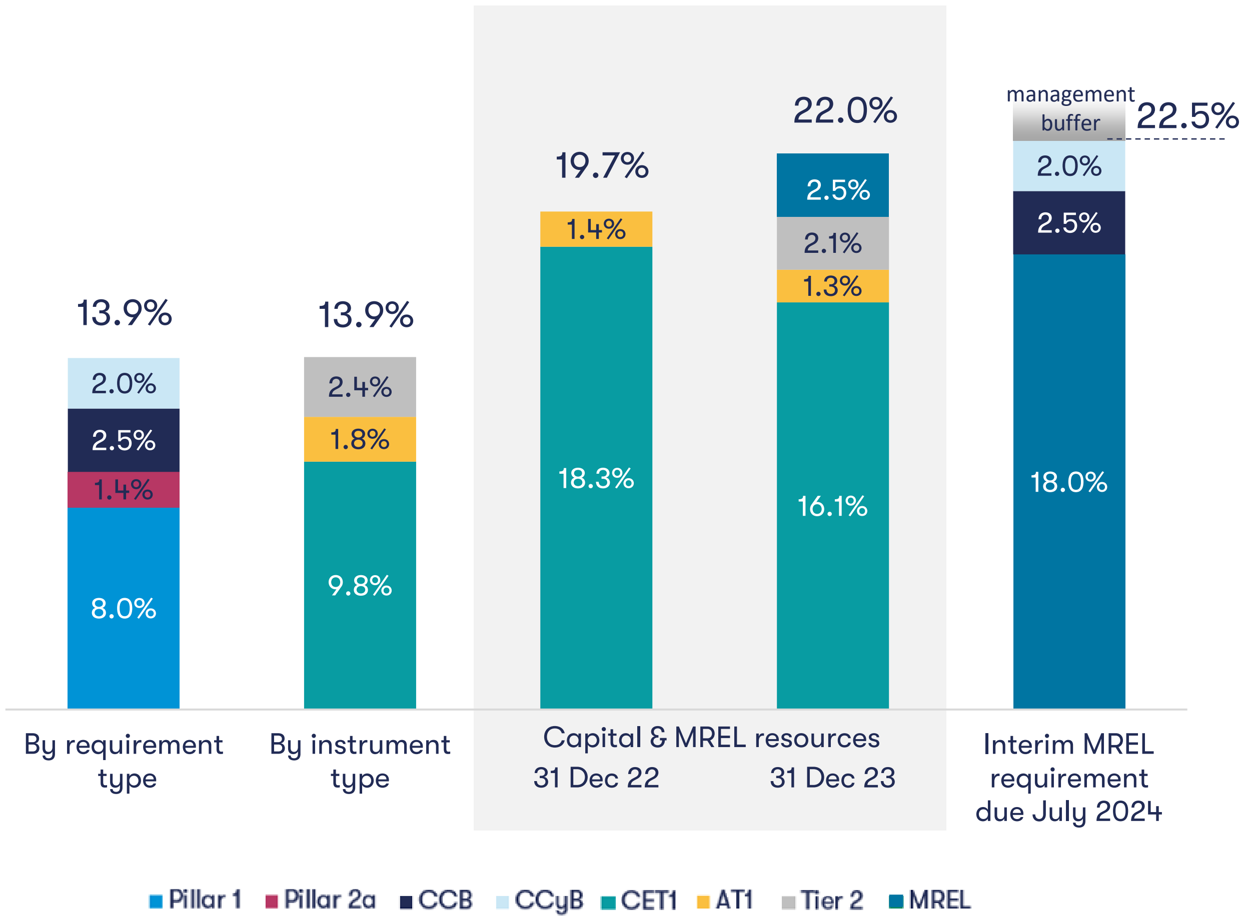
Capital	2023	2022	Change
Risk weighted assets (RWAs) £m	**11,846**	10,495	**13%**
RWAs as % of total assets	**40**	38	**2pt**
Common equity tier 1 ratio %	**16.1**	18.3	**(220)bps**
Total capital ratio %	**19.5**	19.7	**(20)bps**
Leverage ratio %	**7.5**	8.4	**(90)bps**

The Group’s strategy and proven capital generation capability can support both strong net loan book growth and further capital returns to shareholders, supported by planned MREL issuance

- 9% net loan book growth in 2023
- Progressive total ordinary dividend per share of 32.0 pence (2022: 30.5 pence) reflected a 29% payout ratio of underlying profit, excluding the EIR adjustment
- CET1 ratio remained strong at 16.1% and included the impact of the £150m share repurchase programme completed in the year and the adverse EIR adjustment
- The Board has announced a new £50m share buyback over the next six months to commence on 15 March 2024. The Board will consider the potential for further capital returns later in the year, (subject to regulatory approval) and subject to further MREL issuance to support growth opportunities and the final Basel 3.1 requirements once published
- The Group continues to target a CET1 ratio of 14%, but expects to operate above this target as we wait for clarity on the final Basel 3.1 rules expected to be published in Q2 2024

Components of Group capital

Capital resources and requirements as a percentage of RWAs[1]



- The Pillar 2a requirement of 1.4% of RWAs includes a static integration add-on of £19.5m
- Current minimum capital requirement of 9.4% (Pillar 1 and Pillar 2a)
- Optimal mix of instrument type to meet minimum capital requirement includes CET1, AT1 and Tier 2
- Current capital ratio includes c.0.3% of transitional adjustments which will amortise over time[2]
- In addition, Board and management buffers are maintained above regulatory minimum to support planned growth in-between profit verifications
- The Group is currently well in excess of minimum regulatory capital requirements plus regulatory buffers
- Full bail-in MREL requirement from July 2026 with interim requirement of 18% of RWAs by July 2024. Standard regulatory buffers of 4.5% must be held above MREL requirements
- Successfully issued £250m of Tier 2 debt in April and £300m of senior debt in September. The Group met its interim MREL requirement, including regulatory buffers, in January 2024 following a further £400m issuance of senior debt.
- The Group expects to issue further MREL qualifying debt securities over the next two years to meet the future requirements from the impact Basel 3.1, balance sheet growth and end state MREL

1. May not cast due to rounding
2. Transitional adjustments relate to FV uplift on CCFS' net assets, COVID-19 transitional adjustments relating to the ECLs and other IFRS 9 add backs

Our award-winning lending franchises

Leading mortgage distribution

- The Group's lending brands distribute mortgages through our deep relationships with more than 30,000 experienced mortgage intermediaries, supported by our award-winning business development team and direct access to our expert underwriters
- New OSB portal gives access to an unrivalled range of award-winning brands and propositions, enabling intermediaries to meet the needs of more customers than other specialist lenders

Leaders in professional Buy-to-Let

- Our target professional, multi-property landlords continue to be the dominant force in developing the Private Rented Sector, supporting individuals and families with more than 4 million homes
- Our Landlord Leaders community was set up to help ensure a fair sector for all, protecting the rights and interests of landlords and tenants
- Our popularity as a lender has grown with our share of mortgage flow in UK Buy-to-Let during 2023 increasing to 8.9%, and 6.2% of overall lending, and we continue to identify new opportunities for the Group

Strong weighted average interest coverage ratios: OSB:176% CCFS:154%

Professional landlords accounted for 91% of OSB BTL completions by value in 2023 (2022: 86%)

Specialist residential

- Strong demand from our target self-employed individuals and those with minor adverse credit records saw the Precise residential loan book grow by 13% in 2023
- Shared-ownership in conjunction with a housing association remains an area of focus in our Kent Reliance brand, supporting key workers

Borrowers continue to choose new products through the Group's retention schemes

OSB: 78% CCFS: 66% choosing a new product within 3 months

Commercial expertise

- The Group has renewed focus on lending to smaller commercial property through the InterBay brand which led to originations of £406m, a 46% increase from 2022
- We have grown our InterBay Asset Finance business, financing business critical assets by 36% and bridging finance doubled to £437m as refurbishment and property conversions were popular

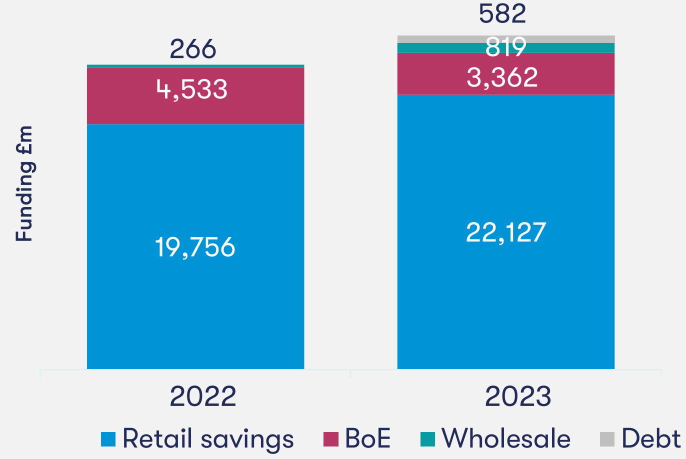
Net loan book up **9%** for 2023, **10%** excl. EIR

Sophisticated funding platform

The Group remains predominantly retail funded with £22.1bn of retail deposits, up 12% in 2023

	Attract	Retain	Satisfy
	Continue to attract new savings customers New savings accounts opened in 2023:	Retained a very high percentage of customers with maturing fixed rate bonds and ISAs:	High quality of customer service - with strong NPS:
KentReliance	c.70k	91%	+71
Charter Savings Bank	c.140k	85%	+62
	Best fixed rate savings provider	Best overall savings provider	ISA provider of the year

Retail savings complemented by increasingly diversified funding sources:



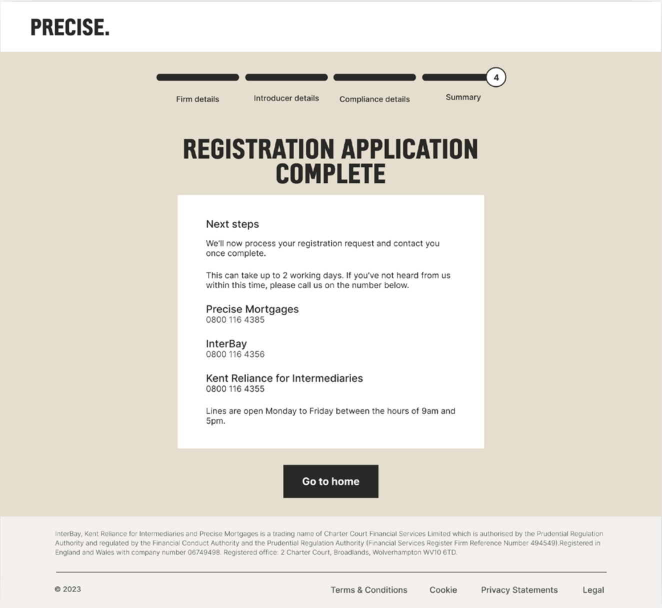
- Drawings under the Term Funding Scheme for SMEs (TFSME) reduced to £3.3bn following a repayment of £900m
- Completed CMF 2023-1 in June, a £330m transaction of prime residential mortgages
- A further transaction under the PMF programme was completed in February 2024, securitising £509m of Buy-to-Let mortgages. An exceptional level of demand from our growing investor base allowed us to achieve very attractive pricing

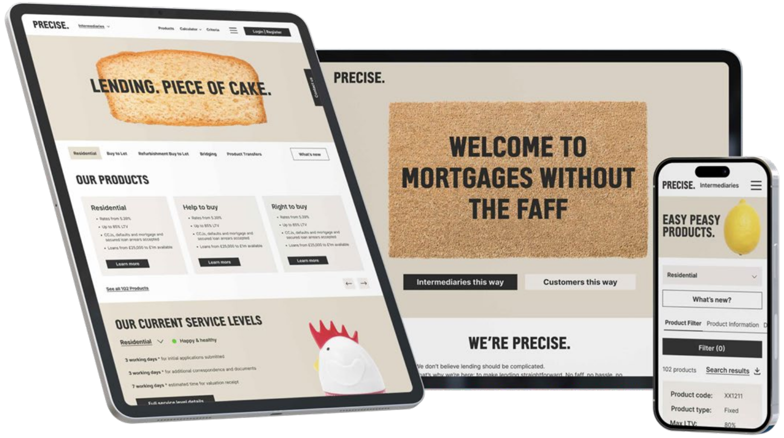
Investing in our future

The Group is recognised for its efficiency and excellent customer service and throughout 2023 we continued to invest to remain agile and nimble. We made good progress on our digitalisation journey which will enable us to meet the future needs of our customers, brokers and wider stakeholders, whilst delivering further operational efficiencies. This investment will be a key focus going forward as we deliver digital solutions to enhance our customer propositions.

Digitisation investment in 2023 has already delivered in early 2024

An online broker registration process which enables an intermediary to register for business once for Precise, Kent Reliance for Intermediaries and InterBay therefore being 'business ready' across the Group in a single step

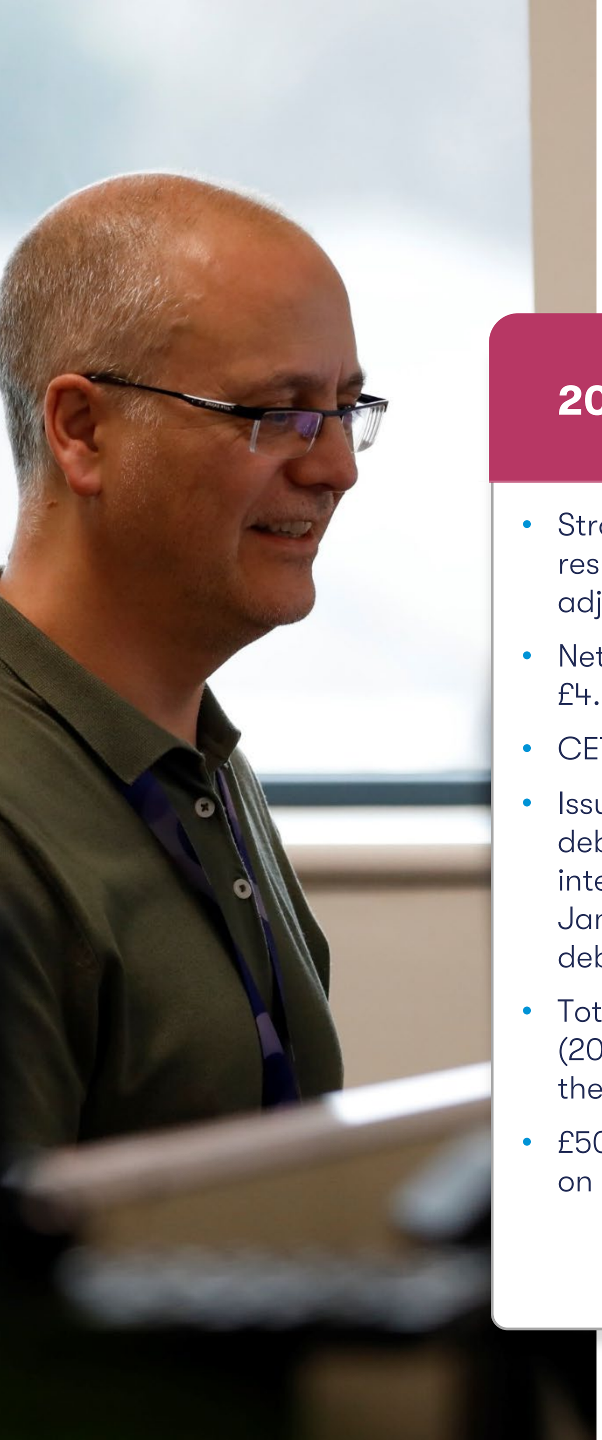




An advanced digital front end to Precise which has new API functionality, whilst stripping back what's unnecessary, to deliver on the Precise promise of 'creating precisely the right products at precisely the right time'

In the first half of 2024, the Group will also launch an app for intermediaries using the Precise brand, enabling intermediaries to work with, and get updates from, Precise whether on the move or at home

OSB Group has always been a market leader in cost-efficient delivery and our investment in technology will allow us to maintain this reputation whilst also removing friction from our customers' experiences and enabling a deeper more personal relationship to be built through our focus on their specialist needs



Summary and outlook

Our key messages from today

2023 performance

- Strong operational performance, however our financial results were significantly impacted by the adverse EIR adjustment
- Net loan book growth of 9% for the year supported by £4.7bn of organic originations
- CET1 ratio of 16.1% remained strong
- Issued £250m of Tier 2 debt in April and £300m of senior debt in September, both MREL qualifying. The Group met its interim MREL requirement, including regulatory buffers, in January 2024 following a further £400m issuance of senior debt
- Total progressive ordinary dividend per share of 32.0 pence (2022: 30.5 pence) reflects a 29% payout ratio, excluding the adverse EIR adjustment
- £50m share buyback over the next six months to commence on 15 March 2024

Outlook

- Our specialist market sub-segments are performing well and the Group's target professional landlords continue to demonstrate resilience and provide much needed homes
- Based on current application volumes and against the backdrop of the subdued mortgage market, the Group expects to deliver underlying net loan book growth of c.5% for 2024
- The underlying net interest margin is expected to be broadly flat to the 2023 underlying NIM of 251bps, reflecting the impact of a higher cost of funds and the full year impact of some lower margin lending in 2023, due primarily to delays in mortgage pricing reflecting the rate rises and higher swap costs. The cost of funding is expected to increase in 2024, primarily due to the normalisation of retail deposit spreads, the impact of planned TFSME repayment and the cost of MREL qualifying debt issuance
- We will maintain our cost discipline and efficiency however the underlying cost to income ratio is expected to be broadly flat to the 2023 underlying ratio of 33%, commensurate with the NIM guidance

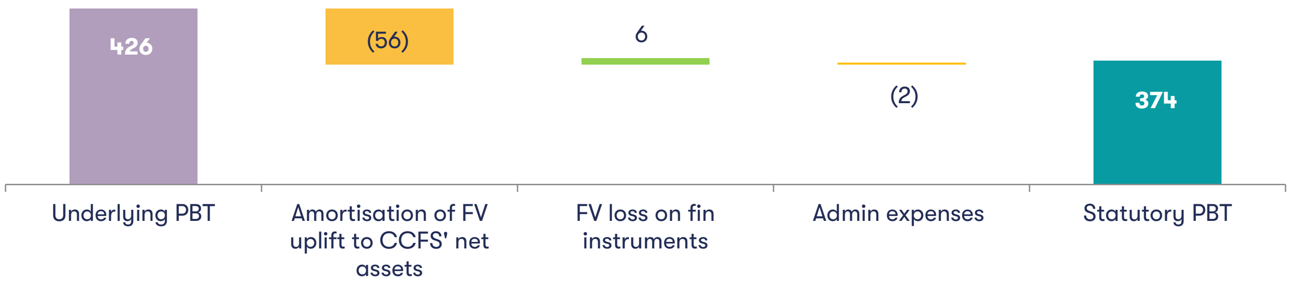
Appendices

14 March 2024

Strong statutory results

	Statutory P&L			
	2023 £m	2022 £m	Change £m	Change %
Net interest income	658.6	709.9	(51.3)	(7)
Net fair value (loss)/gain on financial instruments	(4.4)	58.9	(63.3)	<(100)
Other operating income	3.9	6.6	(2.7)	(41)
Total income	**658.1**	**775.4**	**(117.3)**	**(15)**
Administrative expenses	(234.6)	(207.8)	(26.8)	(13)
Provisions	(0.4)	1.6	(2.0)	<(100)
Impairment of financial assets	(48.8)	(29.8)	(19.0)	(64)
Integration costs	-	(7.9)	7.9	>100
Profit before tax	**374.3**	**531.5**	**(157.2)**	**(30)**
Profit after tax	**282.6**	**410.0**	**(127.4)**	**(31)**
Basic EPS (pence per share)	66.1	90.8	(24.7)	(27)

Reconciliation of underlying to statutory PBT £m



- Net interest income reduced by 7% to £658.6m as the benefit of net loan book growth was more than offset by the adverse EIR adjustment
- Fair value loss on financial instruments of £4.4m included losses on mortgage pipeline swaps versus gains in the prior year
- Impairment charge of £48.8m reflecting modelled IFRS 9 stage migration and an increase in arrears over three months
- Statutory PBT decreased by 30% to £374.3m primarily due to the adverse EIR adjustment
- Statutory basic EPS was 66.1 pence per share in line with the decrease in profit after tax

Who we are and what we do

Specialist lending business

Underlying net loans to customers

2023: **£25.7bn** (2022: £23.5bn)

Loan book growth of **9%** for 2023

- Differentiated brand propositions
- Complementary bespoke and experience-based manual underwriting platforms with automated digital risk assessment
- Strong mortgage origination
- Strong relationships with intermediaries

Sophisticated funding platform

Underlying retail deposits

2023: **£22.1bn** (2022: £19.8bn)

23 securitisations to date across the Group worth **£11.4bn**

- Stable savings funding via Kent Reliance and Charter Savings Bank
- Capital markets expertise with high quality residential mortgage-backed securities (RMBS) platforms
- Resilient and diversified funding platforms to support future growth
- Access to Bank of England TFSME scheme

Unique operating model

Underlying cost to income ratio

2023: **33%** (2022: 25%)

Savings customers NPS
+71 for KR **+62** for CSB

- OSB India: Best-in-class customer service
- Credit expertise and mortgage administration service
- Continued, disciplined cost management
- Efficient, scalable and resilient infrastructure

Leading complementary brand propositions

'Off the peg'

PRECISE.

Gross underlying loan book

2023: **£11.4bn**

2022: £10.4bn

If the case fits the policy then we will issue a speedy agreement in principle

Buy-To-Let Residential Bridging

'Tailored'

KentReliance for Intermediaries

Gross loan book

2023: **£13.1bn**

2022: £12.1bn

Experience-based manual underwriting allows us to assess more complex and larger mortgage requirements

Buy-To-Let Residential

'Bespoke'

InterBay Heritable Development Finance

Gross loan book

2023: **£1.4bn**

2022: £1.2bn

Unique to each customer, we structure the deal to the specifics of an application

Commercial Semi-commercial

Complex Buy-to-Let Funding lines Asset finance

Residential developmental finance

Impact of the rapidly changing interest rates on customer behaviour and EIR accounting

Average difference between fixed and reversion rates at the end of the initial fixed rate term for Precise Mortgages and Kent Reliance borrowers - 5 year fixed Buy-to-Let products

- Precise Mortgages (Precise) fixed rate products were designed to revert to a rate which was similar to the initial fixed and open market rates. In contrast, the Kent Reliance brand has historically had a higher reversion rate, resulting in a significant rate step-up in reversion versus both the fixed and open market rates
- The rapid increase in BBR and fluctuating interest rate expectations led to a step-change in behavioural trends for Precise customers in the first half of 2023, in particular the attrition rate of borrowers who stayed on the reversion rate for several months
- The step-change in customer behavioural trends, observed over the course of the first half of 2023, led to a decrease in the weighted average number of months that Precise borrowers who reach the end of their fixed term were expected to spend on the reversion rate before refinancing from c.17 months to c.5 months. The weighted average number of c.5 months remained unchanged as at 31 December 2023.
- The reduction in the expected time spent on reversion by Precise customers, resulted in an adverse underlying EIR adjustment to the carrying value of Loans and Advances to Customers through Net Interest Income of £182.5m in 2023, of which £178.0m was recognised in the first half.
- The sensitivity to the period spent on the reversion rate for Precise customers of +/- 3 months is +/-c.£77m to underlying NII (statutory +/-c.£82m). This sensitivity will increase/decrease as BBR rises/falls

Sustainability

2023 was a year of progress as we embedded the ESG principles and embraced our commitment to building a sustainable future for our customers, colleagues and communities

Our approach to Sustainability is built on three strategic pillars that enable us to advance on our Purpose and our ESG commitments

What we achieved in 2023

Just Transition

A fair and equitable transition to a low carbon economy

11%
reduction in energy consumption per sq.m

99%
of electricity from renewable sources

- Established science-based interim targets for financed emissions and direct operations
- Prepared the Group's first Climate Transition Plan

People

Delivering on the needs of people now and into the future

33%
women in senior management

2,459
Group colleagues

- Provided cost of living support of £1,200 to all UK employees beneath senior management
- Upgraded all policies relating to family benefits
- 60th of top 100 companies in Best Companies Survey, OSB India a 'Great Place to Work' for 7th consecutive year

Stewardship

Acting responsibly to deliver sustainable value

over £288k
Group sponsorships and donations

4,967
volunteering hours undertaken

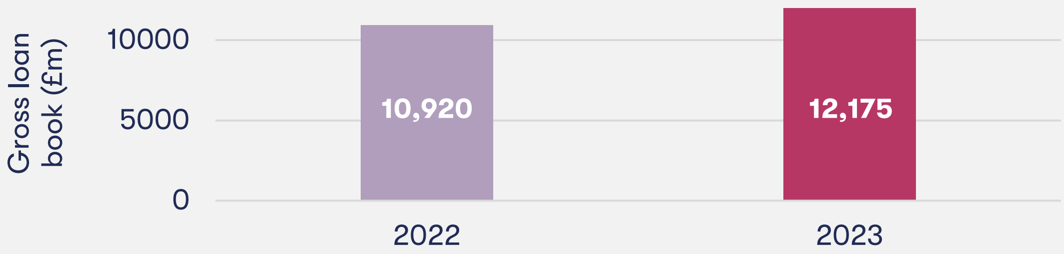
- Implemented the FCA's Consumer Duty regulation
- ESG performance linked to Executive and senior management remuneration
- Became signatory of the UN Global Compact

OSB segment results

BTL/SME

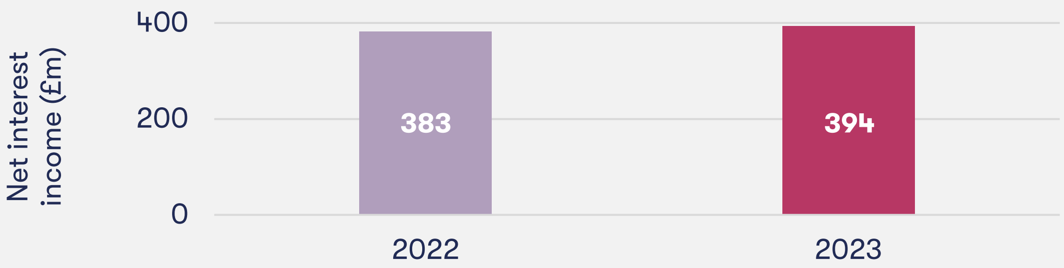
Average book LTV[1] increased to 67% with 4.0% of loans by value with LTVs exceeding 90% (2022: 63% and 3.2%, respectively). Average new origination LTV was 70% (2022: 73%).

1. Gross loan book



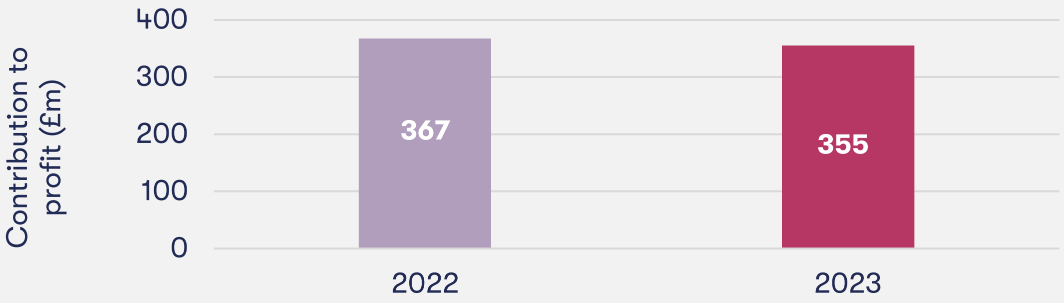
RWA as % of net loans — 49% — 51%

2. Net interest income

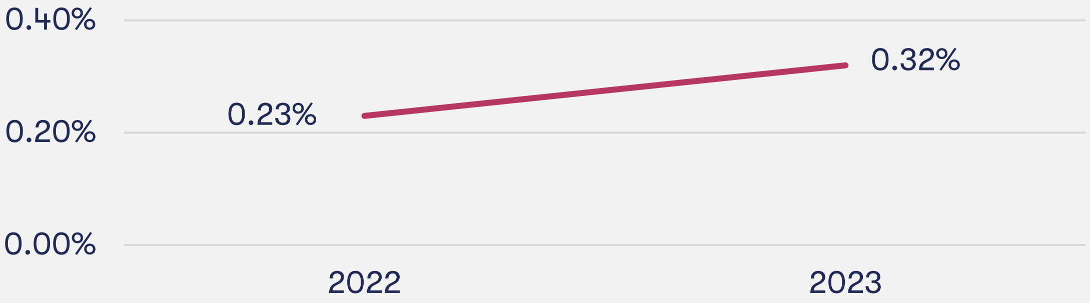


Gross asset yield — 4.8% — 5.5%

3. Contribution to profit[2]



4. Loan loss charge as a % of average gross loans



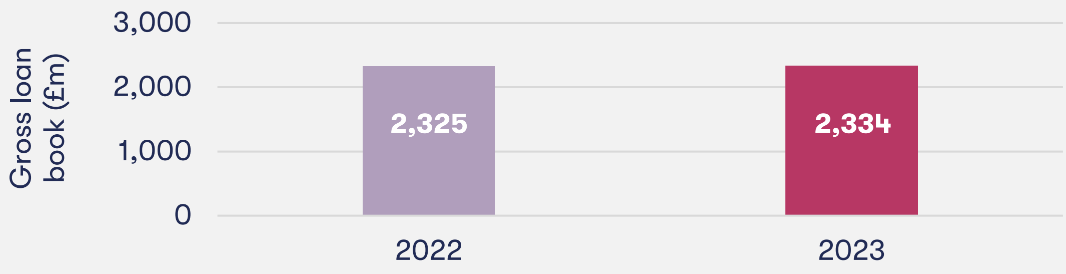
1. Buy-to-Let/SME sub-segment average weighted LTVs include Kent Reliance and InterBay Buy-to-Let, semi-commercial and commercial lending 2. Total income less impairment losses

OSB segment results

Residential

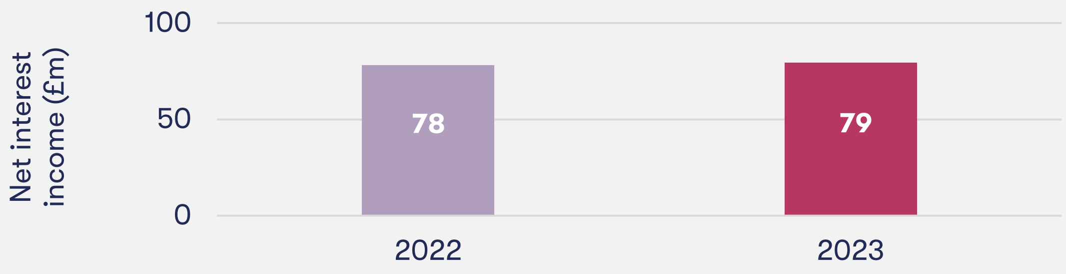
Average book LTV[1] increased to 48% with 2.2% of loans by value with LTVs exceeding 90% (2022: 45% and 0.8%, respectively).
Average origination LTV decreased to 62% (2022: 64%).

1. Gross loan book



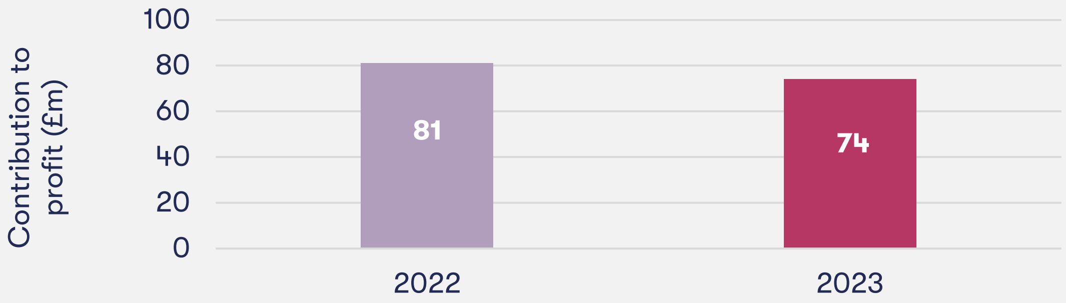
RWA as % of net loans — 45% — 46%

2. Net interest income

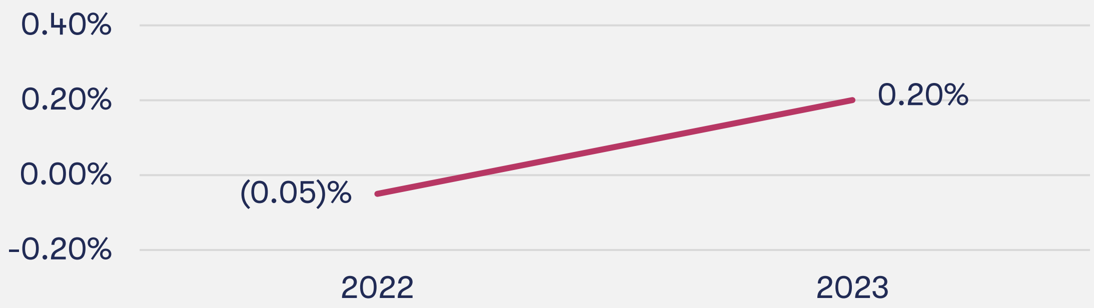


Gross asset yield — 4.9% — 5.9%

3. Contribution to profit[2]



4. Loan loss charge as a % of average gross loans

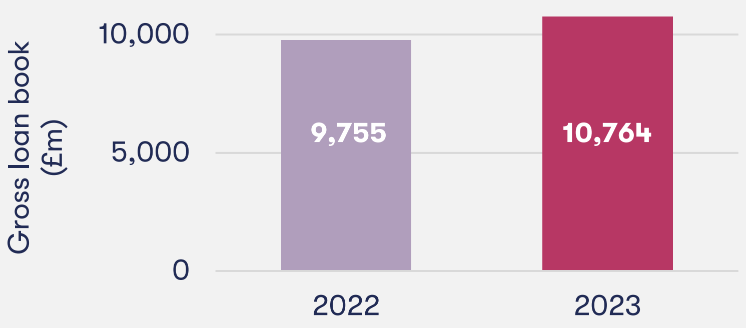


1. Residential sub-segment average weighted LTVs include first and second charge lending 2. Total income less impairment losses

OSB segment results

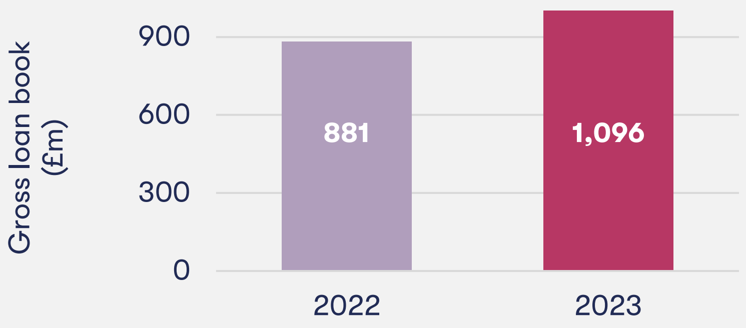
BTL/SME sub segments

1. Buy to let



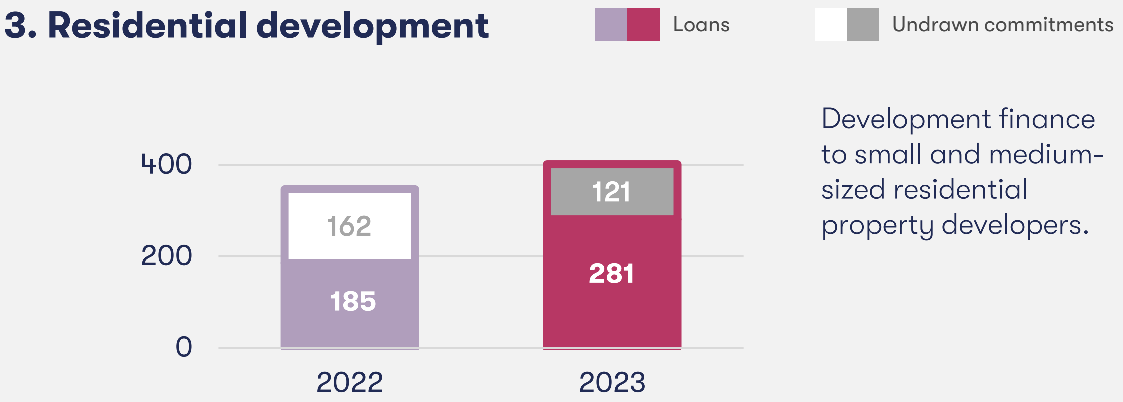
The weighted average interest coverage ratio (ICR) was 176% during 2023 (2022: 207%)

2. Semi-commercial/commercial



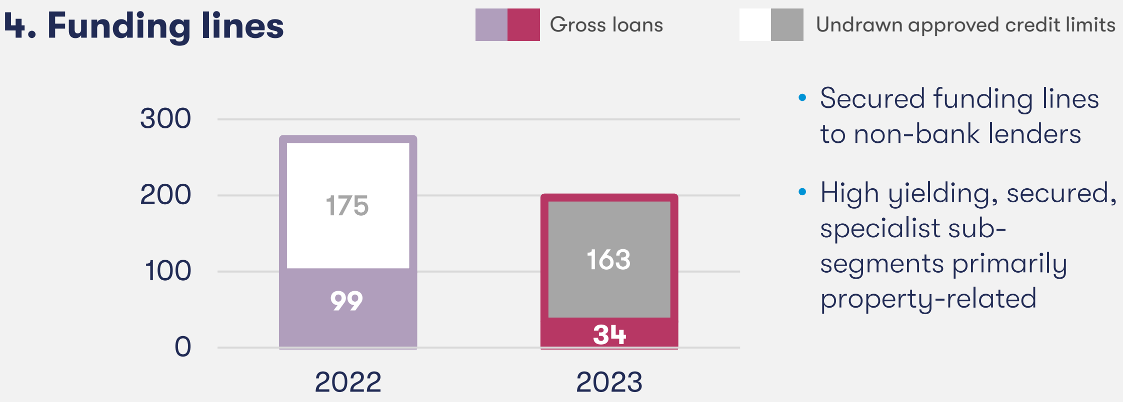
- Weighted average book LTV 73% (2022: 69%)
- Average loan size £410k (2022: £375k)

3. Residential development



Development finance to small and medium-sized residential property developers.

4. Funding lines



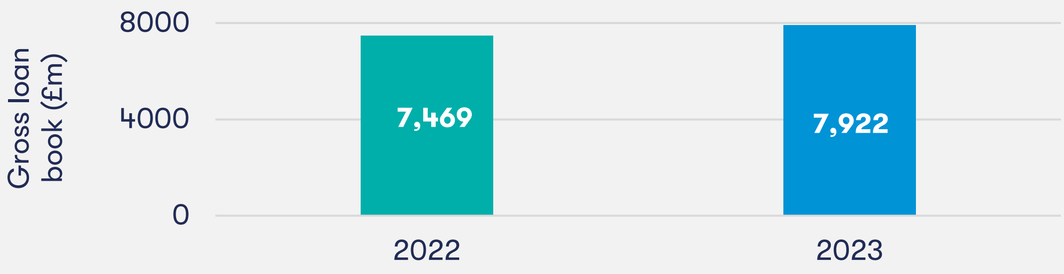
- Secured funding lines to non-bank lenders
- High yielding, secured, specialist sub-segments primarily property-related

CCFS segment results

BTL sub-segment

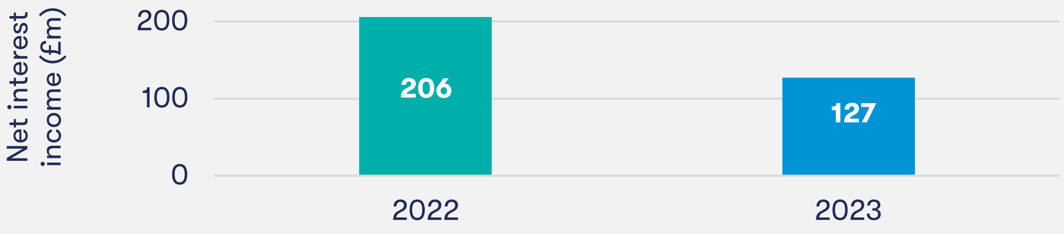
Average book LTV remained low at 68% (2022: 66%), average origination LTV was 71% (2022: 73%).
The weighted average interest coverage ratio (ICR) was 154% during 2023 (2022: 191%).

1. Gross loan book



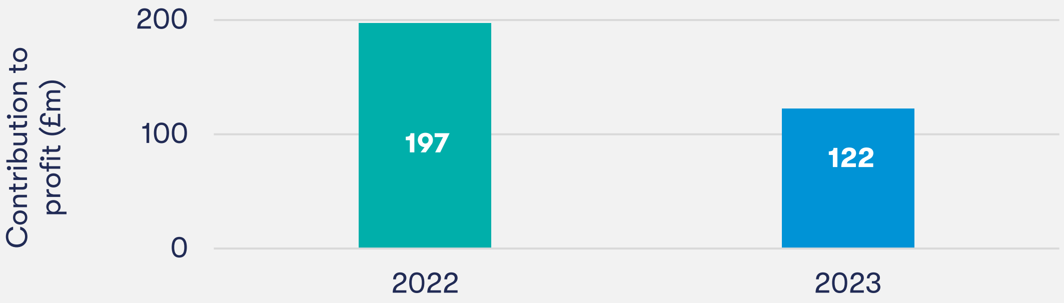
RWA as % of net loans — 39% — 40%

2. Net interest income

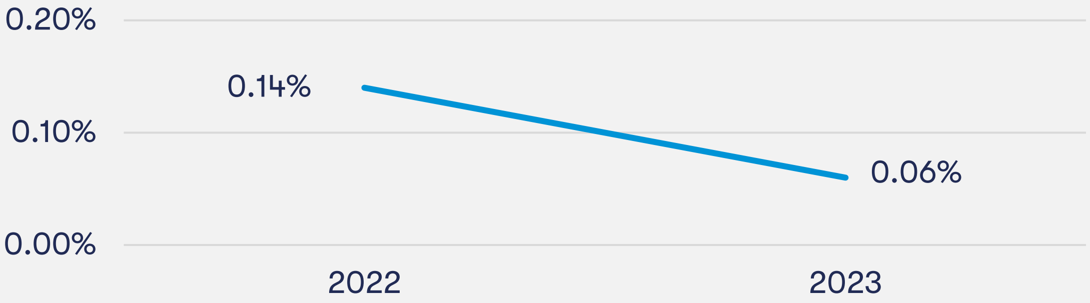


Gross asset yield — 4.0% — 3.6%

3. Contribution to profit[1]



4. Loan loss charge as a % of average gross loans



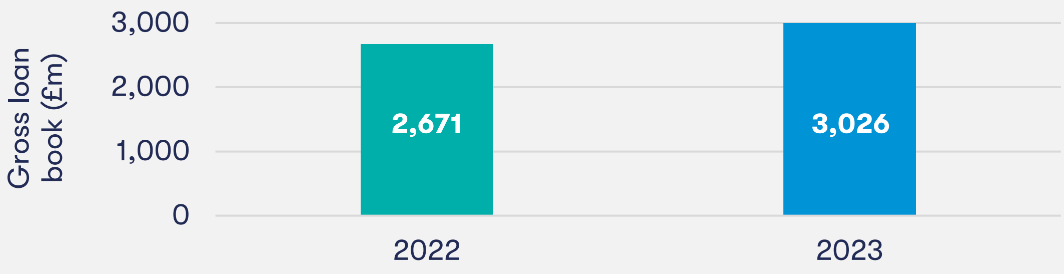
1. Total income less impairment losses

CCFS segment results

Residential sub-segment

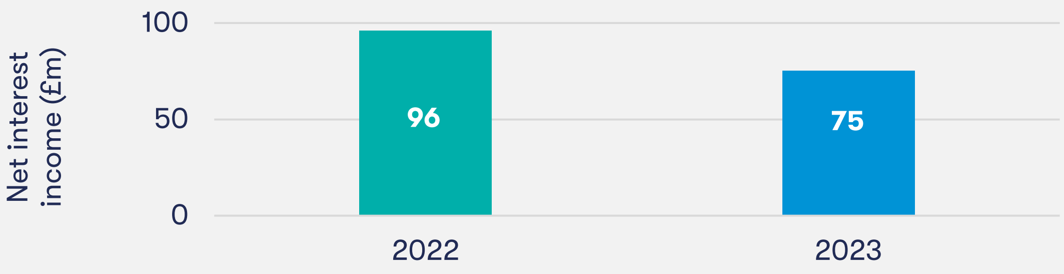
Average book LTV remained low at 59% (2022: 57%), average origination LTV reduced to 63% (2022: 66%).

1. Gross loan book



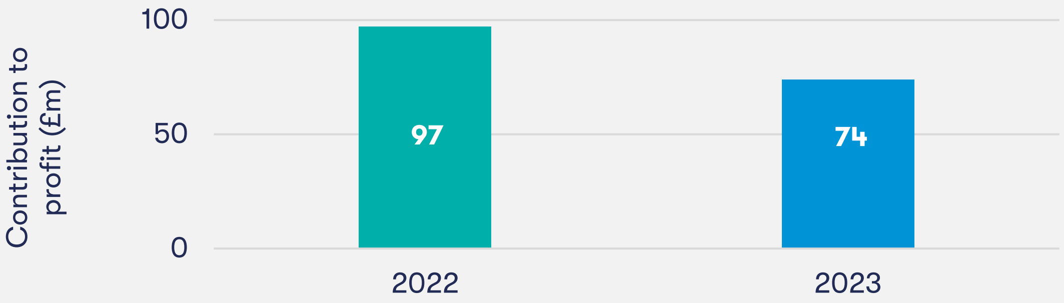
RWA as % of net loans	42%	42%

2. Net interest income

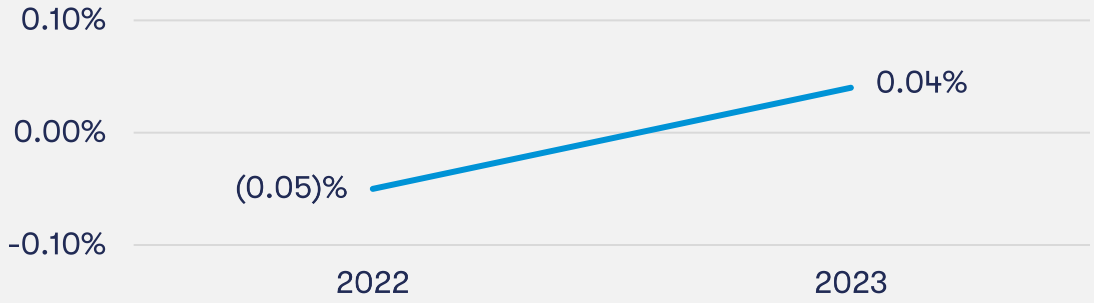


Gross asset yield	4.9%	4.7%

3. Contribution to profit[1]



4. Loan loss charge as a % of average gross loans



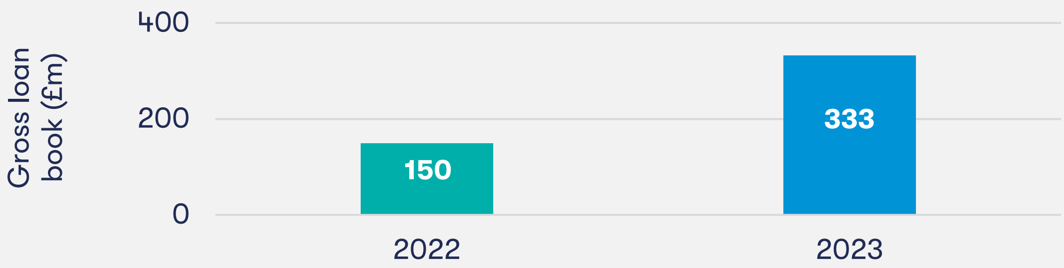
1. Total income less impairment losses

CCFS segment results

Bridging

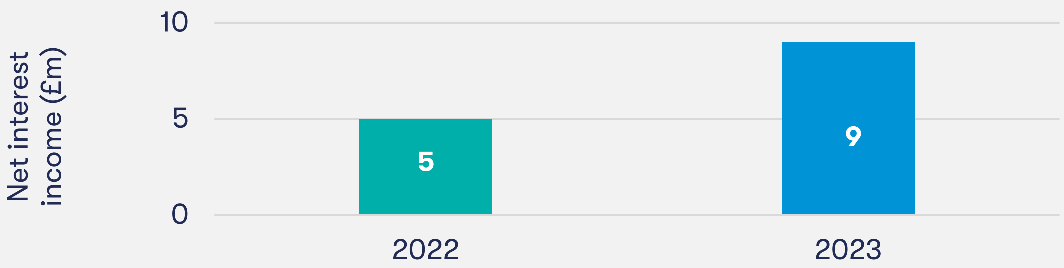
Short-term bridging originations increased to £437.2m (2022: £217.5m) as the Group continued to enhance and promote its bridging product offering throughout 2023.

1. Gross loan book



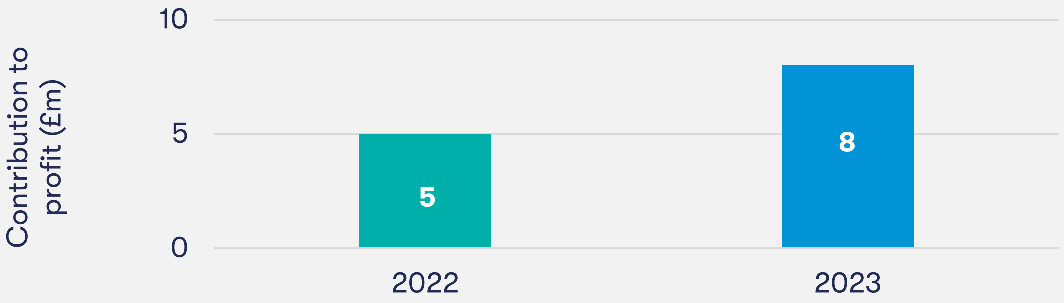
	2022	2023
RWA as % of net loans	48%	50%

2. Net interest income

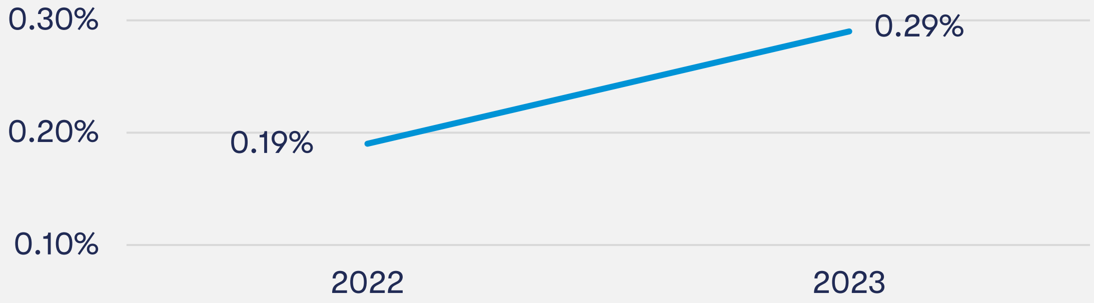


	2022	2023
Gross asset yield	6.4%	7.9%

3. Contribution to profit[1]



4. Loan loss charge as a % of average gross loans



1. Total income less impairment losses

Updated forward-looking macroeconomic scenarios

Forecast macroeconomic variables over a five-year period

Scenario	Probability weighting %	Economic measure	Scenario[1] %				
			Year end 2023	Year end 2024	Year end 2025	Year end 2026	Year end 2027
Base case	40	GDP	0.4	0.4	1.5	2.3	1.5
		Unemployment	4.4	4.6	4.2	3.9	3.8
		House price growth	(2.5)	(7.0)	(0.8)	5.7	7.0
		CPI	4.6	2.1	1.6	1.2	1.8
		Bank base rate	5.3	4.9	3.8	2.8	1.8
Upside	30	GDP	0.4	3.1	2.5	2.9	1.6
		Unemployment	4.4	4.2	3.9	3.8	3.7
		House price growth	(2.5)	(4.7)	1.3	7.1	6.8
		CPI	4.6	3.4	2.2	1.2	1.7
		Bank base rate	5.3	6.0	5.1	4.1	3.1
Downside	20	GDP	0.4	(3.2)	0.6	1.9	1.6
		Unemployment	4.4	6.3	7.0	7.0	6.7
		House price growth	(2.5)	(12.3)	(5.6)	3.4	7.3
		CPI	4.6	0.5	0.9	1.1	1.7
		Bank base rate	5.3	3.6	2.6	1.6	1.3
Severe downside	10	GDP	0.4	(6.3)	(0.3)	1.4	1.6
		Unemployment	4.4	6.7	7.5	7.6	7.3
		House price growth	(2.5)	(16.4)	(9.9)	1.1	7.7
		CPI	4.6	(0.1)	0.5	1.3	1.2
		Bank base rate	5.3	2.6	1.5	0.5	0.5

1. Scenarios show annual movement for GDP and house price growth and CPI and year end positions for unemployment and bank base rate.

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