LEI: 213800ZBKL9BHSL2K459

OSB GROUP PLC: Trading update

Published: 2.11.2023

OSB GROUP PLC

Trading update

OSB GROUP PLC (OSBG or the Group), the specialist lending and retail savings group, today issues its trading update for the period from 1 July 2023 to date.

Highlights

- The Group delivered strong financial and operating performance in the three months to 30 September 2023
- Organic originations were £1.3bn in the third quarter of 2023 (Q3 2022: £1.6bn)
- Underlying[1] and statutory net loans increased by 7% in the nine months to 30 September 2023 to £25.2bn (31 December 2022: £23.5bn and £23.6bn, respectively)
- The Group's three months plus arrears balances remained broadly stable at 1.3% as at 30 September 2023 (30 June 2023: 1.2%). There was no material change in the Group's forward-looking macroeconomic scenarios in the third quarter
- EIR accounting assumptions remain broadly consistent, with no material change in behavioural trends in the period
- The Group has substantially completed its £150m share repurchase programme[2]
- The Group successfully completed an inaugural £300m senior debt issuance, an important milestone on its journey to meet its interim MREL requirement of 22.5% (including regulatory buffers) by July 2024, and supporting further distributions once the capital stack is optimised fully
- The Group is cognisant of the rising cost of retail funds and the impact of planned future MREL issuance, but remains on track to deliver its 2023 full year guidance of an underlying[1] net interest margin of c.2.6% and underlying[1] cost to income ratio of c.33%. Given the strong lending performance to date, particularly in retentions, we now expect to deliver underlying[1] net loan book growth of c.9%

1. Underlying refers to results which exclude exceptional items, integration costs and other acquisition-related items arising from the Combination with CCFS

2. As at market close on 1 November 2023

Andy Golding, CEO of OSB GROUP PLC, said:

"I am pleased with the Group's strong performance in the third quarter, despite the continued macroeconomic uncertainty. We have once again proven to be a trusted partner to our borrowers and savers.

Our customer franchises performed very well. We completed £1.3bn of new lending during the third quarter demonstrating our strong relationships and attractive propositions in the market, and we are seeing borrowers continue to refinance with the Group through our retention programmes.

Retail deposits increased by 5% in the three months to 30 September as savers continued to choose our consistently fair products, and we have repaid £250m of the Bank of England's TFSME funding using retail deposits.

The credit performance of our borrowers remained strong, with broadly stable three months plus arrears and no material change in the Group's macroeconomic scenarios in the third quarter, albeit we continue to review these scenarios in light of ongoing uncertainty in the UK macroeconomic outlook.

I am pleased that the Group successfully issued £300m of MREL qualifying debt securities in September, as we progress towards our interim MREL requirement by July 2024. This and further anticipated issuances of qualifying MREL debt securities support the optimisation of the Group's capital composition as well as further capital returns to shareholders.

The Group is cognisant of the rising cost of retail funds and the impact of planned future MREL issuance, but remains on track to deliver its 2023 full year guidance of underlying net interest margin of c.2.6% and underlying cost to income ratio of c.33%. Given our strong lending performance to date, particularly in retentions, we now expect to deliver full year underlying net loan book growth of c.9%.

Looking ahead, whilst the outlook for the UK economy and the overall mortgage market remains somewhat unclear, the fundamental drivers of demand in the private rented sector continue to be robust. Our strong capital and liquidity position, secured loan book and proven risk management capabilities, as well as our focus on professional and portfolio landlords, position us well to continue to generate attractive and sustainable returns for shareholders through the cycle."

Financial calendar for 2024*

14 March 2024	2023 year end results
8 May 2024	Q1 trading update
9 May 2024	AGM
15 August 2024	2024 half year results
6 November 2024	Q3 trading update

* All dates are subject to change

Enquiries:

OSB GROUP PLC

Alastair Pate, Investor Relations t: 01634 838 973

Brunswick Group

Robin Wrench / Simone Selzer t: 020 7404 5959

About OSB GROUP PLC

OneSavings Bank plc (OSB) began trading as a bank on 1 February 2011 and was admitted to the main market of the London Stock Exchange in June 2014 (OSB.L). OSB joined the FTSE 250 index in June 2015. On 4 October 2019, OSB acquired Charter Court Financial Services Group plc (CCFS) and its subsidiary businesses. On 30 November 2020, OSB GROUP PLC became the listed entity and holding company for the OSB Group. The Group provides specialist lending and retail savings and is authorised by the Prudential Regulation Authority, part of the Bank of England, and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Group reports under two segments, OneSavings Bank and Charter Court Financial Services.

OneSavings Bank (OSB)

OSB primarily targets market sub-sectors that offer high growth potential and attractive risk-adjusted returns in which it can take a leading position and where it has established expertise, platforms and capabilities. These include private rented sector Buy-to-Let, commercial and semi-commercial mortgages, residential development finance, bespoke and specialist residential lending, secured funding lines and asset finance.

OSB originates mortgages organically via specialist brokers and independent financial advisers through its specialist brands including Kent Reliance for Intermediaries and InterBay Commercial. It is differentiated through its use of highly skilled, bespoke underwriting and efficient operating model.

OSB is predominantly funded by retail savings originated through the long-established Kent Reliance name, which includes online and postal channels as well as a network of branches in the South East of England. Diversification of funding is currently provided by securitisation programmes and the Bank of England's Term Funding Scheme with additional incentives for SMEs.

Charter Court Financial Services Group (CCFS)

CCFS focuses on providing Buy-to-Let and specialist residential mortgages, mortgage servicing, administration and retail savings products. It operates through its brands: Precise Mortgages and Charter Savings Bank.

It is differentiated through risk management expertise and best-of-breed automated technology and systems, ensuring efficient processing, strong credit and collateral risk control and speed of product development and innovation. These factors have enabled strong balance sheet growth whilst maintaining high credit quality mortgage assets.

CCFS is predominantly funded by retail savings originated through its Charter Savings Bank brand. Diversification of funding is currently provided by securitisation programmes and the Bank of England's Term Funding Scheme with additional incentives for SMEs.

policies of the Bank of England, the European Central Bank and other G7 central banks; the ability to access sufficient sources of capital, liquidity and funding when required; changes to OSBG's credit ratings; the ability to derive cost savings; changing demographic developments, and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the potential for countries to exit the European Union (the EU) or the Eurozone, and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural and other disasters, adverse weather and similar contingencies outside OSBG's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war (including, without limitation, the Russia-Ukraine war, the Israel-Hamas war and any continuation and escalation of such conflicts) or hostility and responses to those acts; geopolitical events and diplomatic tensions; the impact of outbreaks, epidemics and pandemics or other such events; changes in laws, regulations, taxation, ESG reporting standards, accounting standards or practices, including as a result of the UK's exit from the EU; regulatory capital or liquidity requirements and similar contingencies outside OSBG's control; the policies and actions of governmental or regulatory authorities in the UK, the EU or elsewhere including the implementation and interpretation of key legislation and regulation; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; the success of OSBG in managing the risks of the foregoing; and other risks inherent to the industries and markets in which OSBG operates.

Accordingly, no reliance may be placed on any forward-looking statement. Neither OSBG, nor any of its directors, officers or employees provides any representation, warranty or assurance that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Any forward-looking statements made in this document speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information of future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange PLC or applicable law, OSBG expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in OSBG's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. For additional information on possible risks to OSBG's business, please see the Risk review section in the OSBG Annual Report and Accounts 2022. Copies of this are available at www.osb.co.uk and on request from OSBG.

Nothing in this document or any subsequent discussion of this document constitutes or forms part of a public offer under any applicable law or an offer or the solicitation of an offer to purchase or sell any securities or financial instruments. Nor does it constitute advice or a recommendation with respect to such securities or financial instruments, or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied on as a guide to future performance. Statements about historical performance must not be construed to indicate that future performance, share price or results in any future period will necessarily match or exceed those of any prior period. Nothing in this document is intended to be, or should be construed as, a profit forecast or estimate for any period.

In regard to any information provided by third parties, neither OSBG nor any of its directors, officers or employees explicitly or implicitly guarantees that such information is exact, up to date, accurate, comprehensive or complete. In no event shall OSBG be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for inaccuracies or errors in, or omission from, any third-party information contained herein. Moreover, in reproducing such information by any means, OSBG may introduce any changes it deems suitable, may omit partially or completely any aspect of the information from this document, and accepts no liability whatsoever for any resulting discrepancy.

Liability arising from anything in this document shall be governed by English law, and neither OSBG nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. Nothing in this document shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

Non-IFRS performance measures
OSB believes that any non-IFRS performance measures included in this document provide a more consistent basis for comparing the business' performance between financial periods and provide more detail concerning the elements of performance which OSBG is most directly able to influence or which are relevant for an assessment of OSBG. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Board. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. For further details, refer to the Alternative performance measures section in the OSBG Annual Report and Accounts 2022. Copies of this are available at www.osb.co.uk and on request from OSBG.