PRIVATE AND CONFIDENTIAL

2019 preliminary results

19 March 2020

Presentation of results

On 4 October 2019, OneSavings Bank plc (OSB) combined with Charter Court Financial Services Group plc (CCFS), creating a leading specialist lender.

Presentation of results

Statutory results

Statutory results reflect 12 months of OSB's results and CCFS' results from 4 October to 31 December 2019. The comparative period results reflect 12 months of OSB results only.

Pro forma underlying results

Pro forma underlying results assume that the Combination occurred on 1 January 2018, and include 12 months of results from CCFS. They also exclude exceptional costs, integration costs and other acquisition-related items.

Segmental results presented on pro forma underlying basis

Segmental results in this presentation are presented on a pro forma underlying basis to provide a more consistent basis for comparing performance between financial periods.

Highlights - overview

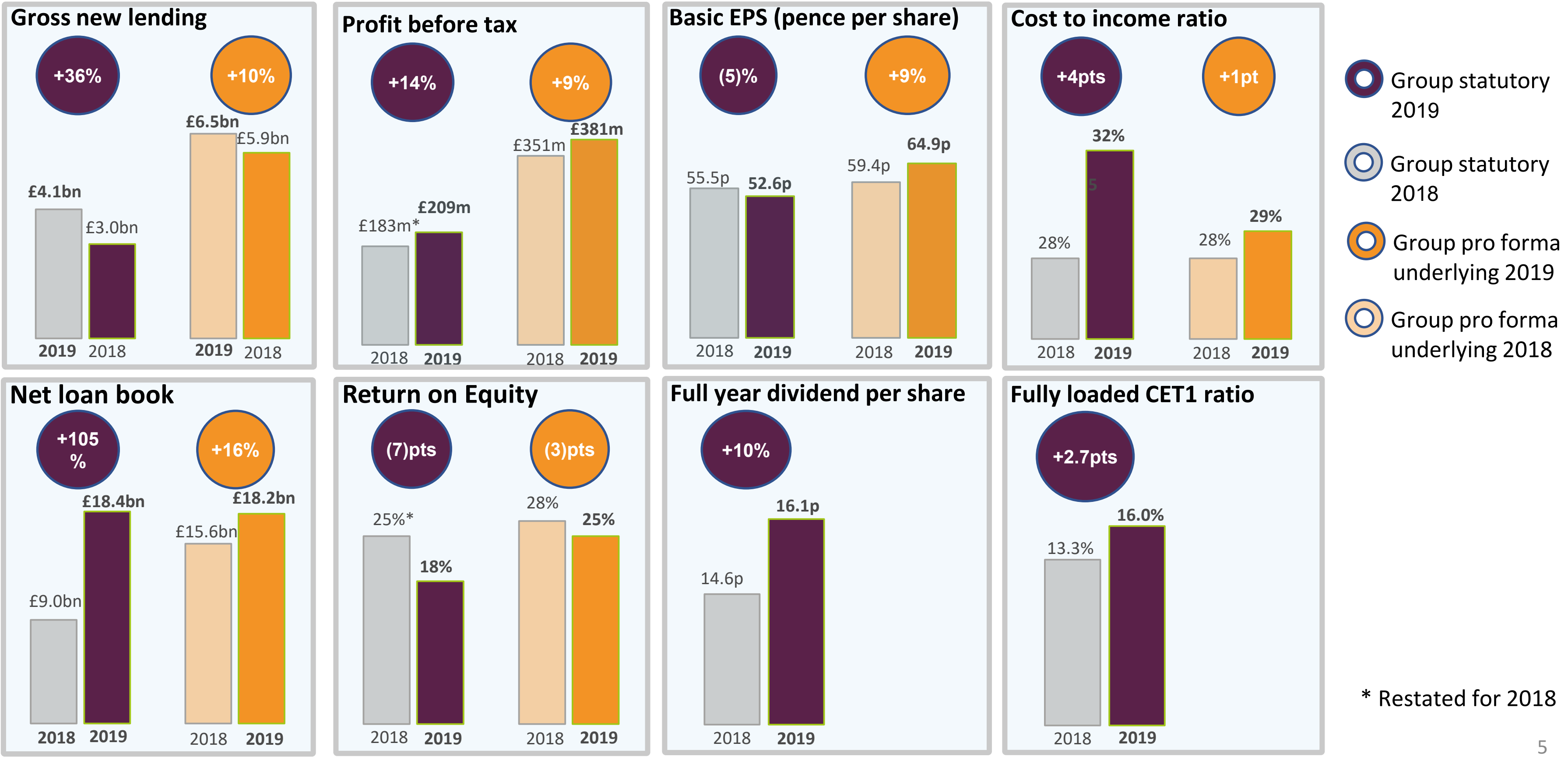
We have four key messages to deliver today:

2019 was another strong year	Both OSB and CCFS maintained momentum and delivered strong results as the transaction progressed during 2019. The Group's net loan book grew by 23% on a pro forma underlying basis, excluding the impact of structured asset sales and pro forma underlying RoE was 25%.
Successful Combination	Integration has progressed well to date: • We have brought the teams together and determined our senior leadership to manage and govern the Group going forward. • Employees are working well across the Group and our enhanced skill set has already been demonstrably deployed over our enlarged balance sheet. • We are confident that we have the right Board, senior management team and strategy in place to deliver our best for customers and shareholders in what is likely to be a volatile period.
Strong risk management	We take risk management extremely seriously and are cognisant of the uncertainty the UK and global economies are currently facing. The Board is well advanced in the deployment of our plan around the threat posed by COVID-19; more on that later.
Outlook	Whilst we entered 2020 with a robust pipeline, strong application levels and a stable NIM, it is too soon to say what the impact of COVID-19 will be, so we consider it imprudent to provide forward guidance at this time.

Our response so far to COVID-19:

Board level comprehensive plan	• We have developed a comprehensive 4 stage plan, through prevention, continuity, impact and stress. We have worked with external economists to develop severe pandemic related stress tests to ensure we are positioned as well as possible.
Homeworking and site/team splitting throughout the UK and India	• Throughout the Group we have implemented team splitting across multiple sites, homeworking where practical through load tested secure technology and deployment through 3 different states in India to ensure we can continue to run the Group and provide service to our customers.
Caution on capital deployment until the future is clearer	• We have taken the decision to reduce our appetite for historic loan origination volumes during this crisis. We are still very much open for business but with a more selective appetite for risk and volume.
A well-balanced, resilient and diversified retail-wholesale funding platform	• Combined Group had £16.2bn of retail deposits as at 31 December 2019. • Impressive securitisation record for 2019 and into 2020, with both OSB and CCFS executing securitisation transactions and de-recognition trades, sharing expertise and resources. • We have chosen to bolster our liquidity significantly above planned levels as a pure contingency measure, should our customers need more liquidity.
Operational readiness for when markets normalise	• We are continuing as many of our projects as possible, to ensure that our proposition and servicing is in a state or readiness for future growth. This includes the relocation of our Prestige Finance second charge lending business to Wolverhampton.

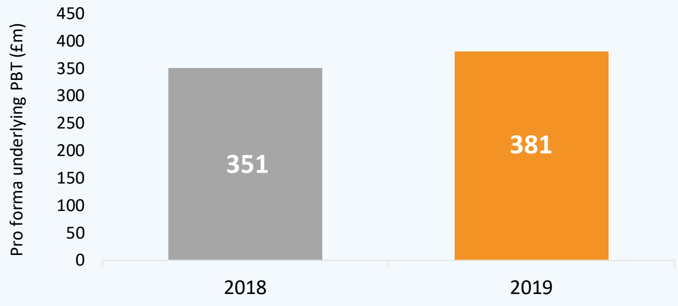
Excellent results in a transformative year



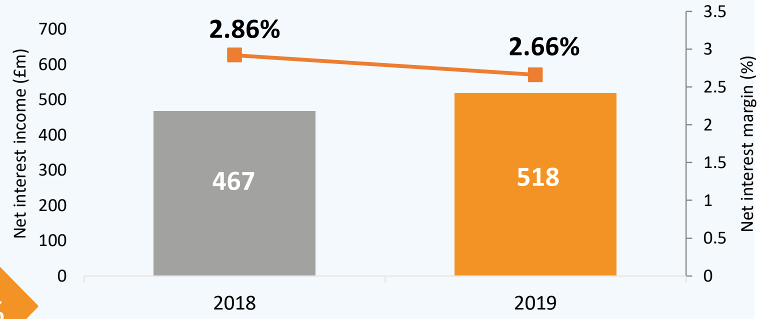
* Restated for 2018

Attractive pro forma underlying return on equity…

1. Strong pro forma underlying profit before tax…

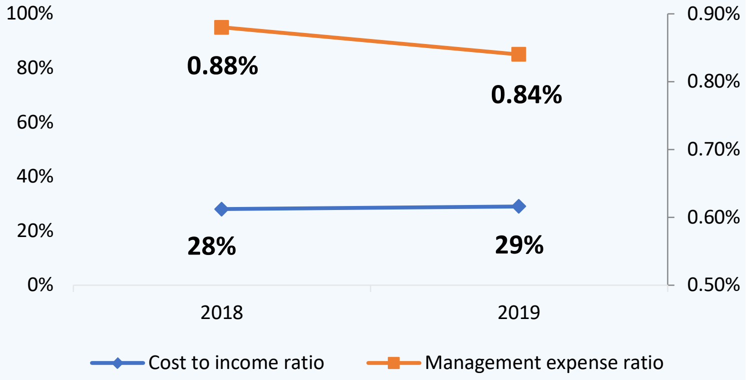


2. with attractive NIM & high loan book growth…

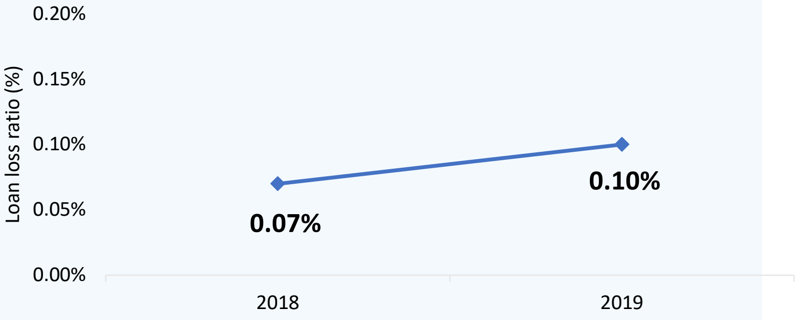


2019 RoE of 25%

3. ongoing investment with focus on cost efficiency…

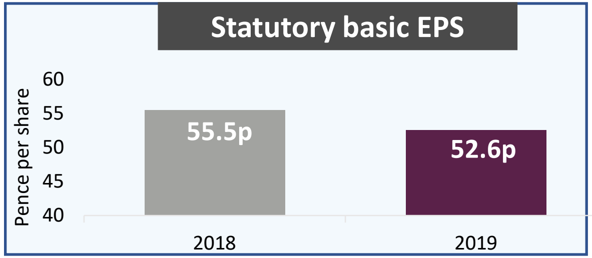


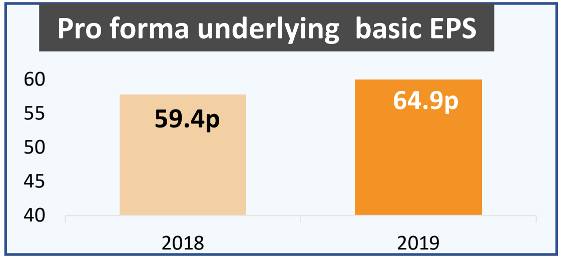
4. and credit quality maintained



Strong profitability drives growth in shareholder value

	Statutory 2019 £m	Statutory 2018 £m	Statutory Change £m	Statutory Change %	Pro forma underlying 2019 £m	Pro forma underlying 2018 £m	Pro forma underlying Change £m	Pro forma underlying Change %
Net interest income	344.7	286.3	58.4	*20*	518.4	466.8	51.6	*11*
(Loss)/gain on sale of loans	(0.1)	-	(0.1)	*(100)*	58.6	36.4	22.2	*61*
Net loss on financial instruments	(3.3)	(5.2)	1.9	*36*	(20.3)	(5.2)	(15.1)	*290*
Other income	2.1	-	2.1	*100*	5.8	8.0	(2.2)	*(28)*
Total income	**343.4**	**281.1**	**62.3**	*22*	**562.5**	**506.0**	**56.5**	*11*
Administrative expenses	(108.7)	(79.6)	(29.1)	*37*	(165.1)	(144.2)	(20.1)	*14*
Provisions	-	(0.8)	0.8	100	-	(0.8)	0.8	*100*
Impairment losses	(15.6)	(8.1)	(7.5)	*93*	(16.3)	(10.2)	(6.1)	*60*
Gain on Combination	10.8	-	10.8	*100*	-	-	-	-
Integration costs	(5.2)	-	(5.2)	*(100)*	-	-	-	-
Exceptional items	(15.6)	(9.8)	(5.8)	*(59)*	-	-	-	-
Profit before tax	**209.1**	**182.8**	**26.3**	*14*	**381.1**	**350.8**	**30.3**	*9*
Profit after tax	**158.8**	**139.6**	**19.2**	*14*	**294.2**	**267.6**	**26.6**	*10*





- **NII up** due to strong loan book growth after structured asset sales
- Administrative **expenses** up due to balance sheet growth, partially offset by further efficiencies and economies of scale
- **Impairment losses** of10bps on average gross loans on a pro forma underlying basis. On a statutory basis they were 13bps including initial recognition of expected credit losses on the CCFS book following the Combination
- **Gain on Combination** reflects negative goodwill, arising from change in share price of OSB post announcement and increased FV gains on acquired loan book due to movements in LIBOR curve
- **Statutory PBT** up 14% including £28.0m contribution from CCFS. On a pro forma underlying basis, PBT was up 9%.
- **Statutory EPS** down 5% as 14% increase in PAT more than offset by impact of additional shares. On a pro forma underlying basis, EPS rose 9%.

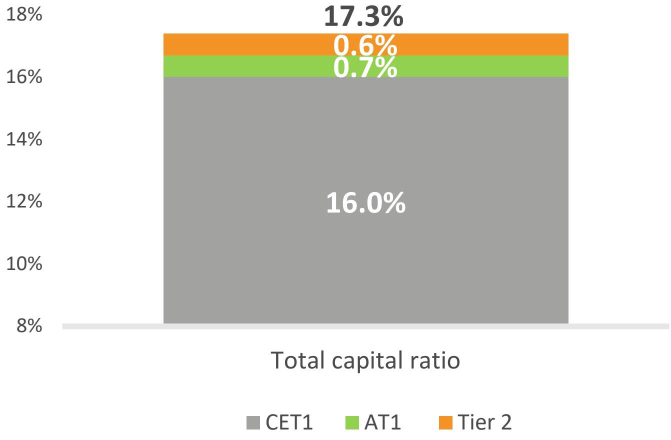
Strong and secured balance sheet

	2019 £m	2018 £m	Change £m	Change %
Lending				
Net customer loans	18,447	8,983	9,464	*105*
o/w provisions	(43)	(22)	(21)	*(96)*
Funding and liquidity				
Customer deposits	16,255	8,072	8,183	*101*
Debt securities in issue	296	-	296	*100*
Term Funding Scheme	2,633	1,503	1,130	*75*
Indexed Long-Term Repo	291	80	211	*264*
Other (incl. warehouse funding, commercial repo)	145	1	144	-
Liquid assets	2,840	1,407	1,433	*102*

	OSB 2019	OSB 2018	CCFS 2019	CCFS 2018
3 months in arrears (%)	1.3	1.5	0.3	0.2
Average LTV (%): · mortgage book	68	66	70	71
· Buy-to-Let/SME	72	70	71	73
· Residential	58	56	67	70
Average LTV of new origination (%):				
· mortgage book	70	69	71	73
· Buy-to-Let/SME	70	70	73	74
· Residential	69	68	71	72

- Net loan book growth of 105% through the Combination and underlying growth
- Term Funding Scheme – balance of £2.6bn as at 31 December 2019
- Both Banks' liquidity coverage ratios significantly in excess of the 2019 regulatory minimum of 100%:
  - OSB LCR: 199%
  - CCFS LCR: 145%
- Average LTV of new origination stable for both OSB and CCFS:
  - OSB: 70%
  - CCFS: 71%
- Weighted average interest coverage ratios ('ICR') for Buy-to-Let origination demonstrate prudent approach to assessment of customer affordability
  - OSB: 187%
  - CCFS: 202%

Strong capital base



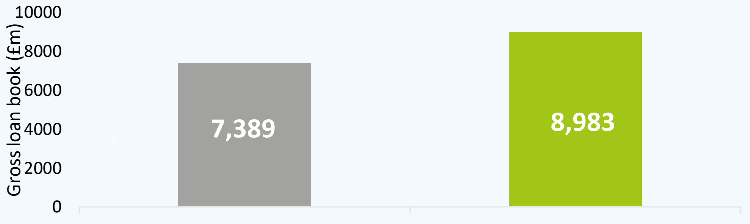
	2019	2018	Change
Capital			
Risk-weighted assets (RWAs) £m	8,383	4,212	99%
RWAs as % of total assets	39	40	(2.5%)
Common equity tier 1 ratio %	16.0	13.3	2.7pps
Total capital ratio %	17.3	15.8	1.5pps
Leverage ratio %	6.5	5.9	0.6pps

- Strong capital position reflecting :
  - organic capital generation capability of the business to support significant growth through profitability and structured asset sales
  - Beneficial impact to CET1 from the fair value uplift on CCFS' net assets on Combination
- Pillar 2a requirement of 1.67% of risk weighted assets, excluding a static integration add-on
- We are pleased with the progress of both Banks towards IRB and are seeing benefits from using the enhanced risk models

OSB segment results – BTL/SME

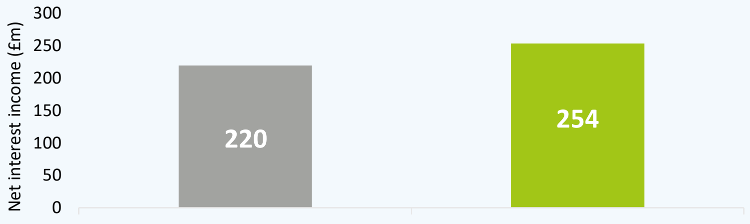
- Average book LTV remains low at 72% (2018: 70%) with only 1.8% of loans by value with LTVs exceeding 90% (2018: 0.6%)

1. Gross loan book



RWA as % of net loans: 2018: 47%; 2019: 47%

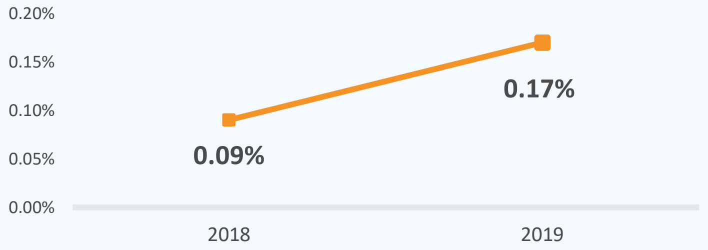
2. Net interest income



Gross asset yield: 2018: 4.9%; 2019: 4.8%

3. Contribution to profit[1]

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

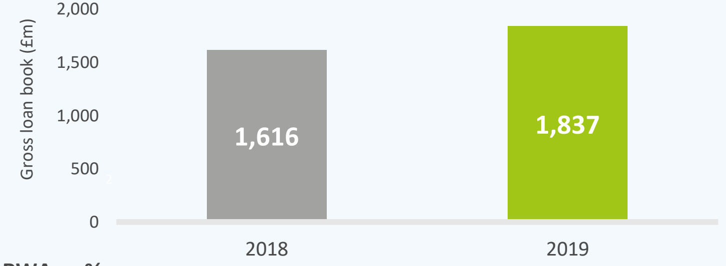


[1] Total income less impairment losses

OSB segment results – Residential

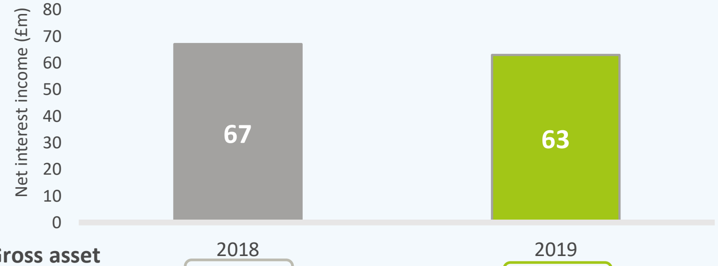
- Average book LTV remains low at 58% (2018: 56%) with only 3.3% of loans by value with LTVs exceeding 90% (2018: 3%)

1. Gross loan book



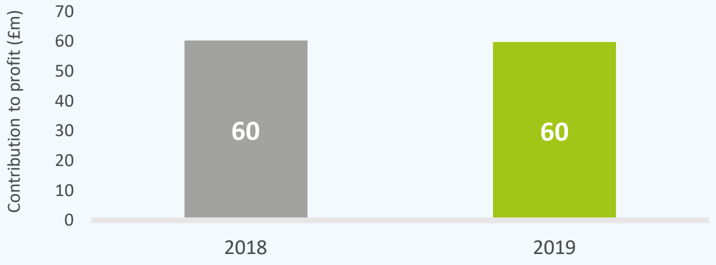
RWA as % of net loans	47%	46%

2. Net interest income



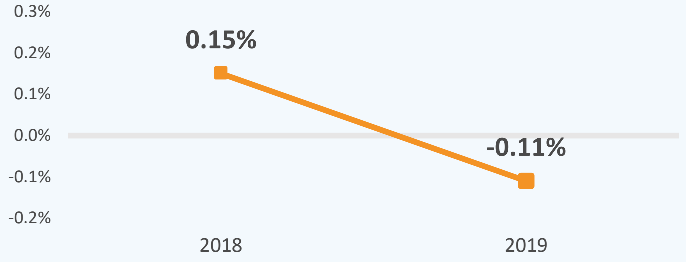
Gross asset yield	5.5%	5.3%

3. Contribution to profit[1]



[1] Total income less impairment losses

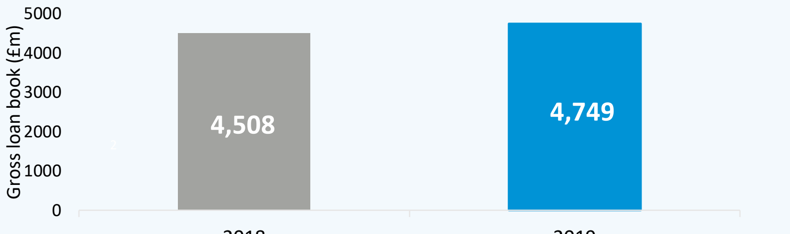
4. Loan loss charge as a % of average gross loans



CCFS segment results – BTL sub-segment

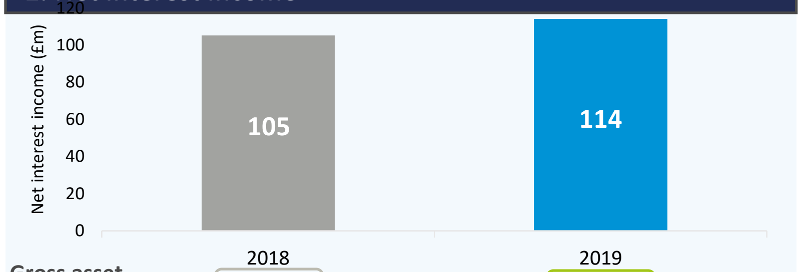
- Average book LTV remains low at 71% (2018: 73%)

1. Gross loan book



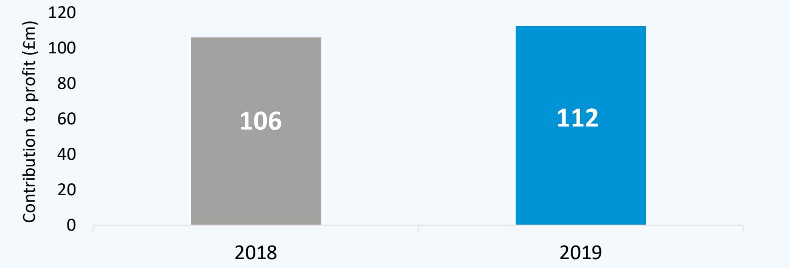
RWA as % of net loans	40%	42%

2. Net interest income

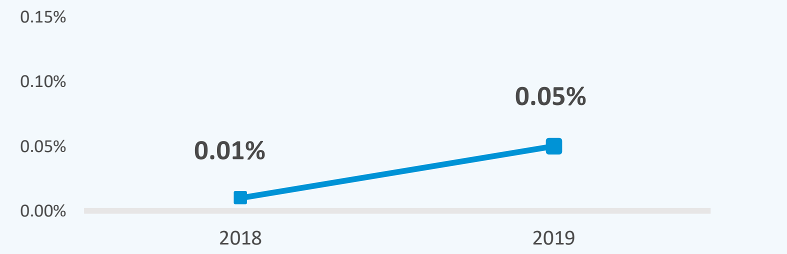


Gross asset yield	4.2%	4.0%

3. Contribution to profit[1]



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

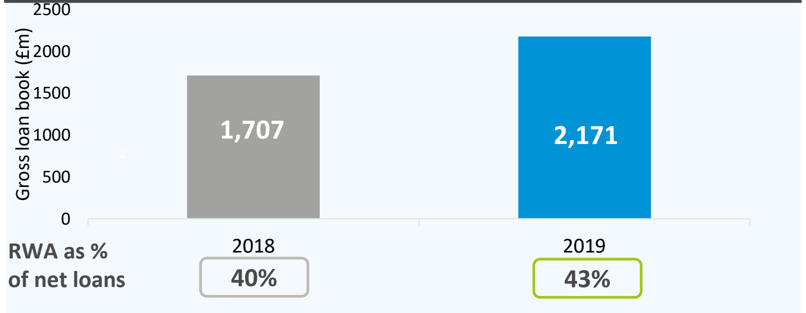


[1] Total income less impairment losses

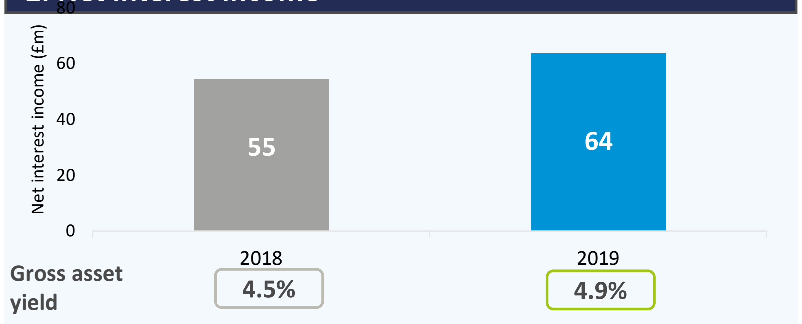
CCFS segment results – Residential sub-segment

- Average book LTV remains low at 67% (2018: 70%)

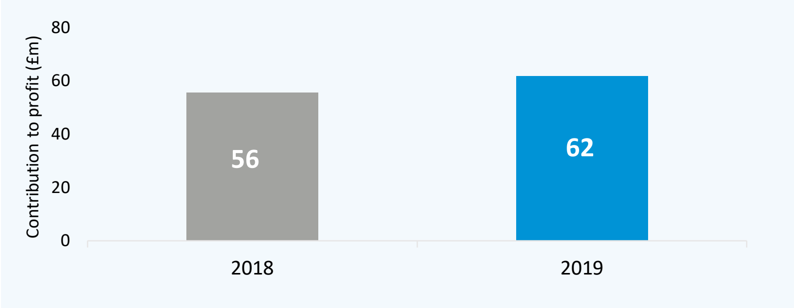
1. Gross loan book



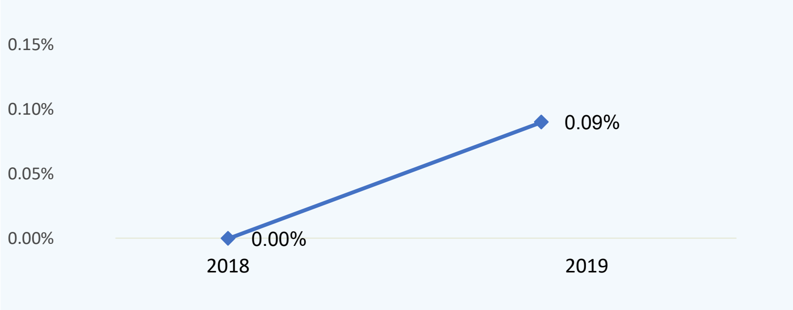
2. Net interest income



3. Contribution to profit[1]



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



[1] Total income less impairment losses

Stronger together – the industrial logic remains sound

On 4 October 2019, OneSavings Bank plc (OSB) combined with Charter Court Financial Services Group plc (CCFS), creating a leading specialist lender.

Integration on track

Our integration project and cost synergies project as of today is on track, however we have to be cognisant of the impact of COVID-19.

We are sharing best practice

Group wide we are sharing best practice and learning to enhance our processes and find efficiencies and benefits of scale. Our recently announced funding and de-consolidation trades are evidence of this.

The talent pool is rich

The skill set and capability of our team have been evident both in BAU/integration and in recent contingency planning scenarios linked to the current unprecedented situation.

The proposition remains strong

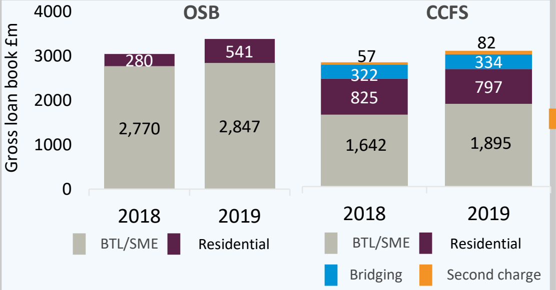
Our award winning lending and savings franchises continue to perform very strongly from a growth, retention and customer satisfaction perspectives - as shown on the following slides.

Our award-winning lending franchises performed strongly

One Savings Bank

Growth

Organic lending for the combined Group up 10% (pro forma underlying)



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Retention

Borrowers continue to choose new products with OSB Choices retention scheme, 69% choosing new product within 3 months (2018: 69%)

=

Net loan book growth

16%

pro forma underlying

Performance

Strong security

Weighted average interest coverage ratios ('ICR') for Buy-to-Let origination demonstrate prudent approach to assessment of customer affordability

- OSB: 187%
- CCFS: 202%

Well-positioned

Professional landlords account for 81% of OSB Buy-to-Let completions by value during 2019 (81% in 2018).

Applications via Ltd Companies increased by 21% for CCFS Buy-to-Let

Award winning

Award-winning savings franchises

The combined Group remained predominantly retail funded during 2019 and offers competitive retail savings propositions, which allows the Group to raise significant funds as we require them. The Group had £16.2bn of retail deposits up 23% on a pro forma underlying basis.

	Attract	Retain	Satisfy
	We continue to attract new savings customers	We retain a very high percentage of customers with maturing fixed rate bonds and ISA's	Quality of customer service - consistently high NPS
KentReliance	c. 40k	91%	+66
Charter Savings Bank	c. 27k	88%	+72

Awards

Savings Champion 2019 Awards WINNER – Best Business Easy Access Account Provider

WINNER TWO TIMES Moneyfacts Consumer Awards 2019-2020 – ISA Provider of the Year

Savings Champion 2020 Awards WINNER – Best Savings Provider

WINNER Moneyfacts Awards 2019 – Best Bank Savings Provider

Summary and outlook

Returning to our four key messages from today:

2019 was an excellent year	Both OSB and CCFS maintained momentum and delivered strong results as the transaction progressed during 2019. The Group's net loan book grew by 23% on a pro forma underlying basis, excluding the impact of structured asset sales and pro forma underlying RoE was 25%.
Successful Combination	Integration is progressing well, demonstrated by: • the delivery of cost synergies through the restructuring to date • operational progress and enhanced skillset demonstrably deployed over our enlarged balance sheet • successful deployment of sophisticated wholesale funding and coordination of our lending propositions We are confident that we have the right Board, senior management team and strategy in place to deliver our best for customers and shareholders in what may be a volatile period.
Strong risk management	We take risk management seriously and are cognisant of the uncertainty the UK and global economies are currently facing. The Board is well advanced in the deployment of our plan around the threat posed by COVID-19 and we are reviewing our stress test outcomes against scenarios published around the pandemic.
Outlook	• The UK and global economies are currently experiencing unprecedented uncertainty stemming from COVID-19. • Whilst we entered 2020 with a robust pipeline, strong application levels and a stable NIM, it is too soon to say what the impact of COVID-19 will be, so we consider it imprudent to provide forward guidance at this time.

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2019 preliminary results - Appendices

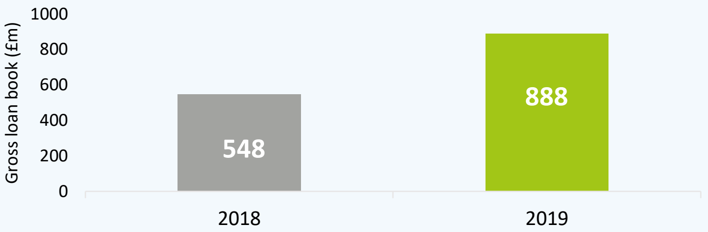
19 March 2020

OSB segment results – BTL/SME sub-segments

1. Buy-to-Let

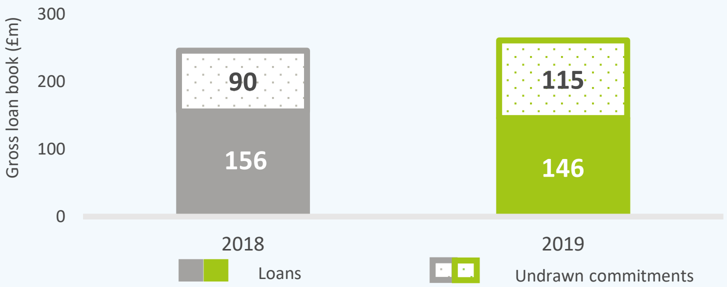
- Average interest rate coverage (ICR) was 187% during 2019 (2018: restated 185%)

2. Semi-commercial/Commercial



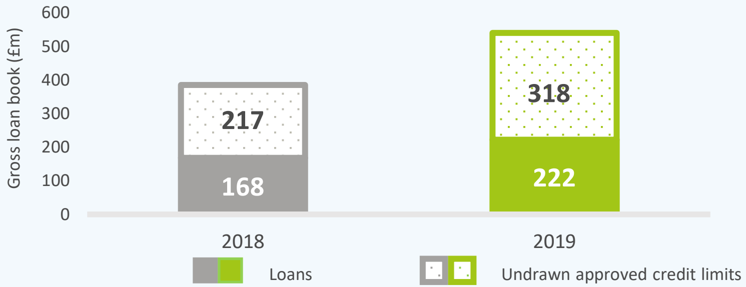
- Weighted average LTV: 67% (2018: 66%)
- Average loan size c. £375k (2018: c. £360k)

3. Residential development



- Target smaller developers, active outside London
- Experienced and prudent team

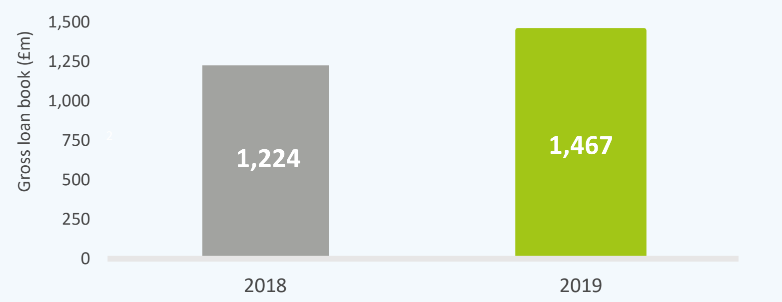
4. Funding lines



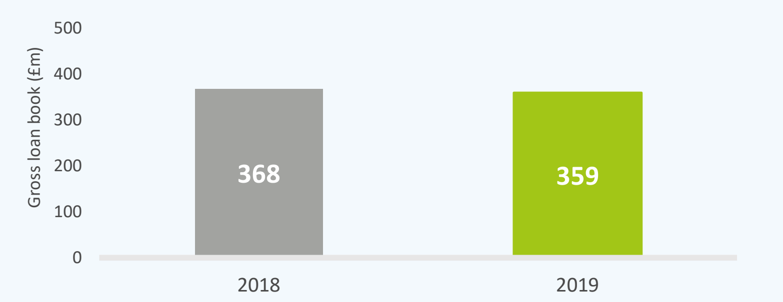
- Secured funding lines to non-bank lenders
- High yielding, secured, specialist sub-segments such as bridging finance and asset finance

OSB segment results – Residential sub-segments

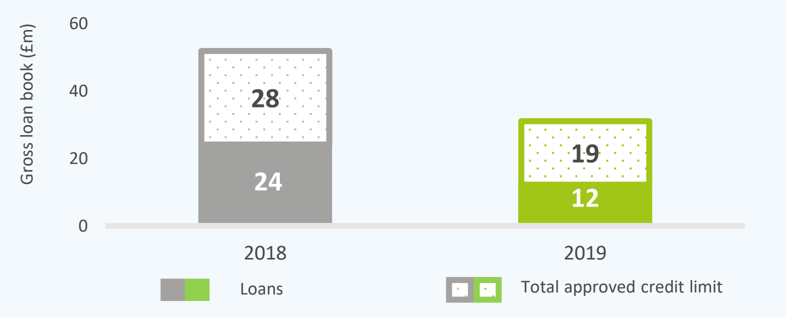
1. First charge mortgages



2. Second charge mortgages



3. Funding lines



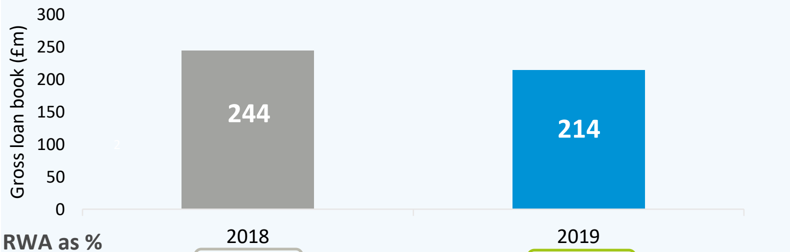
4. Summary

- First charge gross loan book up 20% due to continued popularity of new products launched at the end of 2018
- Second charge book broadly flat as the Group maintained appropriate pricing for risk

CCFS segment results – Bridging

- Average book LTV remains low at xx%

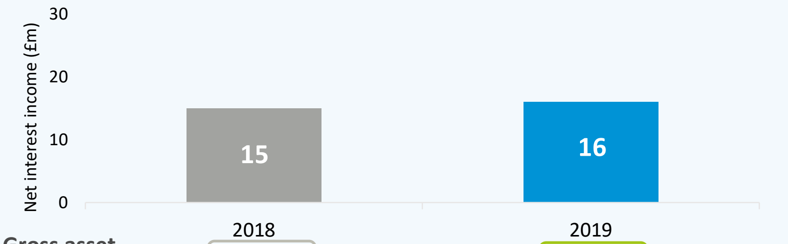
1. Gross loan book



RWA as % of net loans

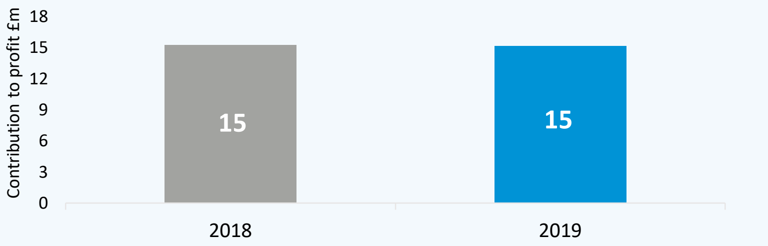
	2018	2019
RWA as % of net loans	58%	60%

2. Net interest income

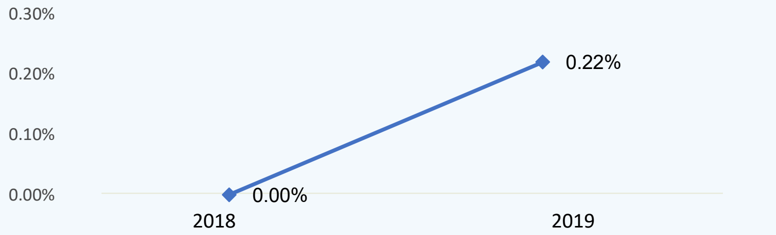


	2018	2019
Gross asset yield	7.9%	8.5%

3. Contribution to profit[1]



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

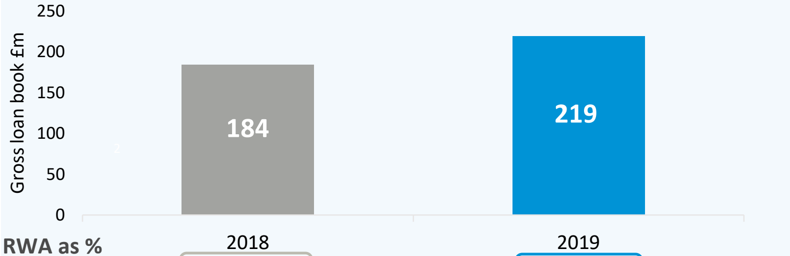


[1] Total income less impairment losses

CCFS segment results – Second charge

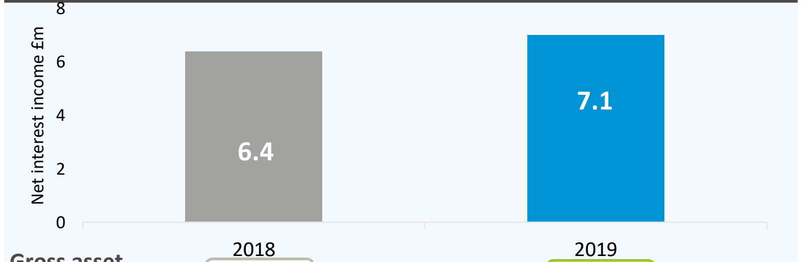
- Average book LTV remains low at 67%

1. Gross loan book



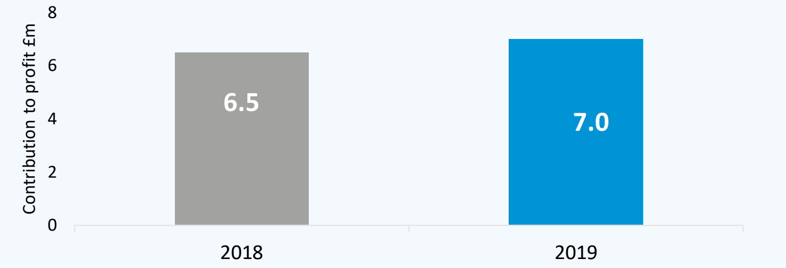
RWA as % of net loans	40%	44%

2. Net interest income

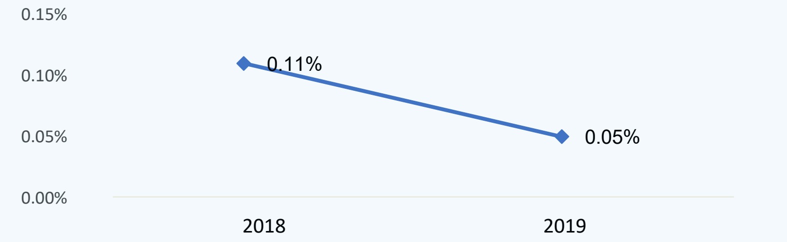


Gross asset yield	5.1%	5.1%

3. Contribution to profit[1]



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



[1] Total income less impairment losses