OSB Group

A trusted partner

OSB Group 2022 preliminary results

16 March 2023

Outstanding performance in 2022

osb Group

Financial performance

- The Group achieved a record underlying profit before tax of £591m
- The net loan book grew by 12% supported by £5.8bn of new lending
- Underlying net interest margin increased to 303bps
- Underlying return on equity remained strong at 24%
- Ordinary dividend for 2022 of 30.5 pence per share

Our lending franchise

- Strong demand across the Group's core Buy-to-Let and Residential sub-segments
- Relaunched our Residential mortgage proposition, building on the popularity of our complex prime and shared ownership mortgages
- Supported customers and brokers through the period of market volatility post September's mini-budget
- Launched the first in a range of mortgages targeting landlords wishing to improve the energy efficiency and EPC rating of their properties

Strong credit and risk management

- Strong credit performance with balances over three months in arrears stable at 1.1% (2021: 1.1%)
- Underlying loan loss ratio of 14bps representing an underlying impairment charge of £30.7m
- Impairment charge reflected a more severe macroeconomic outlook, including the potential impact of higher cost of living and borrowing, partially offset by house price appreciation and the release of pandemic-related provisions

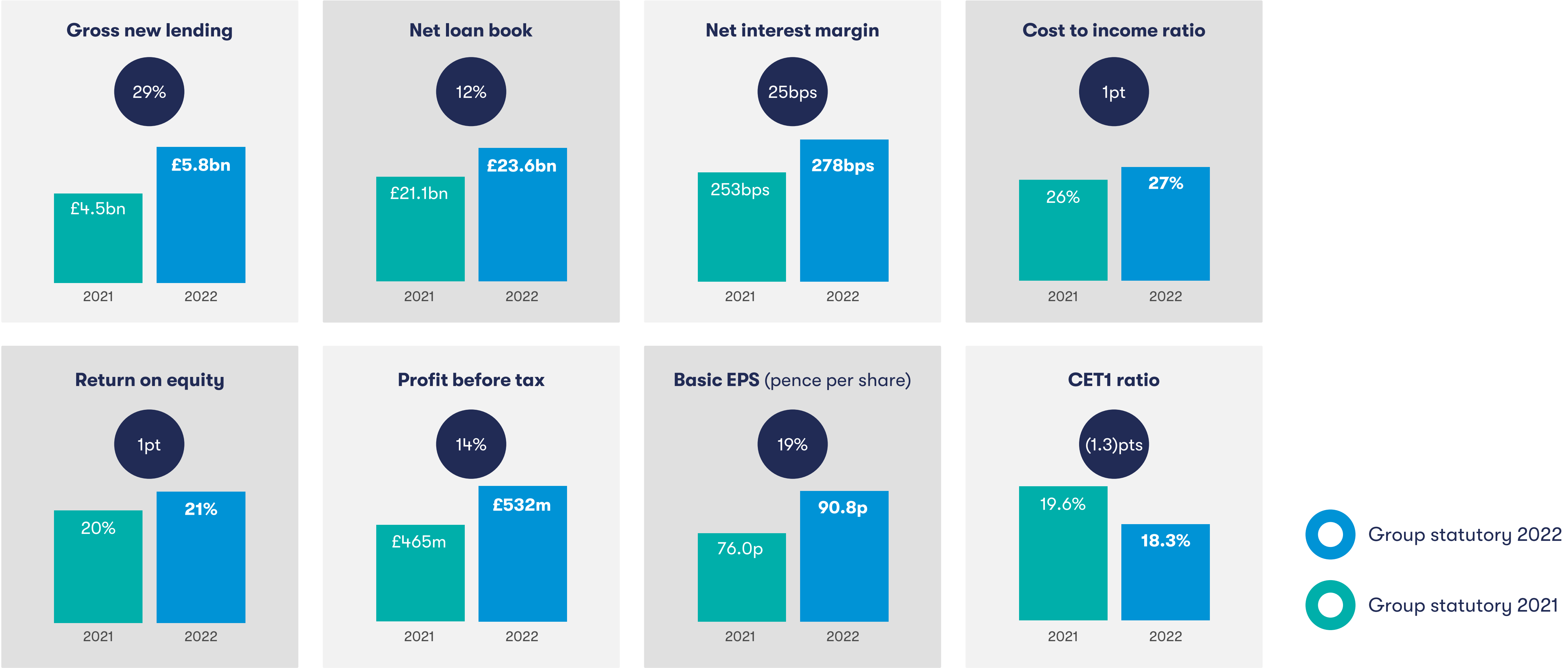
Strong capital and liquidity position

- CET1 strong at 18.3%, with a total capital ratio of 19.7% supporting:
  - A new share repurchase programme of £150m to commence on 17 March 2023
  - A £50m special dividend equivalent to 11.7 pence per share
- Targeting a CET1 ratio of 14% once the capital composition has been optimised fully through Tier 2 and MREL qualifying issuance

Outlook for 2023

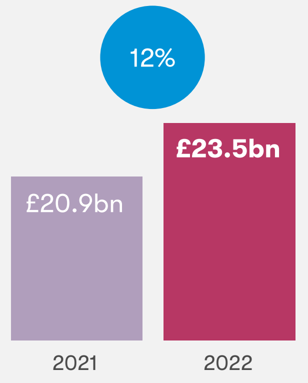
- Overall mortgage market expected to be subdued in 2023. We continue to build a healthy pipeline, allowing us to target c. 5% net loan book growth in 2023
- Underlying NIM for 2023 is expected to be broadly flat to 2022, after the expected impact of qualifying debt issuance, subject to market conditions
- Underlying cost to income ratio anticipated to increase to c. 29% in 2023, due to the significant net fair value gains from hedging activities in 2022, continuing inflationary headwinds and the full year impact of hiring last year and further planned investment in the business

Financial highlights - statutory

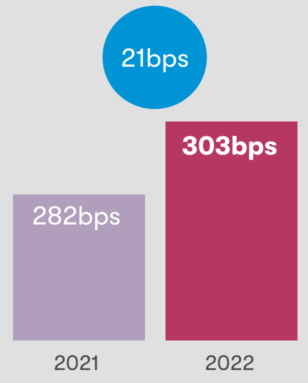


Financial highlights - underlying

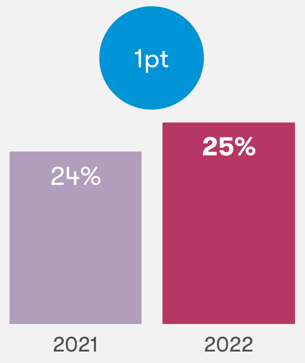
Net loan book



Net interest margin



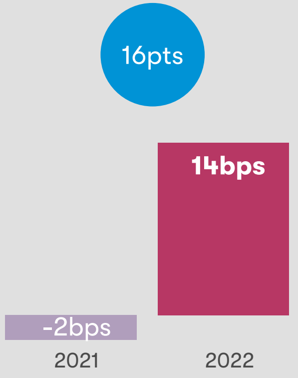
Cost to income ratio



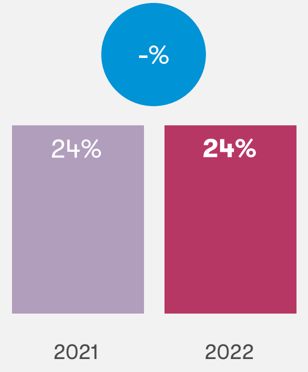
The ordinary dividend for 2022 of 30.5 pence per share representing a 30% payout ratio.

Special dividend of £50m, equivalent to 11.7 pence per share.

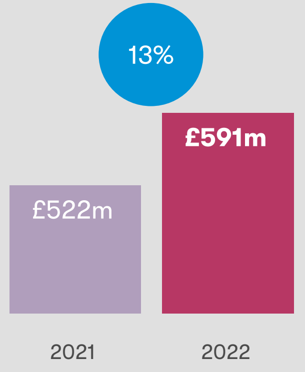
Loan loss ratio



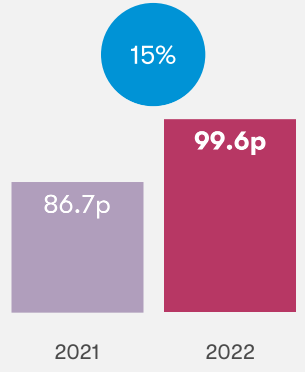
Return on equity



Profit before tax



Basic EPS (pence per share)

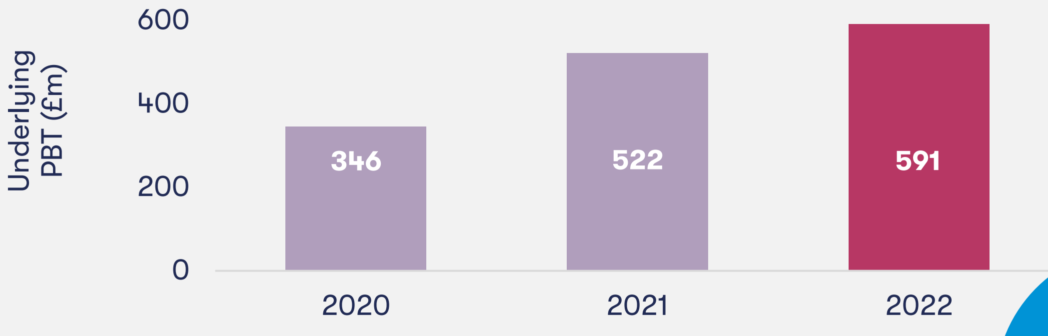


Group underlying 2022

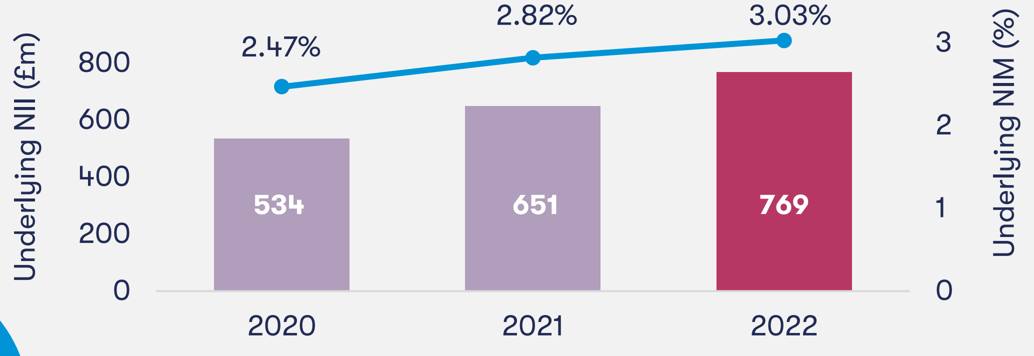
Group underlying 2021

Attractive underlying return on equity

1. Record underlying profit before tax

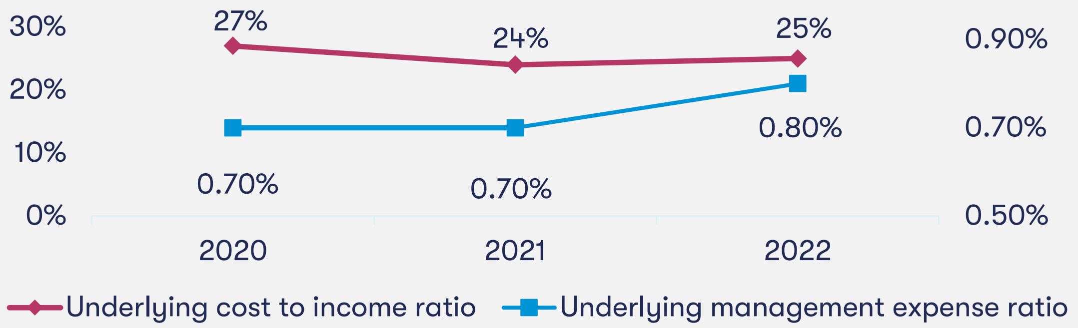


2. NII growth with strengthening NIM

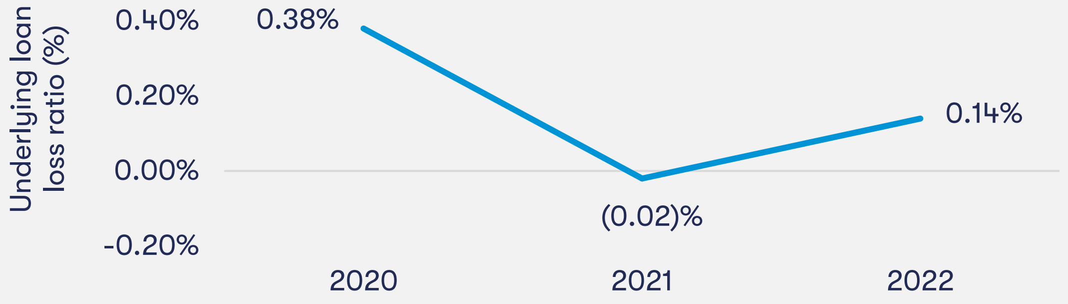


2022 underlying RoE of **24%**

3. Focus on cost discipline and efficiency



4. Loan loss ratio increase in 2022



Excellent results for 2022

	Underlying P&L[1]			
	2022 £m	2021 £m	Change £m	Change %
Net interest income	769.1	650.5	118.6	18
Net fair value gains on financial instruments	48.5	18.5	30.0	>100
Gain on sale of financial instruments	-	2.3	(2.3)	(100)
Other operating income	6.6	7.9	(1.3)	(16)
Total income	824.2	679.2	145.0	21
Administrative expenses	(204.0)	(161.7)	(42.3)	26
Provisions	1.6	(0.2)	1.8	>100
Impairment of financial assets	(30.7)	4.9	(35.6)	<(100)
Profit before taxation	591.1	522.2	68.9	13
Profit after taxation	448.7	393.1	55.6	14
Basic EPS (pence per share)	99.6	86.7	12.9	15

- Underlying NII up 18% reflecting the growth in the loan book and the improved net interest margin
- Fair value gains on financial instruments of £48.5m primarily due to gains on mortgage pipeline swaps and hedge ineffectiveness, reflecting the step up in swap pricing following September's mini-budget
- Administrative expenses increased by 26% reflecting the anticipated return to more normalised post-pandemic spending, inflationary headwinds and planned investment in the business
- Impairment charge of £30.7m due primarily to more severe forward looking macroeconomic scenarios, including the potential impact of rising cost of living and borrowing
- Underlying PBT increased by 13%
- Underlying EPS grew to 99.6 pence per share, in-line with the increase in underlying profit after taxation

1. For reconciliation of underlying PBT to statutory PBT, see the Appendix on slide 17

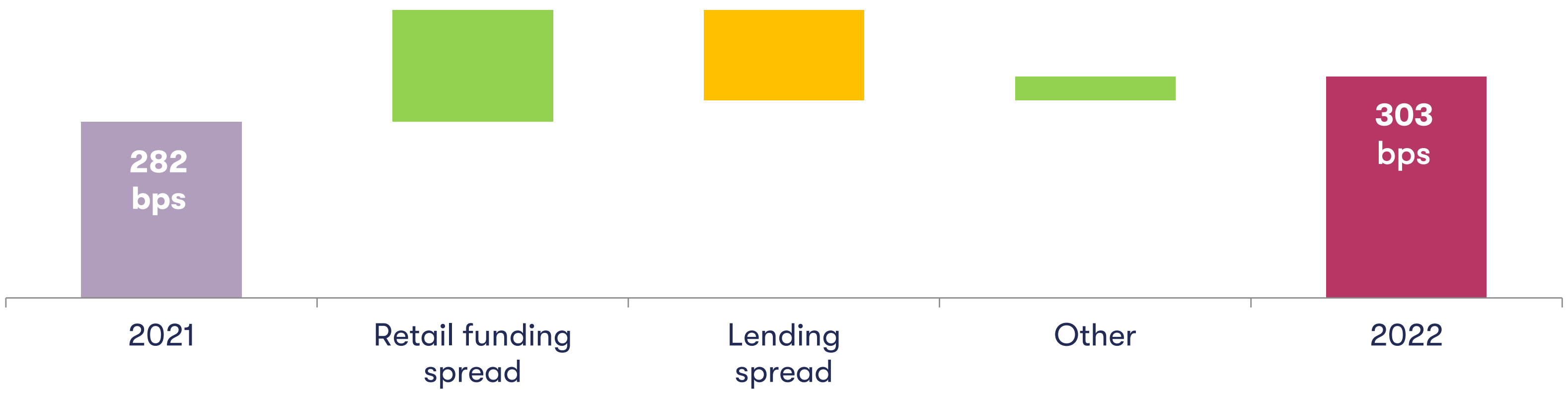
Strong, secure balance sheet

	2022	2021	Change	
Lending	**£m**	**£m**	**£m**	**%**
Statutory net loans and advances to customers	**23,613**	21,080	2,533	12
Expected credit losses	**(130)**	(102)	(28)	27
Funding and liquidity				
Customer deposits	**19,756**	17,526	2,230	13
Debt securities in issue	**266**	460	(194)	(42)
Term Funding for SMEs	**4,232**	4,203	29	1
Indexed Long-Term Repo	**301**	-	301	>100
Liquid assets	**3,779**	3,336	443	13

	OSB		CCFS	
	2022	**2021**	**2022**	**2021**
3 months + in arrears (%)	**1.2**	1.4	**0.9**	0.7
Interest coverage ratios (BTL origination) (%)	**207**	199	**191**	188
Average book LTV (%):				
- Buy-to-Let/SME for OSB and Buy-to-Let for CCFS	**63**	65	**66**	68
- Residential	**45**	48	**57**	59

- Statutory and underlying net loan book growth of 12% supported by organic originations of £5.8bn, up 29% compared with £4.5bn in 2021
- Strong credit quality with stable 3 months plus in arrears balances of 1.1% (2021: 1.1%)
- Weighted average ICR for Buy-to-Let origination demonstrates a prudent approach to assessment of customer affordability
- Weighted average LTVs reduced in the year supported by house price appreciation; weighted average Group book LTV was 60% (2021: 62%) and 71% for new business written across the Group in the year (2021: 69%)

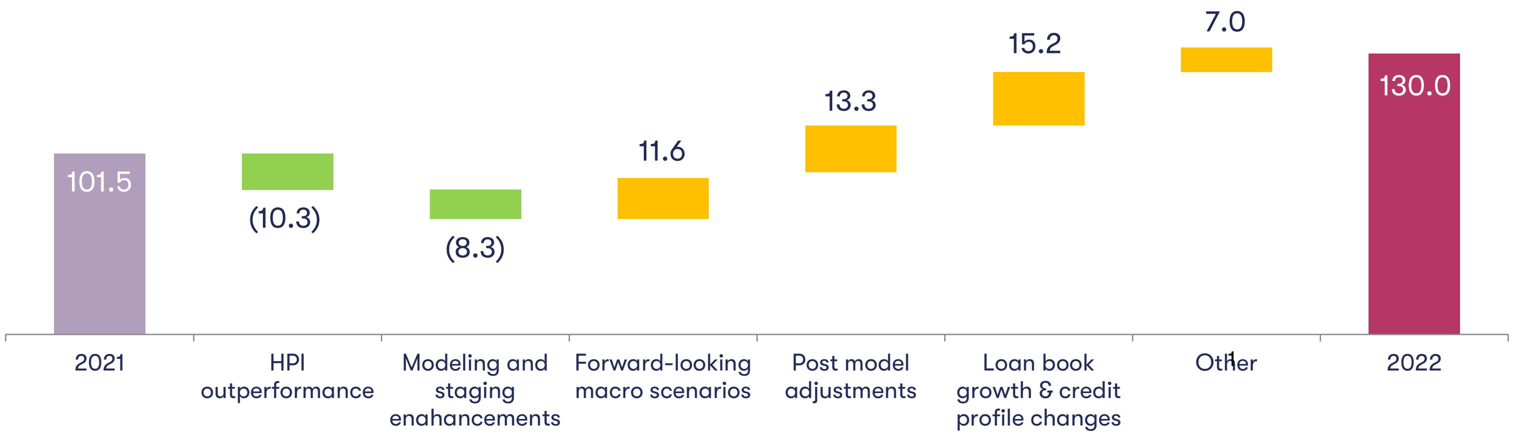
Improvement in underlying NIM



- Underlying NIM improved by 21bps to 303bps, due primarily to the benefit of base rate rises
- There were delays in the market passing base rate rises on to savers in full resulting in a lower cost of retail funds and the cost of new retail funding also benefitted from widening swap spreads
- There were also delays in mortgage pricing fully reflecting the rate rises and widening swap spreads. This was partially mitigated by an expectation of higher reversionary income following the end of the fixed period as rates rose, partially offset by an expectation that customers would spend less time on this higher rate before refinancing
- Other primarily related to the benefit of increased average funding from the Bank of England, higher capital and reserves and favourable swap margin calls
- Underlying NIM for 2023 is expected to be broadly flat to 2022, after the expected impact of Tier 2 and MREL qualifying debt issuance, subject to market conditions

Impairment provisions

Expected credit losses £m

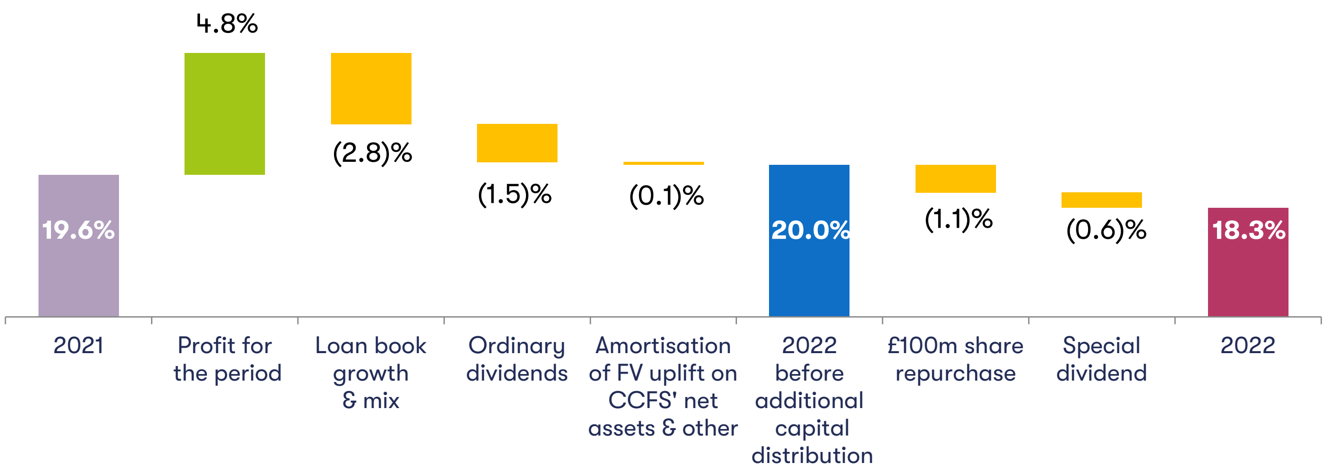


As at 31 December 2022	Gross carrying amount (£m)	Expected credit losses (£m)	Coverage ratio %
Stage 1	18,722.3	7.2	0.04%
Stage 2	4,417.1	50.9	1.15%
Stage 3 + POCI	588.7	71.9	12.21%
Total	**23,728.1**	**130.0**	**0.55%**
As at 31 December 2021			
Stage 1	18,188.4	12.1	0.07%
Stage 2	2,413.6	25.0	1.04%
Stage 3 + POCI	562.1	64.4	11.46%
Total	21,164.1	101.5	0.48%

- The expected credit loss provision increased by £28.5m. The main components of this change were:
  - £10.3m decrease due to house price appreciation
  - £8.3m decrease primarily due to pandemic-related modelling and staging enhancements
  - £11.6m increase reflecting the adoption of more severe forward-looking macroeconomic scenarios
  - £13.3m increase for post-model adjustments primarily to account for the potential impact of rising cost of living and borrowing concerns
  - £15.2m increase due to the significant increase in the size of the loan book and credit profile changes
  - Other increases principally relates to individually assessed accounts and portfolios
- The increase in stage 2 balances was primarily due to accounts which were not in arrears, but were more likely to be impacted by the worsening economic outlook, including the rising cost of living and borrowing
- See the Appendix for the macroeconomic scenarios

Strong capital base

CET1 ratio



Capital	2022	2021	Change
Risk weighted assets (RWAs) £m	**10,495**	9,102	**15%**
RWAs as % of total assets	**38**	37	**1pt**
Common equity tier 1 ratio %	**18.3**	19.6	**(130)bps**
Total capital ratio %	**19.7**	21.2	**(150)bps**
Leverage ratio %	**8.4**	7.9	**50bps**

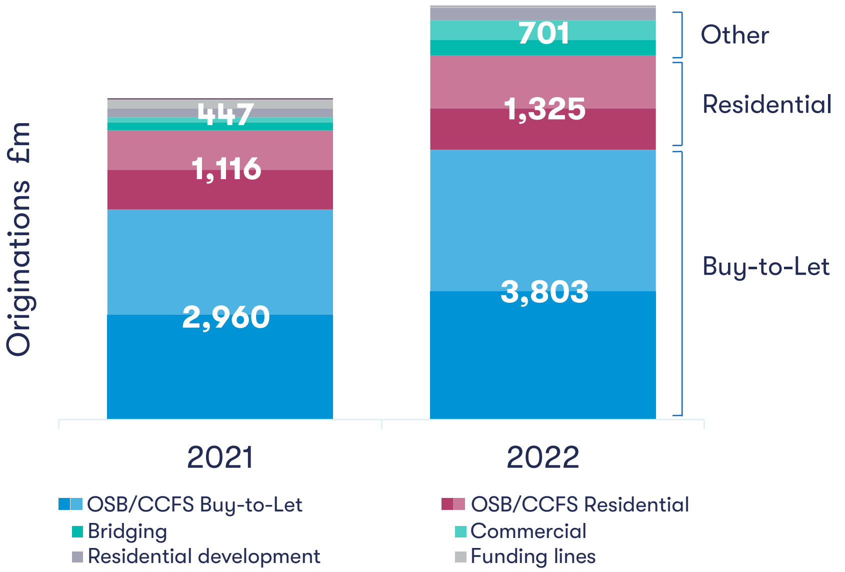
The Group's strategy and proven capital generation capability can support both strong net loan book growth and further capital returns to shareholders, including a progressive ordinary dividend per share.

- 12% net loan book growth in 2022
- Ordinary dividend per share of 30.5 pence (2021: 26 pence) reflecting a 30% payout ratio in line with prior year
- CET1 ratio remained strong at 18.3% and included the impact of the completed £100m share repurchase programme and announced £50m special dividend (11.7 pence per share)
- A new £150m share repurchase programme announced, equivalent to c. 1.4% of CET1[1]
- The Group is targeting a CET1 ratio of 14% once the capital stack has been optimised fully through Tier 2 and MREL qualifying issuance over the next 2 years, subject to market conditions
- Full bail-in MREL requirement from July 2026 with interim requirement of 18% of RWAs by July 2024. Standard regulatory buffers must be held above MREL requirements
- Estimated impact of the PRA's Basel 3.1 CP is up to a 2% point reduction to CET1[1], should the proposed rules be implemented as drafted on 1 January 2025 and prior to the Group receiving IRB accreditation

1. As at 31 December 2022

Our award-winning lending franchises

Recovery in originations in 2022



Net loan book up **12%** for 2022

- Strong demand across the Group's core Buy-to-Let and Residential sub-segments
- Increased originations in commercial and semi-commercial as the Group launched a new set of products under the InterBay brand
- Relaunched residential proposition, building on the popularity of our complex prime and shared ownership mortgages
- Introduced the first of a range of mortgage products targeted at enhancing EPC rating through refurbishment
- Supported our customers and broking partners by honouring both the offered and pre-offered pipeline during the period of pricing volatility following September's mini budget

Strong security

Weighted average interest coverage ratios for Buy-to-Let origination demonstrate prudent approach to assessment of customer affordability.

OSB: **207%** CCFS: **191%**

Good retention

Borrowers continue to choose new products with OSB Choices retention scheme.

72% choosing new product within 3 months (2021: 71%).

Well-positioned

Professional landlords accounted for **86%** of OSB BTL completions by value in 2022 (2021: 82%).

Limited company mortgages represented **78%** of Kent Reliance and **65%** of Precise completions.

WINNER
Best Specialist Lender
KENT RELIANCE FOR INTERMEDIARIES

Legal & General

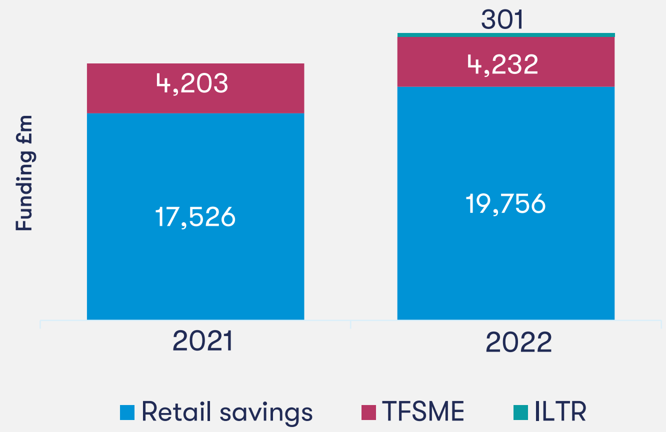
WINNER!
Best Lender Specialist

Sophisticated funding platform

The Group remains predominantly retail funded with £19.8bn of retail deposits, up 13% compared to 2021

	Attract	Retain	Satisfy
	More than doubled the number of new savings accounts opened in 2022:	Retained a very high percentage of customers with maturing fixed rate bonds and ISAs:	High quality of customer service - with strong NPS:
KentReliance	c.82k	94%	+64
Charter Savings Bank	c.109k	88%	+61
	ISA Provider of the Year	Best Cash ISA Provider	Best Fixed Rate Savings Provider

Retail savings complemented by increasingly diversified funding sources:



- Drawings under the Term Funding Scheme for SMEs unchanged at £4.2bn and drawings of £301m under ILTR
- Completed second largest securitisation, Canterbury No. 5 in August 2022 a fully retained £1.3bn transaction of Buy-to-Let mortgages

Delivering the now and delivering the future

Delivering for customers today	
Stable presence	• Honoured our offered and pre-offered pipeline of new business through the disruption caused by September's mini-budget • Increased retention levels as we took action to retain high quality mortgage customers
Thought leadership	• Created a Landlord Leaders community, bringing brokers, landlords and other industry members together and established £50m Landlord Leader Fund • Partnered with tax specialists who can provide advice and guidance to landlords looking to professionalise
New products	• Introduced the first of a range of products to help landlords make their properties more energy efficient, preparing them for future minimum EPC requirements • Relaunched commercial products and saw originations more than triple in that sub-segment
The lender of choice	• Organic originations were £5.8bn, up 29% from £4.5bn in 2021 due to strong demand in our core sub-segments • Consistency recognised by professional Buy-to-Let landlords and mortgage intermediaries

Keeping the bank future ready	
Supporting specialist lending	• Process enhancements to ensure we remain well-placed to meet the changing needs of our customers, brokers and wider stakeholders • Positioned to take advantage of opportunities once market conditions improve
Leveraging digitisation	• Digital solutions to support deep underwriting expertise enabling faster decision making and processing • Deliver significant improvements in customer servicing and efficiency including robotics to improve workflows
Creating new customer journeys	• Digital technologies to further enhance customer service and servicing capabilities • Enhance the intermediary and borrower customer journey through investment in technology
The lender of choice	• Leverage differentiated but complimentary underwriting capabilities across our brands to enhance customer propositions • Deploy our scale and resources on organic lending opportunities

Summary and outlook

Our key messages from today

Outstanding performance in 2022

- The Group saw strong financial and operational performance with record profit for the year, £5.8bn of new lending, increased NIM and a class-leading underlying return on equity of 24%
- The credit performance of the Group's loan book remained strong with stable 3 month arrears of 1.1% and an underlying loan loss ratio of 14bps, reflecting our underwriting expertise and a robust rental market
- CET1 ratio of 18.3% remained strong
- Ordinary dividend of 30.5 pence per share, a payout ratio of 30%
- Announced a £50m special dividend, 11.7 pence per share
- Completed £100m share repurchase programme in 2022 and have announced a further £150m programme commencing on 17 March 2023

Outlook

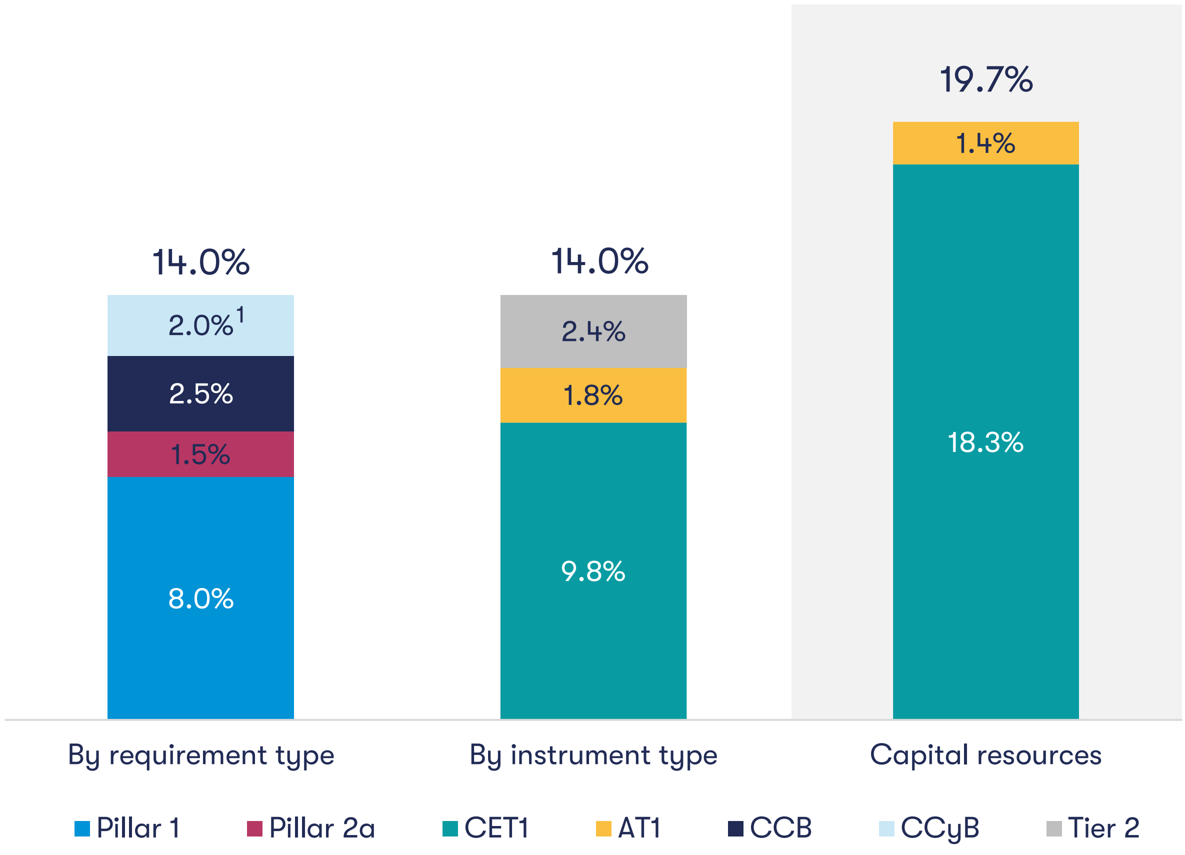
- Overall mortgage market expected to be subdued in 2023
- We are building a healthy pipeline of new business and our track record of retaining customers, attracting new business and working with high quality borrowers allows us to target underlying net loan book growth of c. 5% for 2023
- The underlying NIM for 2023 is expected to be broadly flat to 2022, after the expected impact of Tier 2 and MREL qualifying debt issuance, subject to market conditions
- We expect our underlying cost to income ratio to increase to c. 29% in 2023, due to the significant fair value gains from hedging activities in 2022, continuing inflationary headwinds and the full-year impact of hiring last year and further planned investment in the business

2022 preliminary results appendices

16 March 2023

Components of Group capital

Capital resources and requirements as a percentage of RWAs



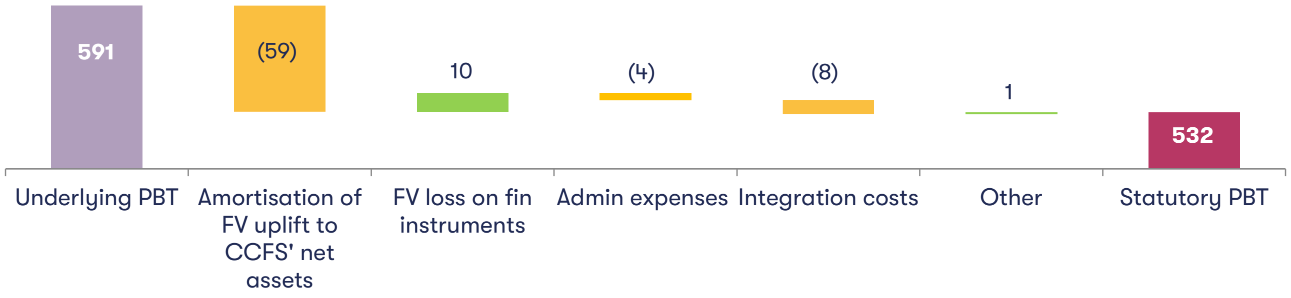
- Capital resources and requirements[1] are as at 31 December 2022. The requirements include standard regulatory buffers (CCB, CCyB[1]) for illustrative purposes
- The Pillar 2a requirement of 1.5% of RWAs includes a static integration add-on of £19.5m
- Current minimum capital requirement of 9.5% (Pillar 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. 0.7% 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
- The Group is subject to an interim MREL requirement of 18% of RWAs from July 2024 with an end-state MREL requirement of two times the sum of Pillar 1 and Pillar 2a from July 2026. Standard regulatory buffers must be held above MREL requirements.

1. CCyB reintroduction of 1% in December 2022 and 2% in July 2023
2. Transitional adjustments relate to FV uplift on CCFS' net , COVID-19 transitional adjustments relating to the ECLs and other IFRS 9 add backs

Strong statutory results

	Statutory P&L			
	2022 £m	2021 £m	Change £m	Change %
Net interest income	709.9	587.6	122.3	21
Fair value gain on financial instruments	58.9	29.5	29.4	100
Gain on sale of loans	-	4.0	(4.0)	(100)
Other operating income	6.6	7.9	(1.3)	(16)
Total income	**775.4**	**629.0**	**146.4**	**23**
Administrative expenses	(207.8)	(166.5)	(41.3)	25
Provisions	1.6	(0.2)	1.8	>100
Impairment of financial assets	(29.8)	4.4	(34.2)	<(100)
Impairment of intangible assets	-	3.1	(3.1)	(100)
Integration costs	(7.9)	(5.0)	(2.9)	58
Exceptional items	-	(0.2)	0.2	(100)
Profit before tax	**531.5**	**464.6**	**66.9**	**14**
Profit after tax	**410.0**	**345.3**	**64.7**	**19**
Basic EPS (pence per share)	90.8	76.0	14.8	19

Reconciliation of underlying to statutory PBT £m



- Net interest income grew 21% to £709.9m largely reflecting growth in the loan book and a higher net interest margin
- Fair value gain of £58.9m on Group's hedging activities primarily due to the step up in swap pricing following September's mini budget
- Impairment charge of £29.8m due primarily to more severe forward looking macroeconomic scenarios, including the potential impact of rising cost of living and borrowing
- Statutory PBT increased by 14% to £531.5m
- Statutory basic EPS increased by 19% to 90.8 pence per share reflecting a lower effective tax rate

Who we are and what we do

Specialist lending business

Underlying net loans to customers

2022: **£23.5bn** (2021: £20.9bn)

Loan book growth of **12%** for 2022

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

Sophisticated funding platform

Underlying retail deposits

2022: **£19.8bn** (2021: £17.5bn)

22 securitisations to date across the Group worth £11.1bn

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

Unique operating model

Underlying cost to income ratio

2022: **25%** (2021: 24%)

Savings customers NPS
+64 for KR +61 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 Mortgages

Gross underlying loan book

2022: **£10.4bn**

2021: £9.0bn

If the case fits the policy then it will work well and you will get a speedy agreement in principle

Buy-To-Let Residential Bridging

'Tailored'

KentReliance for Intermediaries

Gross loan book

2022: **£12.1bn**

2021: £11.0bn

We can make adjustments to our policy to help get the case to fit

Buy-To-Let Residential

'Bespoke'

InterBay Heritable Development Finance

Gross loan book

2022: **£1.2bn**

2021: £1.1bn

Unique to each case, we structure the deal to the specifics of the case

Commercial Semi-commercial

Complex Buy-to-Let Funding lines Asset finance

Residential developmental finance

Our ESG framework

In 2022, the Group continued to formalise its approach to ESG matters through the development of the Group's ESG Strategy and ESG Operating Framework. These are now embedded across the business and will support us along the path to achieving our target of net zero greenhouse gas emissions by 2050[1]

Environment

- 8.1% reduction in Scope 1 carbon emissions in 2022 against 2019 baseline
- completed a Scope 3 emissions materiality assessment to guide our value chain strategy
- £50m pledged as part of the Landlord Leader initiative, which includes products to support landlords in the transition to energy-efficient properties
- 100% of electricity purchased in the UK was from renewable tariffs
- 'Just Transition' was prioritised as a pillar of the Group's ESG strategy

Social responsibility

- exceeded 2,000 colleagues by year end demonstrating our commitment to customers, and ensuring the resilience of the business for the future
- 31% of senior management roles are undertaken by women
- 318 employees were promoted in 2022
- Living Wage employer accreditation
- over £220k was donated to good causes
- launched Landlord Leaders thought leadership, education and awareness campaign

Governance

- established an ESG balanced scorecard which includes greenhouse gas metrics for Scope 1 and 2
- joined a number of collaborative and sector specific initiatives giving the opportunity to remain informed and to have a voice in the development and implementation of regulation, frameworks and guidance

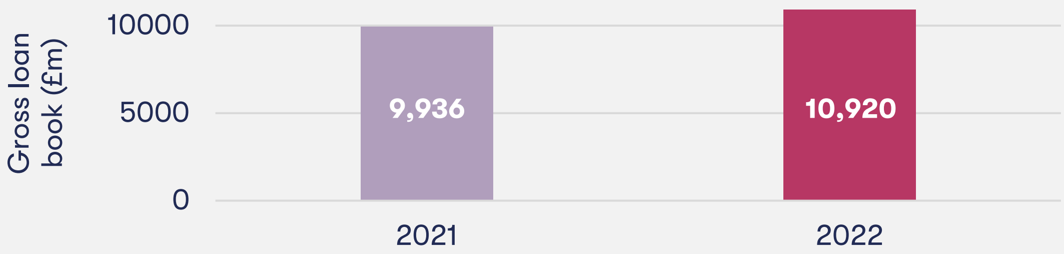
1. Net zero is defined as a reduction in Scope 1, 2, and 3 emissions to zero or to a residual level that is consistent with reaching net Zero emissions at the global or sector level in eligible 1.5°C aligned pathways.

OSB segment results

BTL/SME

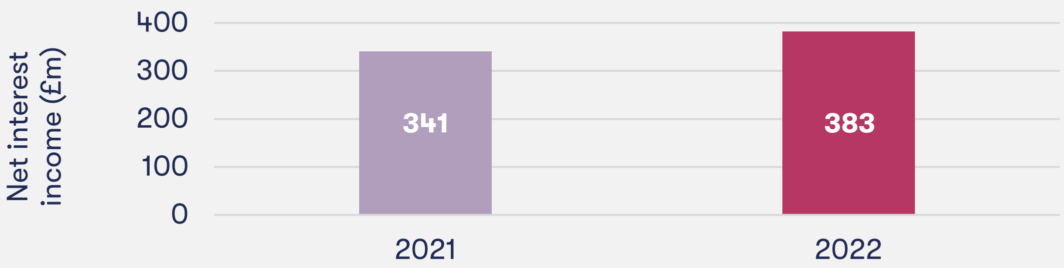
Average book LTV[1] reduced to 63% (2021: 65%) with only 3.2% of loans by value with LTVs exceeding 90% (2021: 2.5%) and average new origination LTV of 73% (2021: 73%).

1. Gross loan book



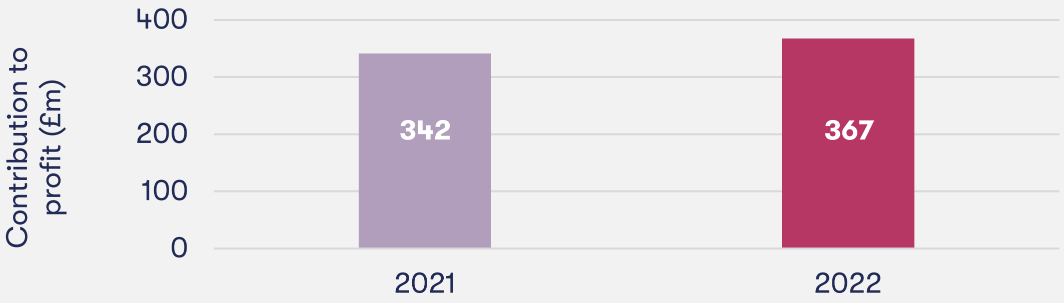
RWA as % of net loans — 47% — 49%

2. Net interest income

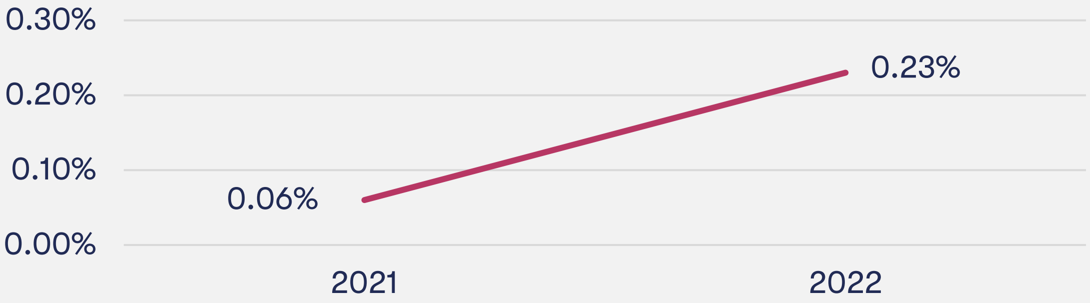


Gross asset yield — 4.6% — 4.8%

3. Contribution to profit[2]



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



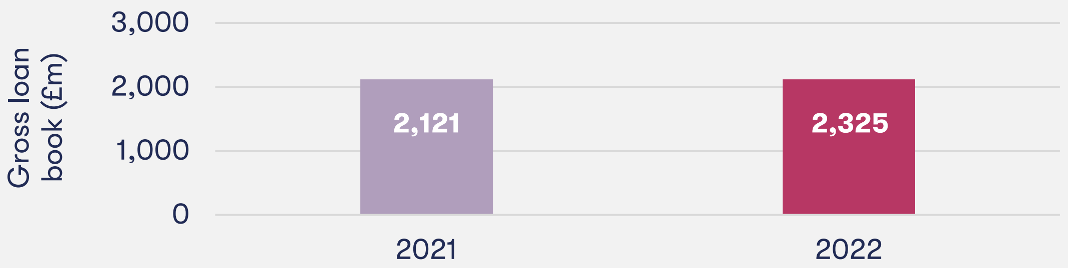
1. Buy-to-Let/SME sub-segment average weighted LTVs include Kent Reliance and InterBay Buy-to-Let, semi- commercial and commercial lending. 2. Total income less impairment losses

OSB segment results

Residential

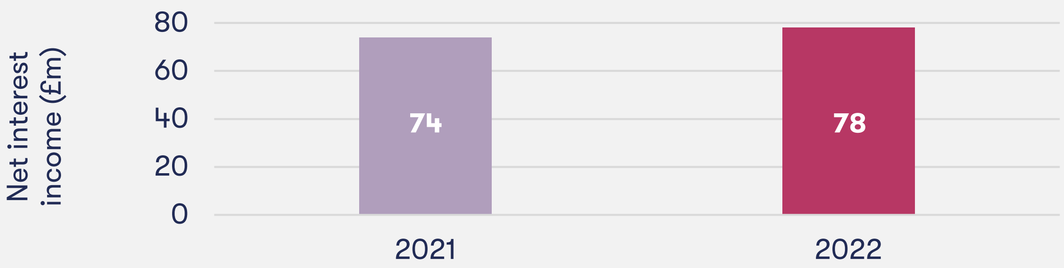
Average book LTV[1] reduced to 45% (2021: 48%) with only 0.8% of loans by value with LTVs exceeding 90% (2021: 0.8%) and average origination LTV increased to 64% (2021: 50%).

1. Gross loan book



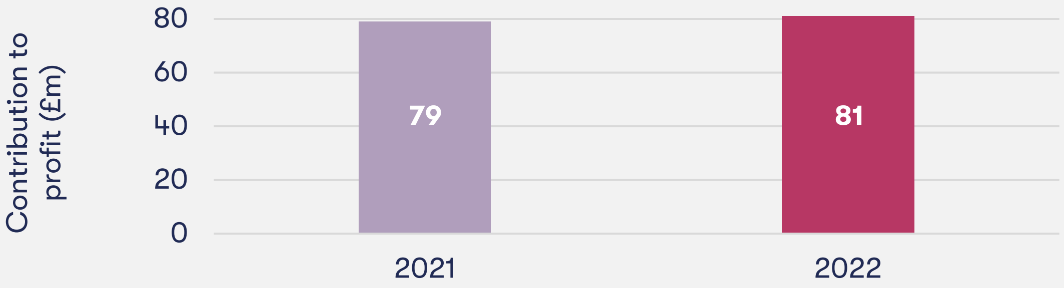
RWA as % of net loans — 45% — 45%

2. Net interest income

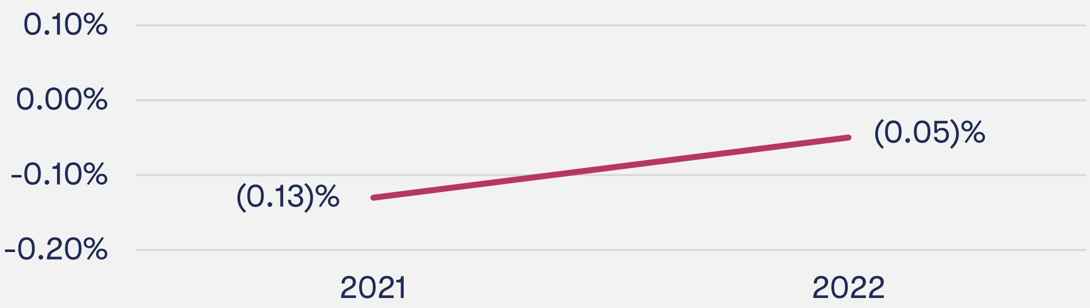


Gross asset yield — 5.1% — 4.9%

3. Contribution to profit[2]



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



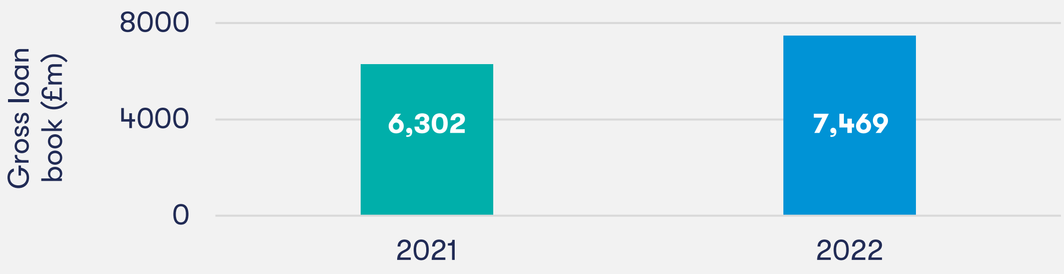
1. Residential sub-segment average weighted LTVs include first and second charge lending1. 2. Total income less impairment losses

CCFS segment results

BTL sub-segment

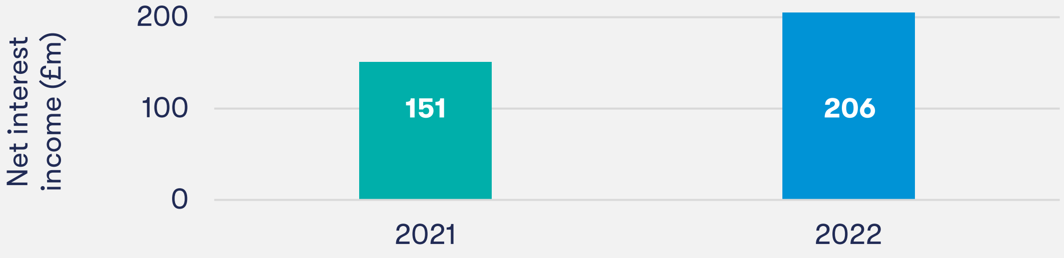
Average book LTV remains low at 66% (2021: 68%), average origination LTV was 73% (2021: 74%).

1. Gross loan book



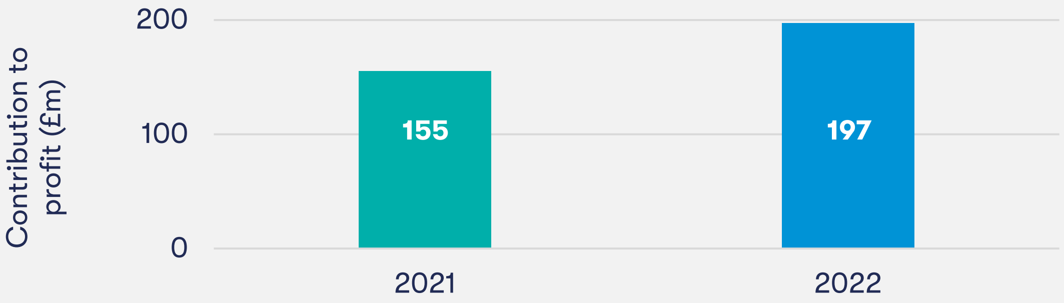
RWA as % of net loans — 37% — 39%

2. Net interest income

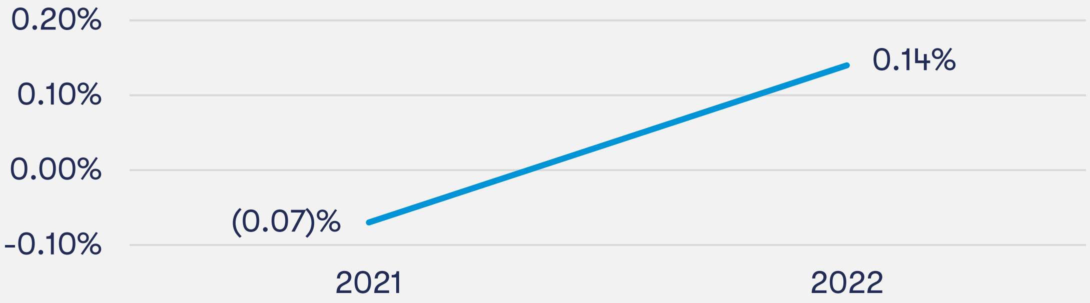


Gross asset yield — 3.5% — 4.0%

3. Contribution to profit[1]



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



1. Total income less impairment losses

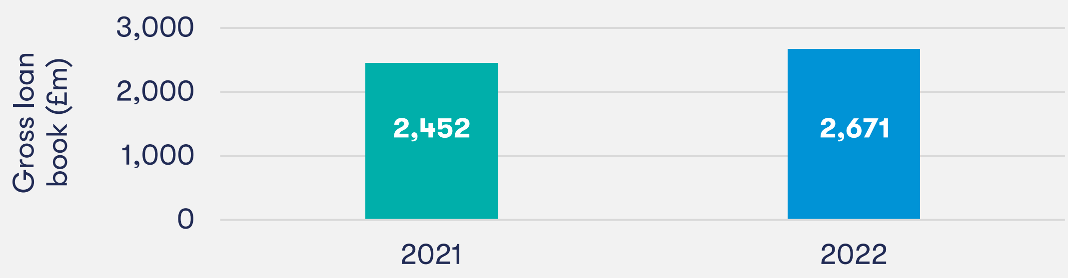
CCFS segment results

Residential sub-segment

Average book LTV reduced to 57% (2021: 59%), average origination LTV was unchanged at 66%.

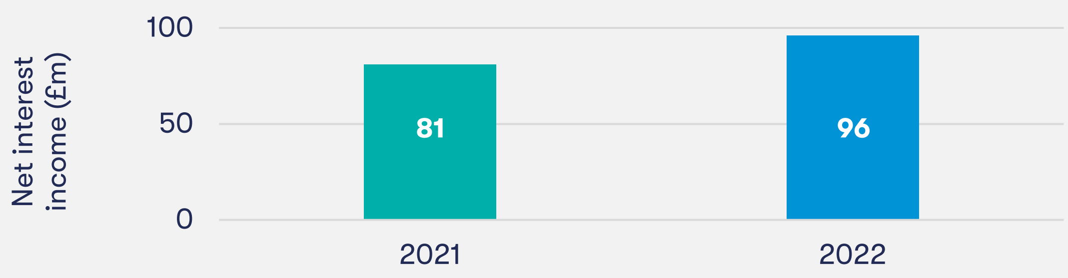
osb Group

1. Gross loan book



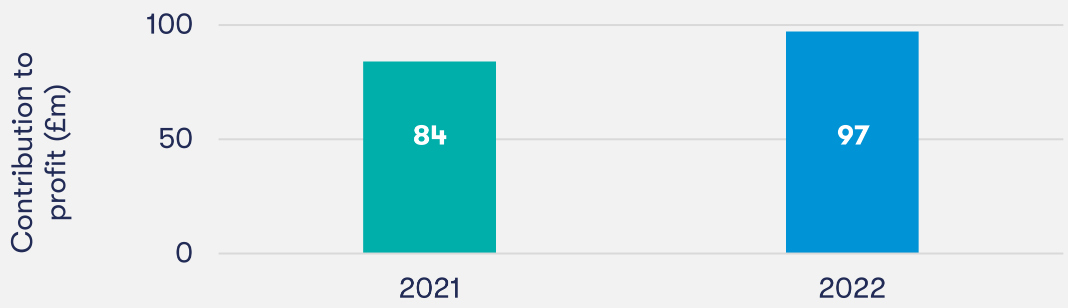
RWA as % of net loans	41%	42%

2. Net interest income

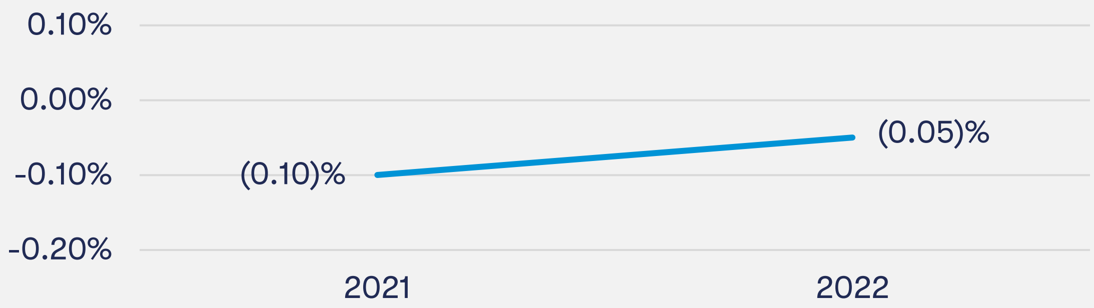


Gross asset yield	4.2%	4.9%

3. Contribution to profit[1]



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

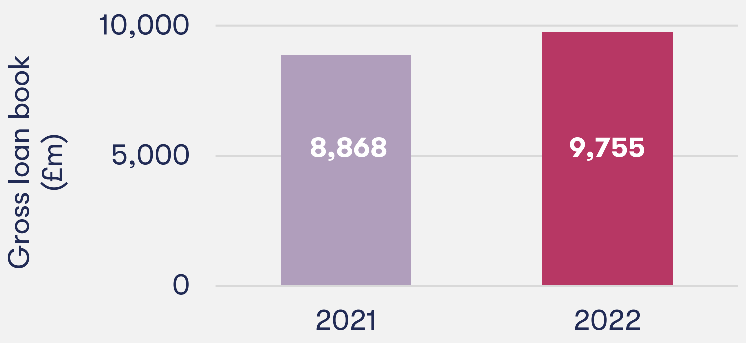


1. Total income less impairment losses

OSB segment results

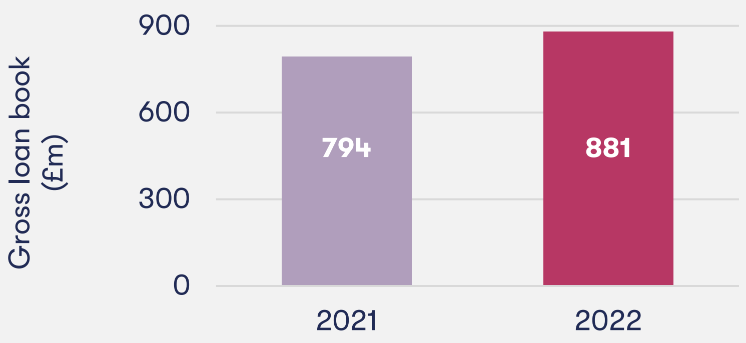
BTL/SME sub segments

1. Buy to let



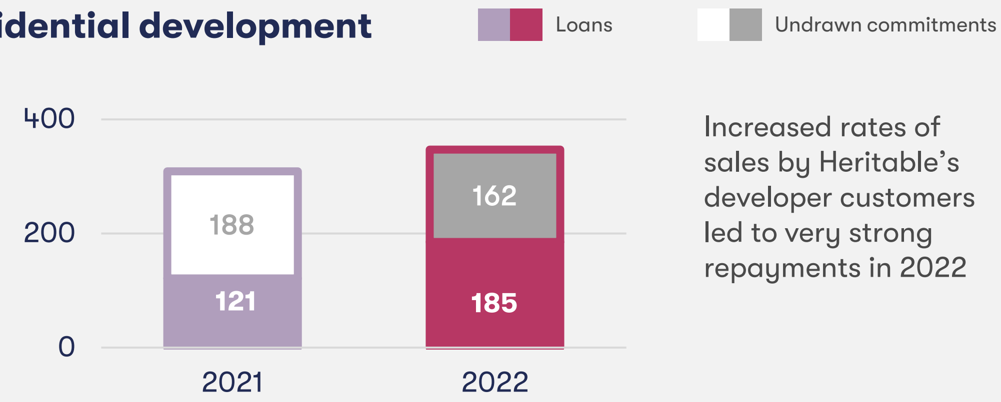
The weighted average interest coverage ratio (ICR) was 207% during 2022 (2021: 199%)

2. Semi-commercial/commercial



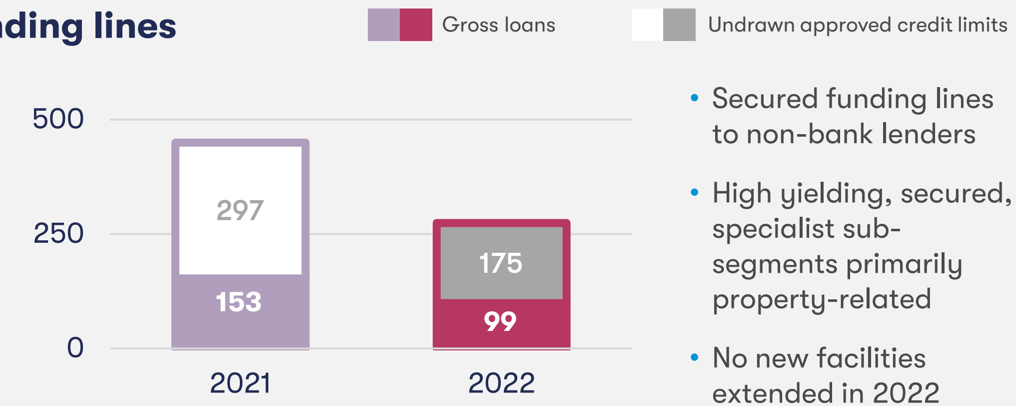
- Weighted average book LTV remained at 69%
- Average loan size £375k (2021: £380k)

3. Residential development



Increased rates of sales by Heritable's developer customers led to very strong repayments in 2022

4. Funding lines

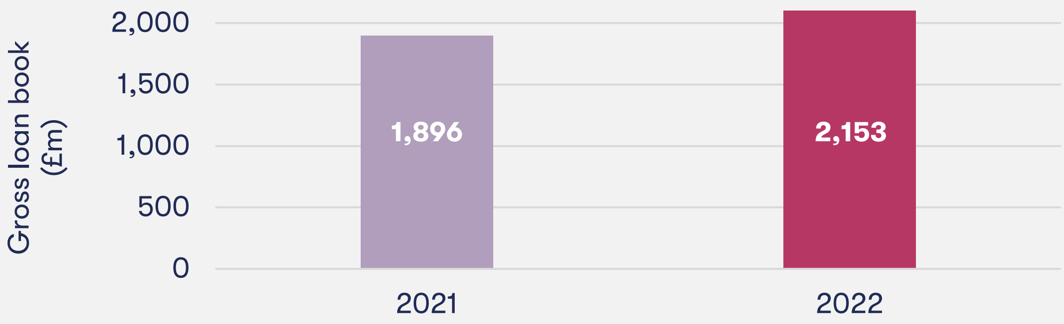


- Secured funding lines to non-bank lenders
- High yielding, secured, specialist sub-segments primarily property-related
- No new facilities extended in 2022

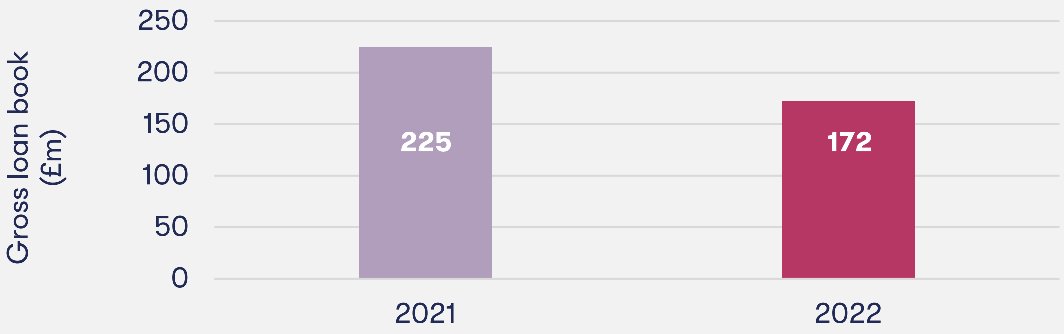
OSB segment results

Residential sub-segments

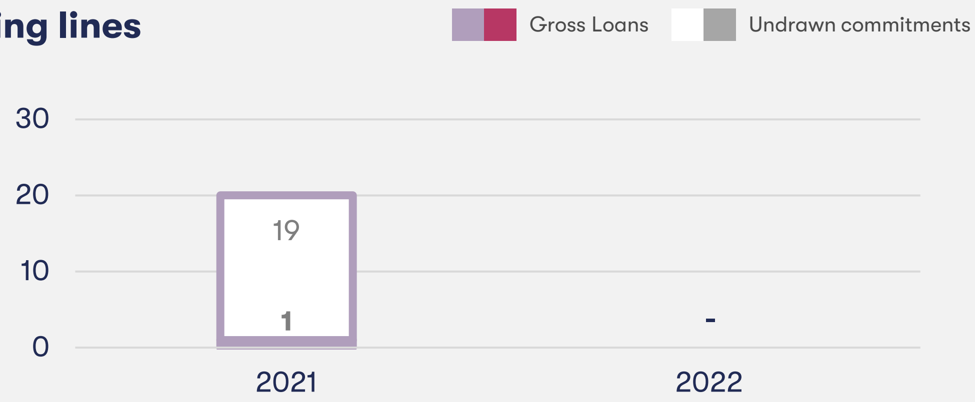
1. First charge mortgages



2. Second charge mortgages



3. Funding lines



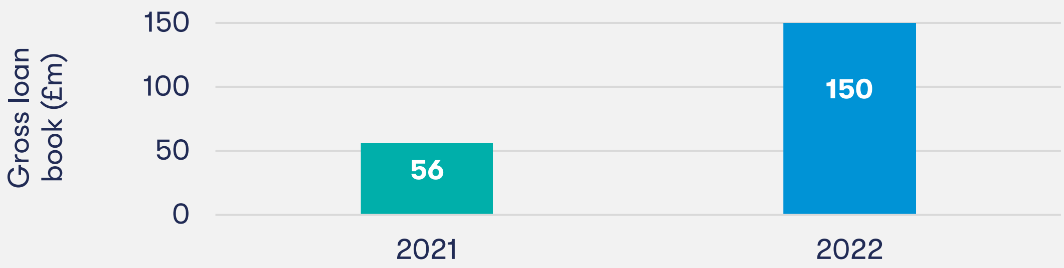
- First charge gross loan book increased by 14% as the Group relaunched its residential proposition under the Kent Reliance brand introducing a new range for complex prime borrowers
- OSB's second charge book is in run-off
- OSB provided no secured funding lines with the final exposure repaid during the year

CCFS segment results

Bridging

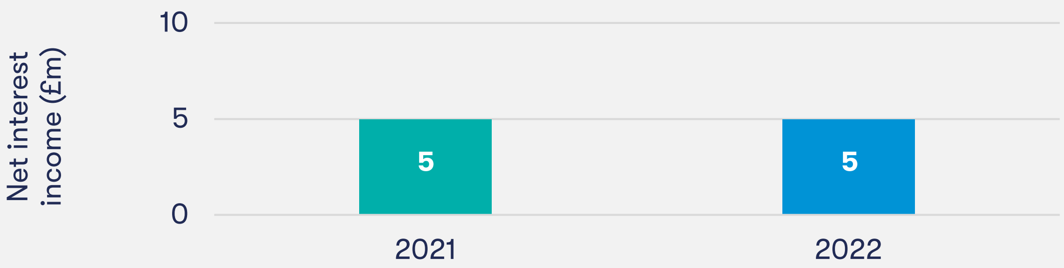
Continued improvement in bridging products offering, including a relaunched and rebranded refurbishment product in April 2022

1. Gross loan book



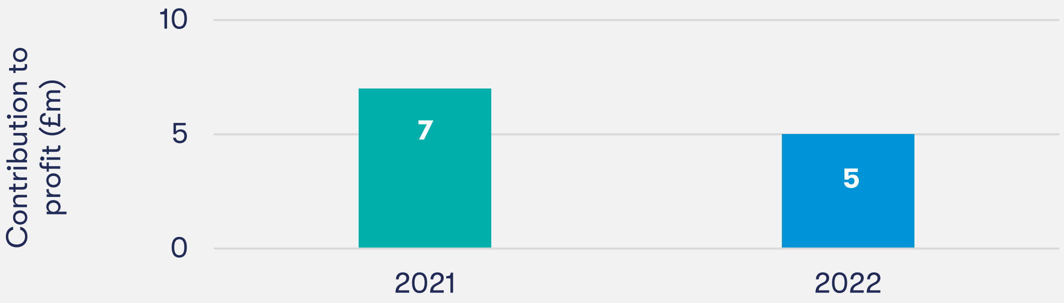
RWA as % of net loans — 52% — 48%

2. Net interest income

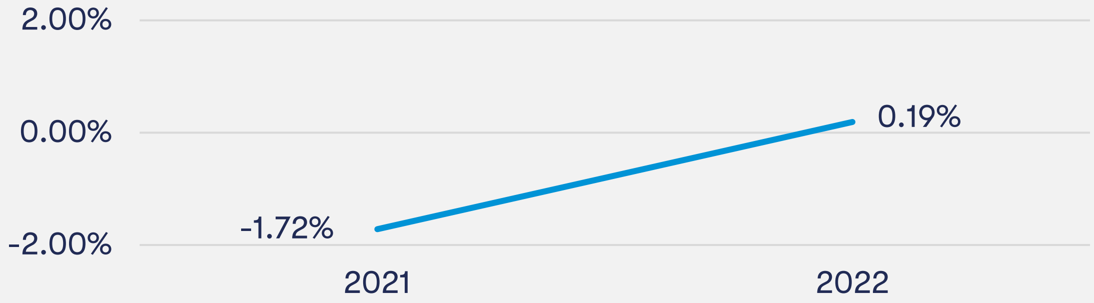


Gross asset yield — 7.3% — 6.4%

3. Contribution to profit[1]



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



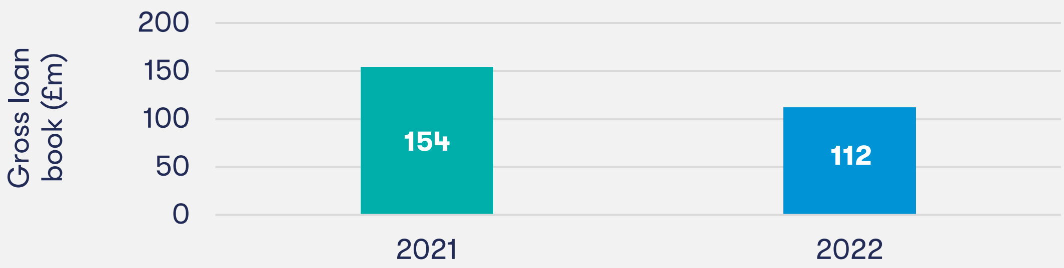
1. Total income less impairment losses

CCFS segment results

Second charge

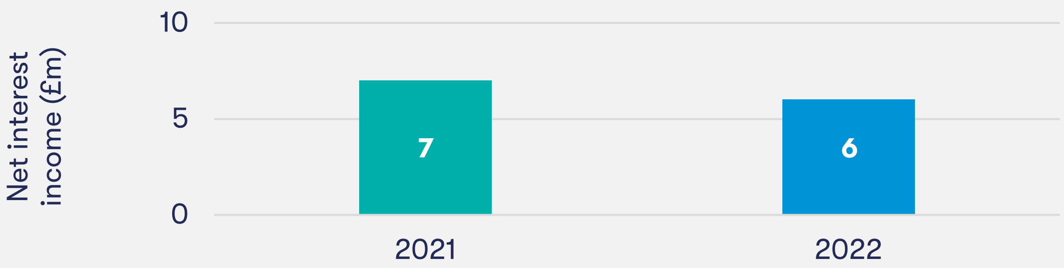
Second charge products were withdrawn in August 2022

1. Gross loan book



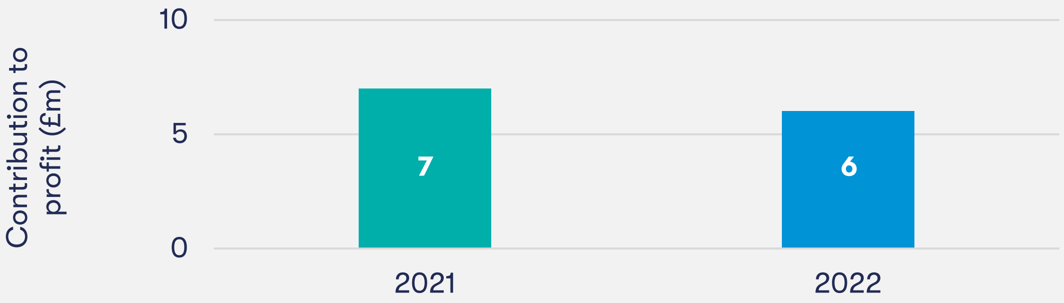
RWA as % of net loans — 41% — 41%

2. Net interest income

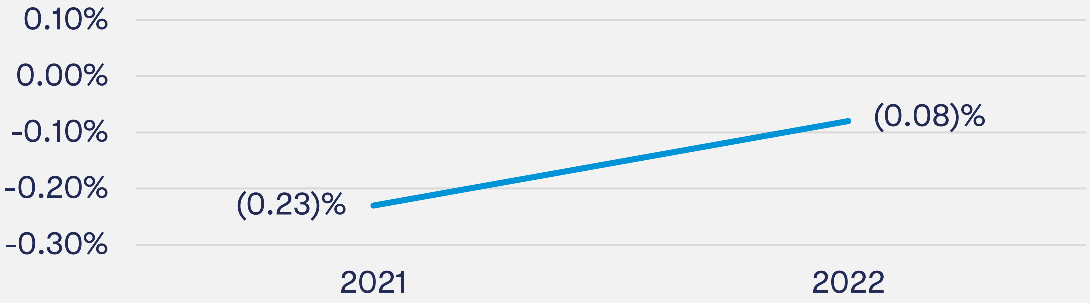


Gross asset yield — 4.5% — 5.8%

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 %				
Scenario	**Probability weighting %**	**Economic measure**	**Year end 2022**	**Year end 2023**	**Year end 2024**	**Year end 2025**	**Year end 2026**
Base case	40	GDP	4.3	(0.7)	1.8	2.7	2.1
		Unemployment	3.7	4.7	4.2	3.9	3.8
		House price growth	9.0	(9.0)	(3.4)	2.8	5.8
		CPI	10.7	3.4	2.0	1.6	1.2
		Bank base rate	2.8	4.0	3.6	2.6	1.8
Upside	30	GDP	4.6	1.9	2.9	3.4	2.2
		Unemployment	3.6	4.2	4.0	3.7	3.7
		House price growth	10.6	(6.7)	(1.3)	4.4	5.6
		CPI	11.0	4.7	2.9	1.4	1.1
		Bank base rate	3.0	5.3	4.8	3.4	2.3
Downside	20	GDP	3.7	(4.4)	1.0	2.4	2.1
		Unemployment	4.2	6.3	7.0	7.0	6.7
		House price growth	6.8	(14.4)	(8.0)	(1.2)	6.1
		CPI	10.2	1.6	1.5	1.8	0.8
		Bank base rate	2.9	3.8	3.1	1.9	1.3
Severe downside	10	GDP	3.2	(7.5)	0.1	1.9	2.1
		Unemployment	4.3	6.8	7.6	7.6	7.2
		House price growth	5.0	(18.6)	(12.1)	(5.0)	6.5
		CPI	9.5	0.7	0.9	2.1	0.5
		Bank base rate	2.6	2.8	2.0	0.6	0.5

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OSB GROUP PLC 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 the Group is most directly able to influence or are relevant for an assessment of the Group. 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 Alternative performance measures section in the OSBG 2021 Annual Report and Accounts. Copies of this are available at www.osb.co.uk and on request from OSBG.

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