# Interim results 2023

OSB Group 2023 interim results
10 August 2023

# Results for the first half of 2023

## Financial performance

- The Group achieved an underlying profit before tax of £116.6m, or £297.3m excluding the EIR adjustment
- The net loan book grew by 4% supported by £2.3bn of new lending, or 5% excl. the EIR adjustment
- Underlying net interest margin reduced to 203bps, after an 130bps impact from the EIR adjustment
- Underlying return on equity of 8%, or 22% excl. the EIR adjustment

## Our lending franchise

- Gross organic lending increased 2% to £2.3bn
- Ranked fourth largest[1] Buy-to-Let lender in terms of gross new lending in 2022
- Continuing demand across the Group's core residential and Buy-to-Let sub-segments
- InterBay commercial brand new lending more than doubled
- Retention[2] particularly strong, 75% of Kent Reliance BTL borrowers and 59% of Precise

## Strong credit and risk management

- Group's balances over three months in arrears broadly stable at 1.2% (FY 2022: 1.1%)
- Underlying loan loss ratio of 37bps representing an underlying impairment of £44.5m
- The impairment charge reflected moderation in house prices, a worsening macroeconomic outlook and modelled IFRS 9 stage migration

## Strong liquidity and capital position

- Highly liquid with Group LCR at 196%, supported by strong growth in retail savings at attractive swap costs
- Raised £250m of MREL qualifying Tier 2 debt in April
- CET1 strong at 15.7%, with a total capital ratio of 19.2%
- Repurchased £107.2m worth of shares under the £150m share repurchase programme
- Declared interim dividend of 10.2 pence per share in line with the Group's stated policy
- Targeting a CET1 ratio of 14% once the capital composition has been optimised fully through MREL qualifying debt issuance

## Outlook for 2023

- Based on our current pipeline and application volumes, we expect underlying net loan book growth of c.7% for 2023
- Underlying NIM for H2 2023 expected to be broadly flat to 2022, resulting in a full year underlying NIM of c.2.6% after the expected impact of further planned MREL qualifying debt issuance, subject to market conditions
- Underlying cost to income ratio expected to be c.29% for H2 and c.33% for the full year

1. UK Finance, Annual ranking of mortgage lenders, July 2023

2. Mortgaged with the respective brand within 3 months post their fixed term ending

# Financial highlights - statutory

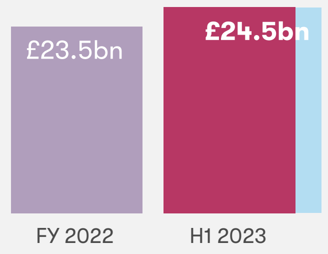

The Board has declared an interim dividend of 10.2 pence per share representing 1/3 of the total 2022 ordinary dividend, in line with the Group's stated policy

Group statutory H1 2023

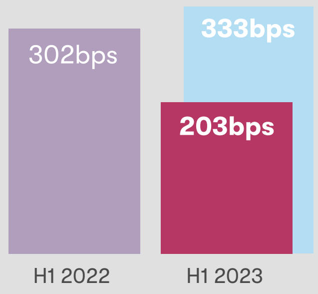
Group statutory H1 and FY 2022

# Financial highlights – underlying and excluding the adverse EIR adjustment

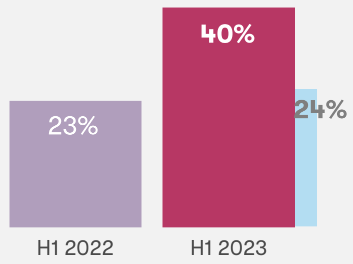
### Net loan book




### Net interest margin

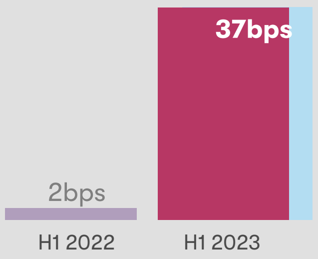



### Cost to income ratio

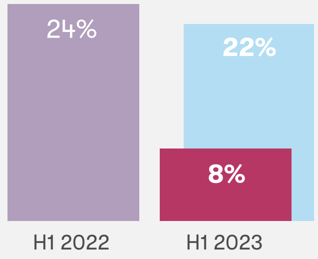



The Board has declared an interim dividend of 10.2 pence per share representing 1/3 of the total 2022 ordinary dividend, in line with the Group's stated policy

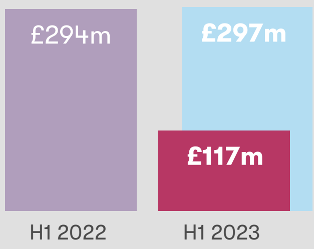
### Loan loss ratio



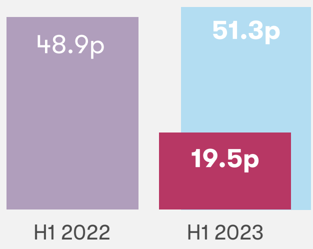

### Return on equity




### Profit before tax




### **Basic EPS** (pence per share)



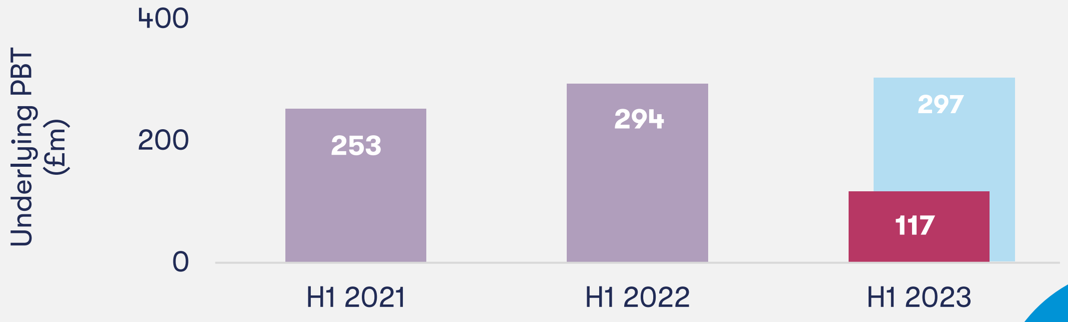

Group underlying H1 2023

Group underlying H1 and FY 2022

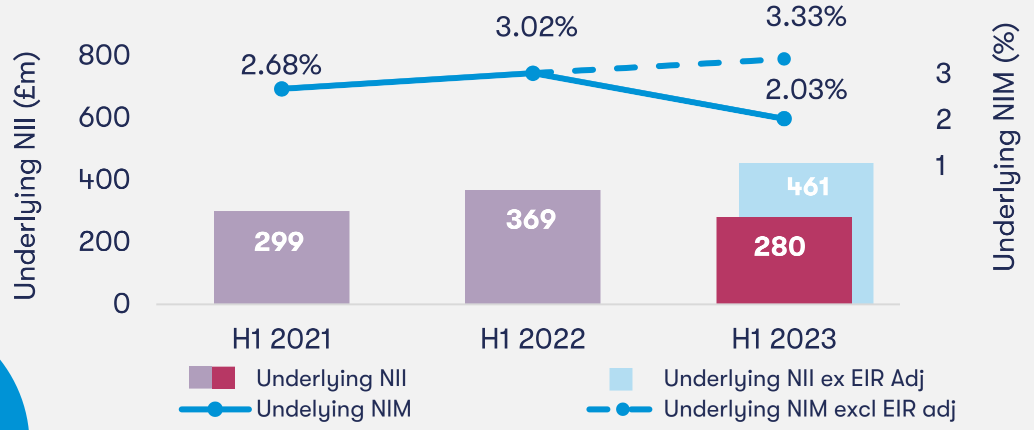
Group underlying H1 2023 excluding the adverse EIR adjustment

# Attractive underlying fundamentals

### 1. Profit before tax

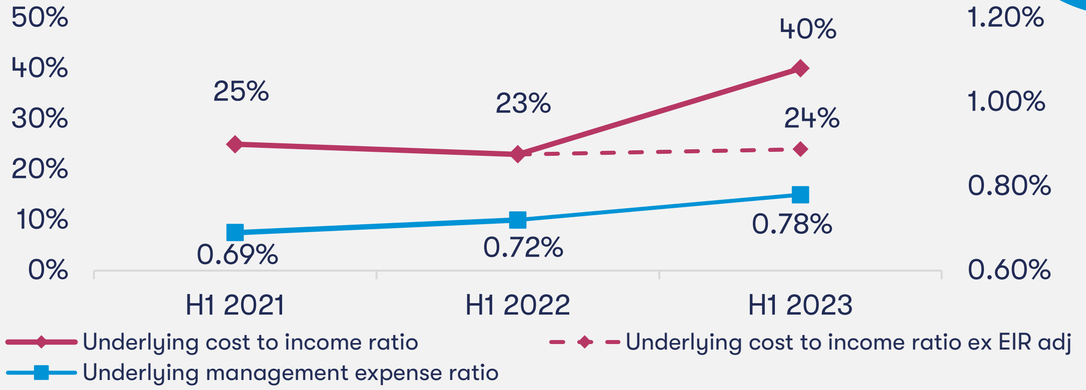



### 2. NII and NIM

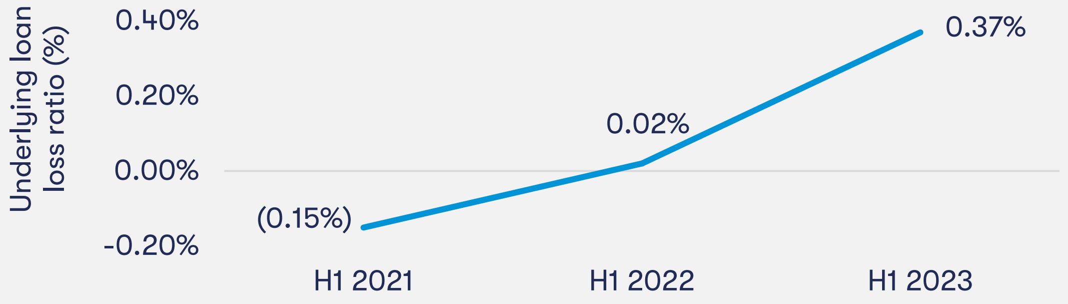



H1 2023 underlying RoE of **8%, 22%** excl. EIR

### 3. Cost discipline and efficiency




### 4. Credit performance



# Results for the first half of 2023

| | Underlying P&L[1] | | | |
|---|---|---|---|---|
| | H1 2023 £m | H1 2022 £m | Change £m | Change % |
| Net interest income | 280.3 | 369.2 | (88.9) | (24) |
| Net fair value (loss)/gain on financial instruments | (12.1) | 11.1 | (23.2) | <(100) |
| Other operating income | 2.7 | 3.7 | (1.0) | (27) |
| Total income | 270.9 | 384.0 | (113.1) | (29) |
| Administrative expenses | (109.2) | (89.1) | (20.1) | (23) |
| Provisions | (0.6) | 1.2 | (1.8) | <(100) |
| Impairment of financial assets | (44.5) | (2.0) | (42.5) | >(100) |
| Profit before taxation | 116.6 | 294.1 | (177.5) | (60) |
| Profit after taxation | 87.9 | 223.3 | (135.4) | (61) |
| Basic EPS (pence per share) | 19.5 | 48.9 | 29.4 | (60) |

- Underlying NII 24% lower with the benefit of loan book growth and improving margin more than offset by the adverse EIR adjustment relating to Precise Mortgage customers spending less time on the higher reversionary rate
- Fair value loss on financial instruments of £12.1m primarily due to hedge ineffectiveness, partially offset by gains on mortgage pipeline swaps
- Administrative expenses increased by 23% largely due to the impact of inflation and planned investment in people and operations
- Impairment charge of £44.5m was primarily due to moderation in house prices and worsening macroeconomic outlook as well as modelled IFRS 9 stage migration
- Underlying PBT decreased by 60%, reflecting the adverse EIR adjustment
- Underlying EPS was 19.5 pence per share, after the EIR adjustment

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

# Strong, secure balance sheet

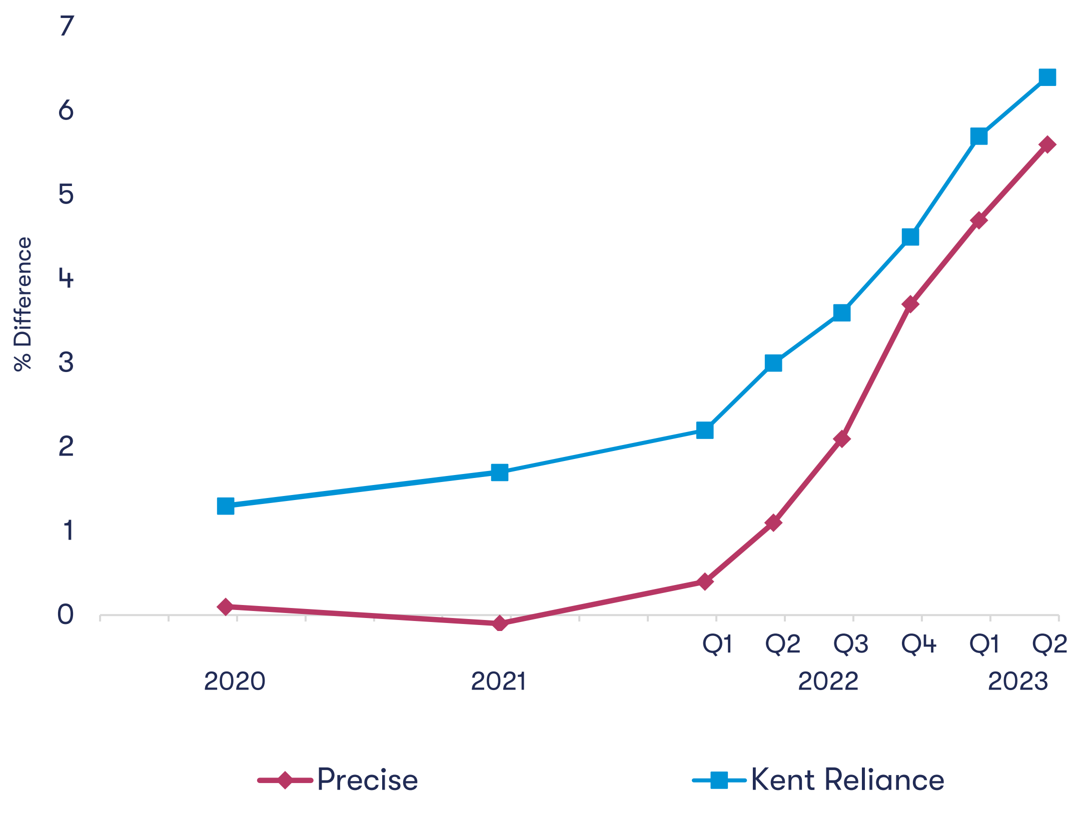
| | H1 2023 | FY 2022 | Change | |
|---|---|---|---|---|
| **Lending** | **£m** | **£m** | **£m** | **%** |
| Statutory net loans and advances to customers | **24,587** | 23,613 | 974 | 4 |
| Expected credit losses | **(172)** | (130) | (42) | 32 |
| **Funding and liquidity** | | | | |
| Customer deposits | **20,714** | 19,756 | 958 | 5 |
| Debt securities in issue | **458** | 266 | 192 | 72 |
| Term Funding for SMEs | **4,249** | 4,232 | 17 | - |
| Indexed Long-Term Repo | **-** | 301 | (301) | (100) |
| Liquid assets | **3,966** | 3,779 | 187 | 5 |

| | OSB | | CCFS | |
|---|---|---|---|---|
| | **H1 2023** | **FY 2022** | **H1 2023** | **FY 2022** |
| 3 months + in arrears (%) | **1.3** | **1.2** | **1.0** | **0.9** |
| Interest coverage ratios (BTL origination) (%) | **178** | **207** | **154** | **191** |
| **Average book LTV (%):** | | | | |
| - Buy-to-Let | **65** | **62** | **67** | **66** |
| - Residential | **47** | **45** | **58** | **57** |

- Statutory and underlying net loan book growth of 4%, or 5% excluding the EIR adjustment, supported by strong organic originations of £2.3bn
- Strong credit quality with Group's 3 months plus in arrears balances broadly stable at 1.2% (FY 2022: 1.1%)
- Weighted average ICR for Buy-to-Let origination demonstrates a prudent approach to assessment of customer affordability
- Weighted average LTVs increased marginally, reflecting house price moderation; weighted average Group book LTV was 63% (FY 2022: 60%) and 68% for new business written across the Group in the period (H1 2022: 71%)

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

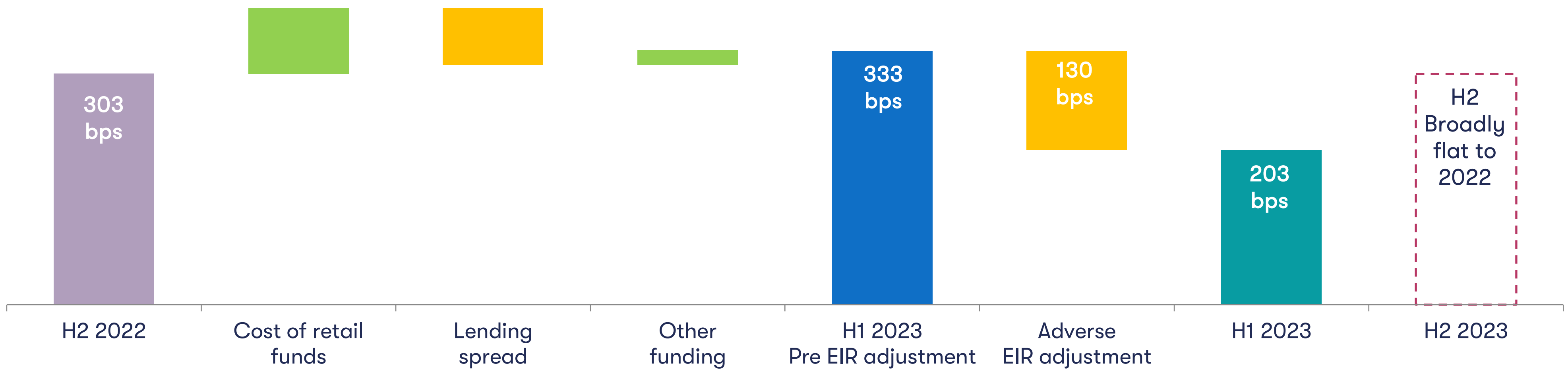
Average difference between fixed and reversion rates at the end of the initial fixed rate term for Precise and Kent Reliance borrowers - 5 year fixed Buy-to-Let products




1. including pricing, swap spreads, cost of funds and product mix

- 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, 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 of c.12 months in the weighted average number of months Precise borrowers, who reach the end of their fixed term are expected to spend on the reversion rate before refinancing, to c.5 months as at 30 June 2023
- The reduction in the expected time spent on reversion by Precise customers, resulted in an adverse underlying EIR adjustment of £178.0m in the first half of 2023. Other Group EIR adjustments totalled £2.7m in H1
- Assuming 12 months less on reversion for Precise borrowers, and keeping all other assumptions[1] unchanged, leads to a reduction of 11bps in the Group's NIM for new origination based on applications in June
- The sensitivity to the period spent on the reversion rate for Precise customers of +/- 3 months is +/-c.£70m to underlying NII (statutory +/-£80m). This sensitivity will increase/decrease as BBR rises/falls
- The appendix on page 17 presents the evolution of the Precise EIR asset/liability since the merger and the amount recognised through interest income in each period

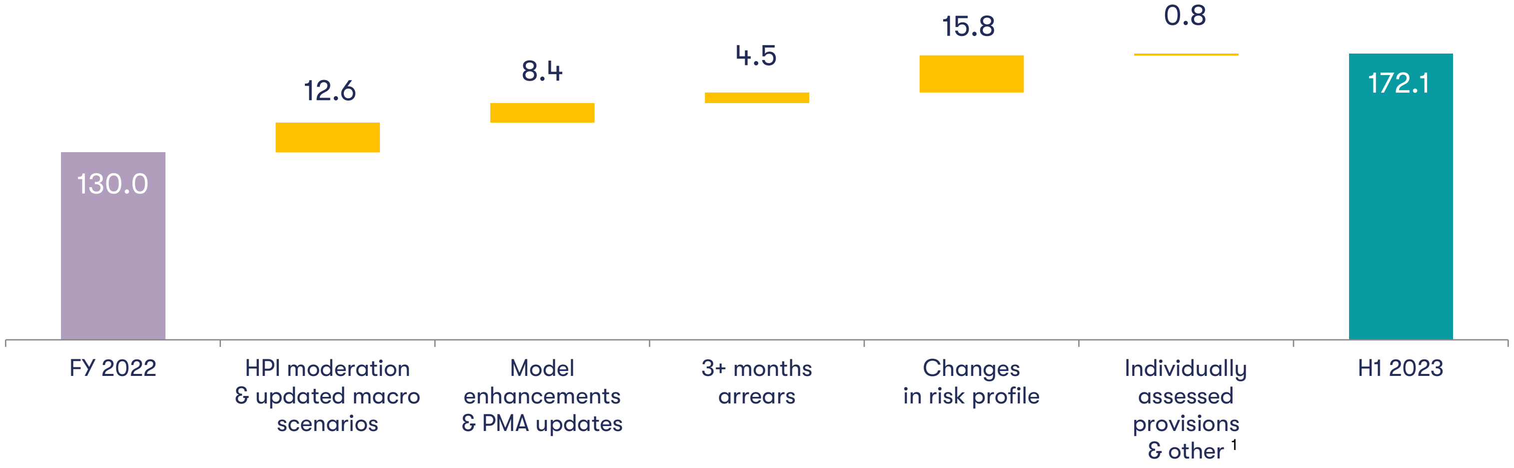
# NIM waterfall




- Underlying NIM reduced by 99bps to 203bps versus the first half of 2022, with the benefit of base rate rises, more than offset by the adverse EIR adjustment which accounted for 130bps
- 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 volatile swap spreads
- Other funding primarily related to the benefit of favourable swap margin calls and favourable funding mix
- **Underlying NIM for the second half of 2023 is expected to be broadly flat to 2022, resulting in a full year NIM of c.2.6% after the expected impact of further planned MREL qualifying debt issuance, subject to market conditions**

# Impairment provisions

## Expected credit losses £m



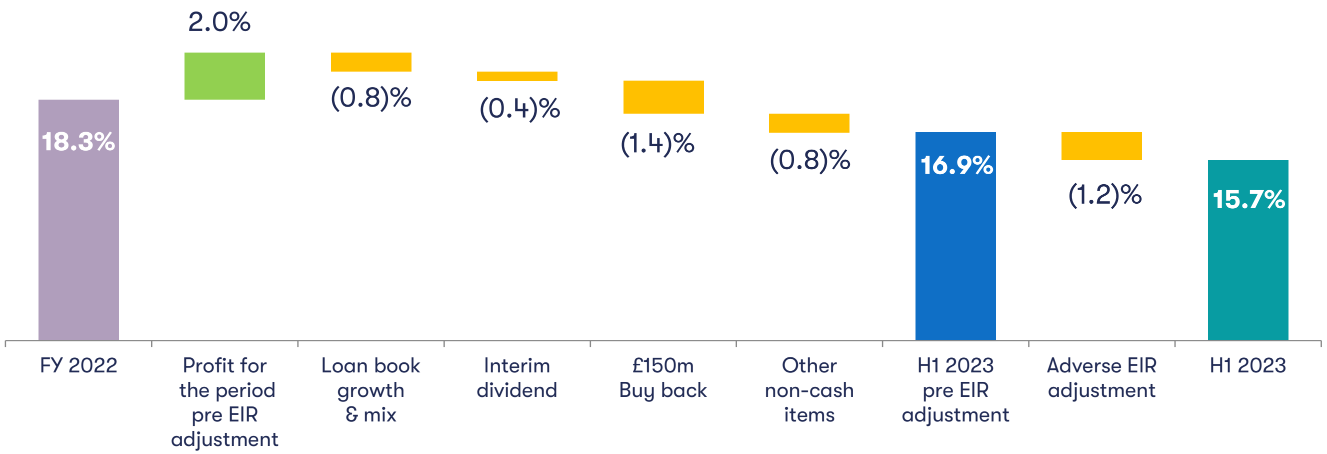

| **As at 30 June 2023** | Gross carrying amount (£m) | Expected credit losses (£m) | Coverage ratio % |
|---|---|---|---|
| Stage 1 | **18,909.7** | **18.7** | 0.10% |
| Stage 2 | **5,175.9** | **66.7** | 1.29% |
| Stage 3 + POCI | **658.2** | **86.7** | 13.17% |
| Total | **24,743.8** | **172.1** | **0.70%** |
| **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 £42.1m. The main components of this change were:
  - £12.6m increase reflecting £9.7m due to house price moderation as well as the adoption of more severe forward-looking macroeconomic scenarios
  - £8.4m increase due to enhancements in models and post-model adjustments primarily to account for the potential impact of rising cost of borrowing
  - £4.5m increase recognised for accounts with 3+ months arrears
  - £15.8m related to the change in the credit profile of borrowers as they transitioned through modelled IFRS 9 impairment stages, predominantly stage 1 to stage 2
  - £0.8m increase including a small number of individually assessed accounts, net of writes offs and other items
- See the Appendix for the macroeconomic scenarios

1. Excludes £3.8m of write-offs. May not cast due to rounding

# Strong capital base

## CET1 ratio

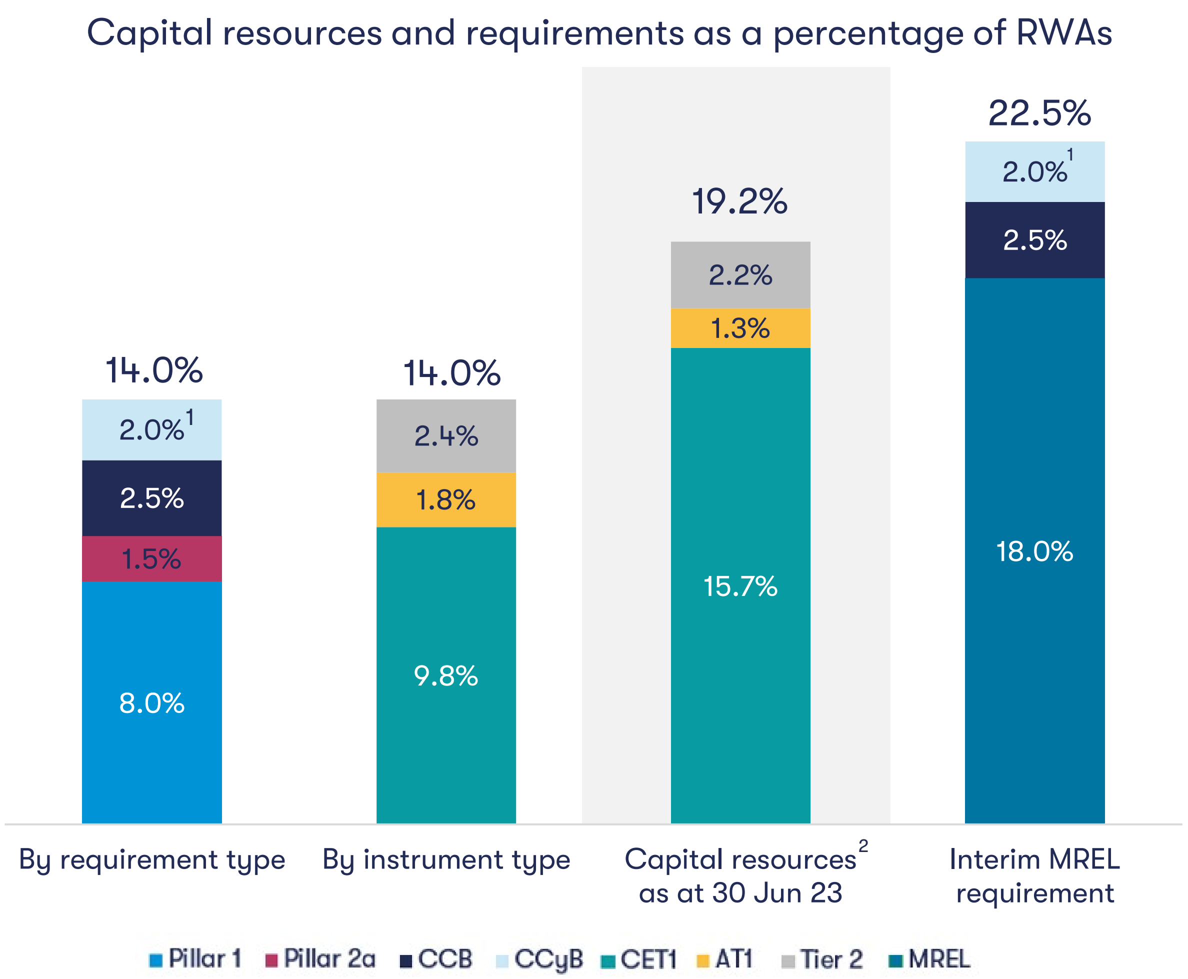



| Capital | H1 2023 | FY 2022 | Change |
|---|---|---|---|
| Risk weighted assets (RWAs) £m | **11,354** | 10,495 | **8%** |
| RWAs as % of total assets | **39** | 38 | **1pt** |
| Common equity tier 1 ratio % | **15.7** | 18.3 | **(260)bps** |
| Total capital ratio % | **19.2** | 19.7 | **(50)bps** |
| 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

- 4% net loan book growth in H1 2023
- Interim dividend per share of 10.2 pence (H1 2022: 8.7 pence) representing one third of the total 2022 ordinary dividend
- CET1 ratio remained strong at 15.7% and included the impact of the full £150m share repurchase programme announced in March and the adverse EIR adjustment
- The Group is targeting a CET1 ratio of 14% once the capital stack has been optimised fully through MREL qualifying debt issuance over the next 2 years, subject to market conditions
- Non cash items include: amortisation of FV uplift on CCFS' net assets; reversal of IFRS 9 transitional relief; adjustments to counterparty credit and CVA RWAs on securitisation SPV swap books; & other

# Components of Group capital

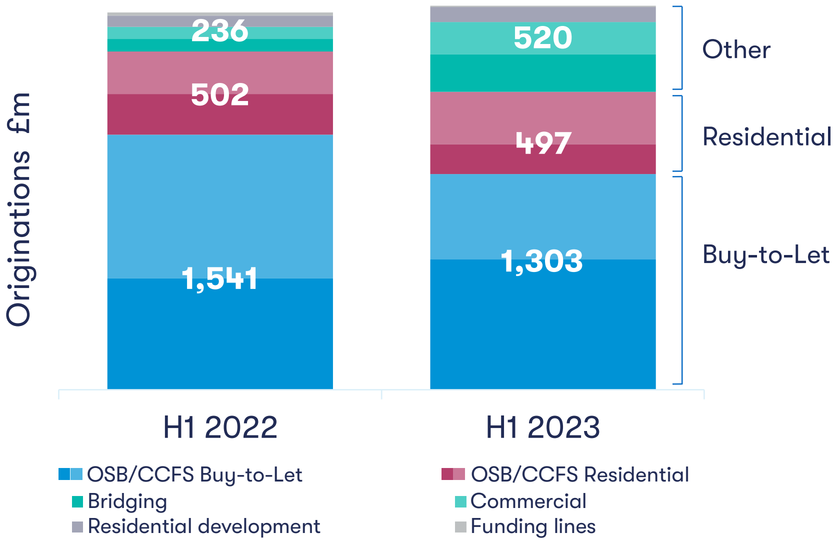



- Capital resources and requirements[1] are as at 30 June 2023. The requirements include standard regulatory buffers (CCB, CCyB[1]) for illustrative purposes
- The Pillar 2a requirement of 1.5% of RWAs includes a static integration add-on of £19.5m
- Current minimum capital requirement of 9.5% (Pillar 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.0.2% of remaining IFRS 9 transitional relief which will amortise over time[3]
- 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
- 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
- Two benchmark sized MREL eligible debt issuances anticipated ahead of the July 2024 interim deadline

1. CCyB reintroduction of 2% in July 2023 2. May not cast due to rounding 3. 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

## Resilient originations in H1 2023




**Net loan book up 4% for H1 2023, 5% excl. EIR**

- Strong demand for the Group's lending products, especially in the first quarter of the year, as borrowers took advantage of more attractive mortgage rates available at that time
- Refinancing particularly strong, 59% of Kent Reliance BTL completions and 53% of Precise
- Ranked fourth largest[1] Buy-to-Let lender in terms of gross new lending in 2022
- Increased originations in commercial and semi-commercial as the Group benefited from a new set of products launched earlier in the year under the InterBay brand

### Strong security

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

OSB: **178%** CCFS: **154%**

### Good retention

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

OSB: **75%** CCFS: **59%** choosing a new product within 3 months.

### Well-positioned

Professional landlords accounted for **91%** of OSB BTL completions by value in 2022 (H1 2022: 83%).

Limited company mortgages represented **86%** of Kent Reliance and **65%** of Precise completions.

2023 Mortgage Club Awards Winner Best Specialist Lender Legal & General

Crystal Ball Awards WINNER BUY TO LET LENDER OF THE YEAR 2022

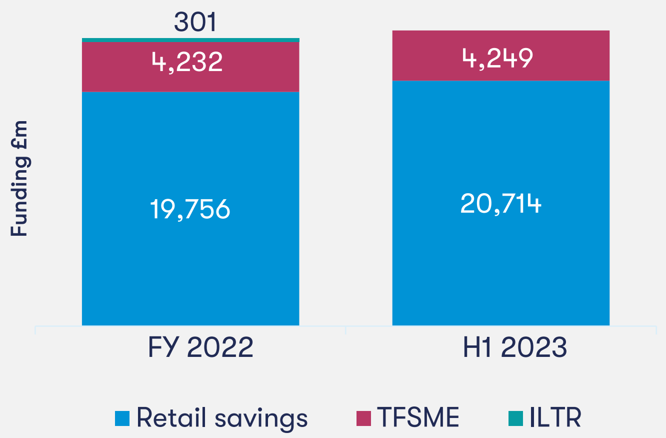
1. UK Finance, Annual ranking of mortgage lenders, July 2023

# Sophisticated funding platform

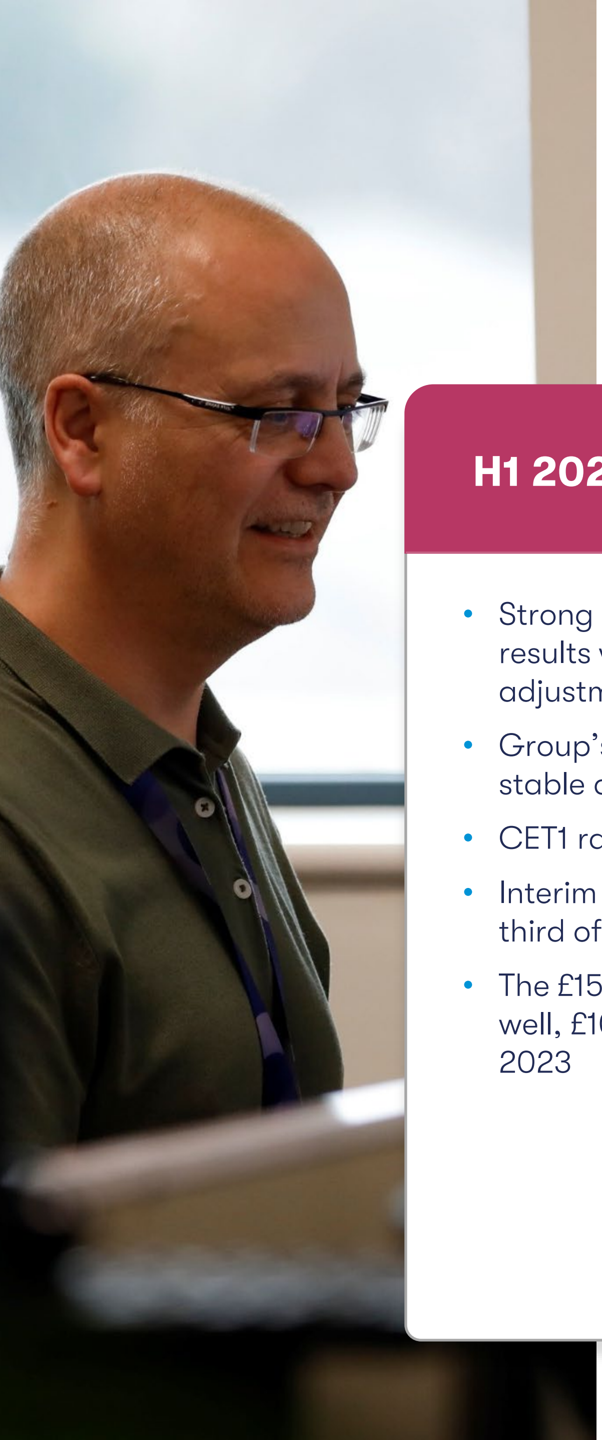
The Group remains predominantly retail funded with £20.7bn of retail deposits, up 5% in the first six months of 2023

| | Attract | Retain | Satisfy |
|---|---|---|---|
| | Continue to attract new savings customers<br>New savings accounts opened in H1: | Retained a very high percentage of customers with maturing fixed rate bonds and ISAs: | High quality of customer service - with strong NPS: |
| KentReliance | c.25k | 90% | +71 |
| Charter Savings Bank | c.61k | 87% | +60 |
| | Best notice account savings provider | Best fixed rate savings provider | ISA provider of the year |

Retail savings complemented by increasingly diversified funding sources:




- Drawings under the Term Funding Scheme for SMEs unchanged at £4.2bn
- Completed CMF 2023-1 in June, a £330m transaction of prime residential mortgages



# Summary and outlook

## Our key messages from today

### H1 2023 performance

- Strong operational performance, however our financial results were significantly impacted by the adverse EIR adjustment
- Group's balances over three months in arrears broadly stable at 1.2% (FY 2022: 1.1%)
- CET1 ratio of 15.7% remained strong
- Interim dividend of 10.2 pence per share, representing one-third of the total 2022 ordinary dividend
- The £150m share repurchase programme is progressing well, £107.2m worth of shares repurchased by 9 August 2023

### Outlook

- We remain cognisant of the uncertain macroeconomic outlook and the potential impact of the higher cost of living and borrowing on the mortgage market and customer affordability
- Based on our current pipeline and application volumes, we expect underlying net loan book growth of c.7% for 2023
- Underlying NIM for H2 2023 expected to be broadly flat to 2022, resulting in a full year NIM of c.2.6% after the expected impact of further planned MREL qualifying debt issuance, subject to market conditions
- Underlying cost to income ratio expected to be c.29% for H2 2023 and c.33% for the full year

# 2023 interim results appendices

10 August 2023

# Further supporting information in respect of the EIR adjustment

The Bank of England raised the UK's base rate (BBR) 12 times from the start of 2022 through to 30 June 2023, as summarised in Table 1 below. The interest rate outlook was also volatile across the same period and Table 2 below shows the futures implied BBR peak since 30 June 2021 by quarter.

Table 1

| Date changed | Base rate<br>% |
|---|---|
| December 2021 | 0.25 |
| February 2022 | 0.50 |
| March 2022 | 0.75 |
| May 2022 | 1.00 |
| June 2022 | 1.25 |
| August 2022 | 1.75 |
| September 2022 | 2.25 |
| November 2022 | 3.00 |
| December 2022 | 3.50 |
| February 2023 | 4.00 |
| March 2023 | 4.25 |
| May 2023 | 4.50 |
| June 2023 | 5.00 |

Table 2

| Date | Implied BBR peak[1]<br>% |
|---|---|
| 30 June 2021 | 0.70 |
| 30 September 2021 | 0.99 |
| 31 December 2021 | 1.37 |
| 31 March 2022 | 2.52 |
| 30 June 2022 | 3.09 |
| 30 September 2022 | 5.88 |
| 31 December 2022 | 4.74 |
| 31 March 2023 | 4.65 |
| 30 June 2023 | 6.29 |

The evolution of the Precise EIR asset/liability since the merger and the amount recognised through interest income in each period.

| | Movement recognised through net interest income in period<br>£m | | Underlying EIR asset/(liability)<br>£m |
|---|---|---|---|
| **As at 31 December 2019** | | | **5.6** |
| Recognition of interest income | 16.8 | | |
| Behavioural adjustment | (2.0) | | |
| **As at 31 December 2020** | | 14.8 | **20.4** |
| Recognition of interest income | 12.6 | | |
| Behavioural adjustment | (14.7) | | |
| **As at 31 December 2021** | | (2.1) | **18.3** |
| Recognition of interest income | 70.6 | | |
| Behavioural adjustment | (41.7) | | |
| **As at 31 December 2022** | | 28.9 | **47.3** |
| Recognition of interest income | 58.9 | | |
| Behavioural adjustment | (178.0) | | |
| **As at 30 June 2023** | | (119.1) | **(71.9)** |

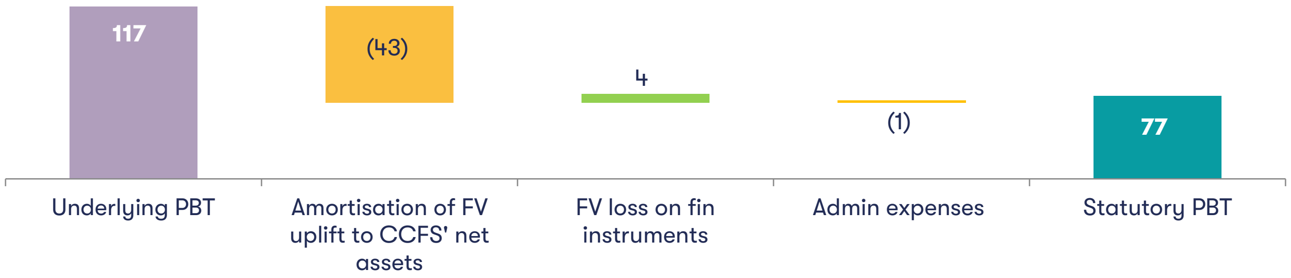
Precise has historically had an EIR asset, primarily reflecting the expected time spent on reversion and early repayment charges (ERC) income which moved to a liability of £71.9m as at 30 June 2023 following the adverse EIR adjustment. This liability will unwind over the remaining life of the mortgages.

1.Bloomberg, implied peak interest rate futures pricing at the applicable date

# Strong statutory results

| | Statutory P&L | | | |
|---|---|---|---|---|
| | H1 2023 £m | H1 2022 £m | Change £m | Change % |
| Net interest income | 237.5 | 343.4 | (105.9) | (31) |
| Net fair value (loss)/gain on financial instruments | (8.1) | 16.4 | (24.5) | <(100) |
| Other operating income | 2.7 | 3.7 | (1.0) | (27) |
| **Total income** | **232.1** | **363.5** | **(131.4)** | **(36)** |
| Administrative expenses | (110.2) | (91.3) | (18.9) | (21) |
| Provisions | (0.6) | 1.2 | (1.8) | <(100) |
| Impairment of financial assets | (44.6) | (1.6) | (43.0) | >(100) |
| Integration costs | - | (3.7) | 3.7 | >100 |
| **Profit before tax** | **76.7** | **268.1** | **(191.4)** | **(71)** |
| **Profit after tax** | **59.3** | **208.9** | **(149.6)** | **(72)** |
| Basic EPS (pence per share) | 12.8 | 45.7 | (32.9) | (72) |

**Reconciliation of underlying to statutory PBT £m**




- Net interest income reduced by 31% to £237.5m with the benefit of loan book growth and improved margins more than offset by the adverse EIR adjustment
- Fair value loss on financial instruments of £8.1m primarily due to hedge ineffectiveness, partially offset by gains on mortgage pipeline swaps
- Impairment charge of £44.6m due primarily to moderation in house prices and worsening macroeconomic outlook as well as modelled IFRS 9 stage migration
- Statutory PBT decreased by 71% to £76.7m primarily due to the adverse EIR adjustment
- Statutory basic EPS was 12.8 pence per share after the EIR adjustment

# Who we are and what we do

## Specialist lending business

Underlying net loans to customers

H1 2023: **£24.5bn** (FY 2022: £23.5bn)

Loan book growth of **4%** for H1 2023

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

## Sophisticated funding platform

Underlying retail deposits

H1 2023: **£20.7bn** (FY 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
- Cost efficient and resilient funding platform supporting future growth
- Access to Bank of England TFSME scheme

## Unique operating model

Underlying cost to income ratio

H1 2023: **40%** (H1 2022: 23%)

Savings customers NPS
+71 for KR +60 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

osb Group

## 'Off the peg'

Precise Mortgages

**Gross underlying loan book**

H1 2023: **£10.8bn**

FY 2022: £10.4bn

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**

H1 2023: **£12.6bn**

FY 2022: £12.1bn

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**

H1 2023: **£1.3bn**

FY 2022: £1.2bn

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

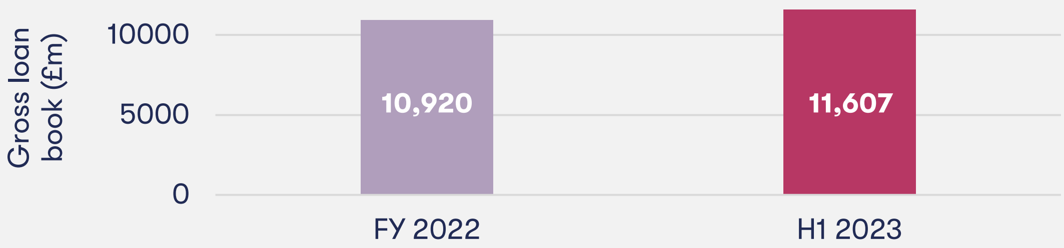
Commercial · Semi-commercial · Complex Buy-to-Let · Funding lines · Asset finance · Residential developmental finance

# OSB segment results

# BTL/SME

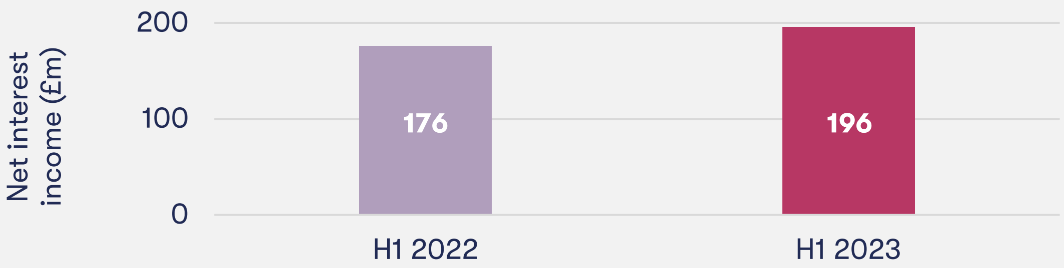
Average book LTV[1] increased to 66% with 4.3% of loans by value with LTVs exceeding 90% (FY 2022: 63% and 3.2%, respectively) and average new origination LTV of 70% (H1 2022: 74%).

## 1. Gross loan book



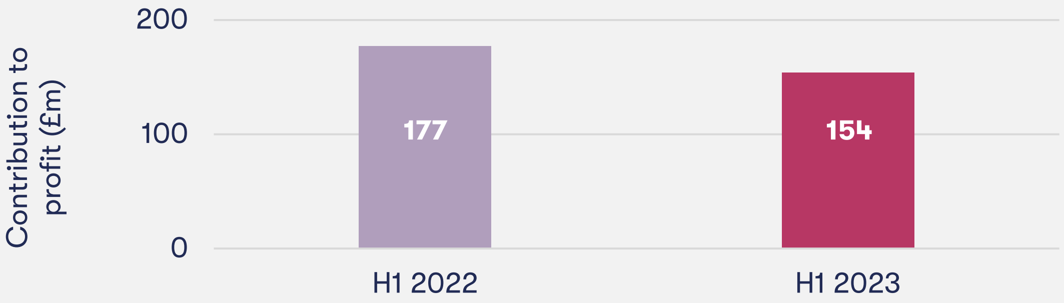

| | | |
|---|---|---|
| RWA as % of net loans | **49%** | **51%** |

## 2. Net interest income

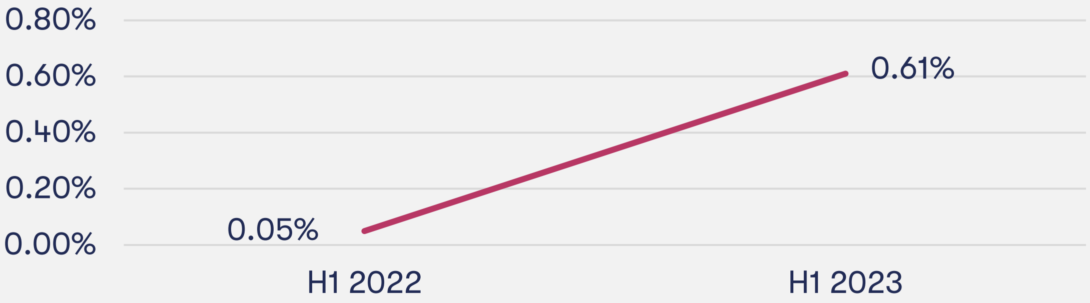



| | | |
|---|---|---|
| Gross asset yield | **4.4%** | **5.0%** |

## 3. Contribution to profit[2]




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



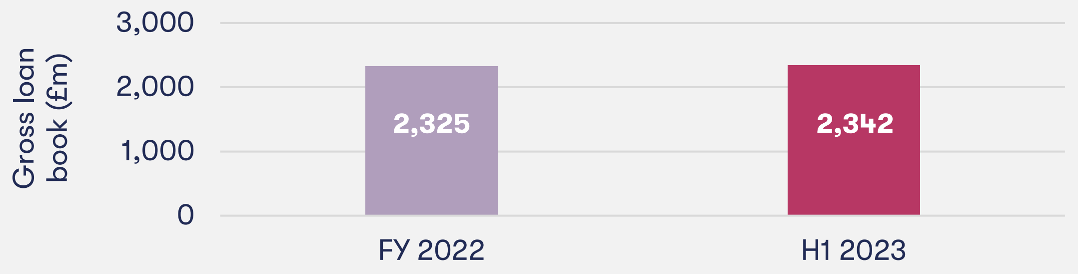

1. Buy-to-Let/SME sub-segment average weighted LTVs include Kent Reliance and InterBay Buy-to-Let, semi-commercial and commercial lending 2. Total income less impairment losses

# OSB segment results

## Residential

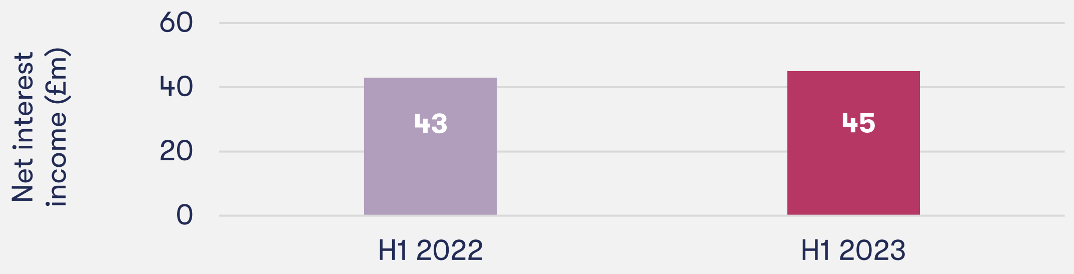
Average book LTV[1] increased to 47% with 2.1% of loans by value with LTVs exceeding 90% (FY 2022: 45% and 0.8%, respectively) and average origination LTV increased to 62% (H1 2022: 61%).

### 1. Gross loan book



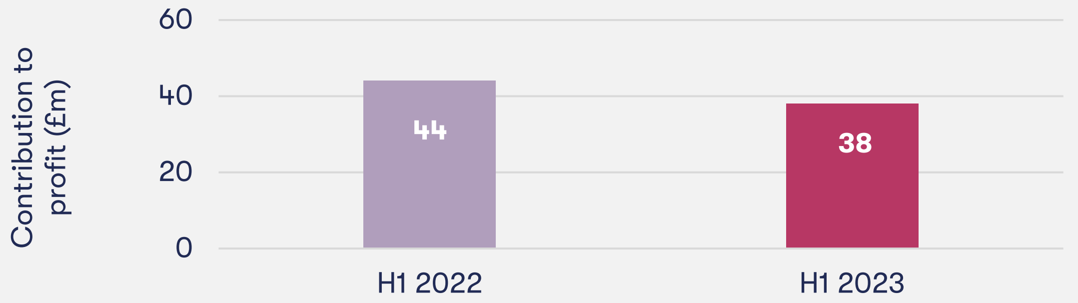

| RWA as % of net loans | 45% | 46% |
| --- | --- | --- |

### 2. Net interest income

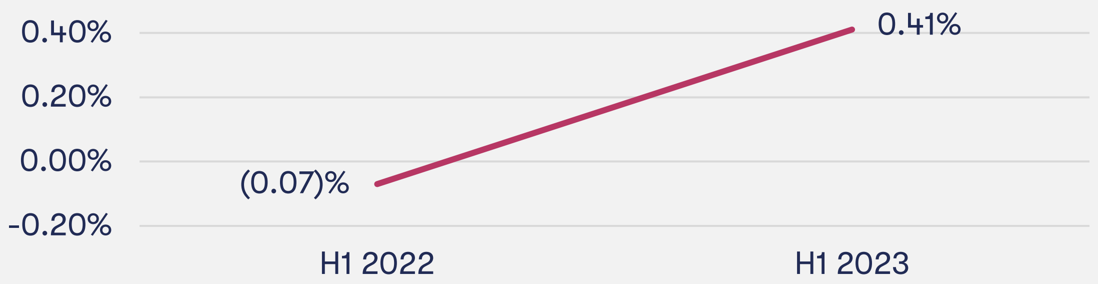



| Gross asset yield | 4.9% | 5.6% |
| --- | --- | --- |

### 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

# CCFS segment results

# BTL sub-segment

Average book LTV remained low at 67% (FY 2022: 66%), average origination LTV was 71% (H1 2022: 74%). The weighted average interest coverage ratio (ICR) was 154% during H1 2023 (H1 2022: 197%).

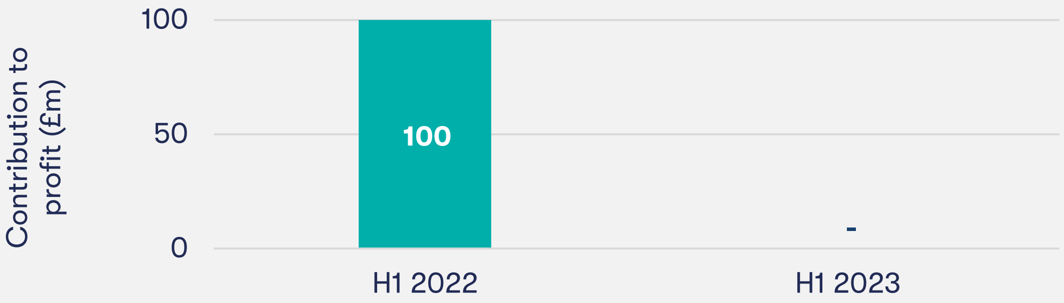
### 1. Gross loan book


| | FY 2022 | H1 2023 |
|---|---|---|
| RWA as % of net loans | 39% | 40% |

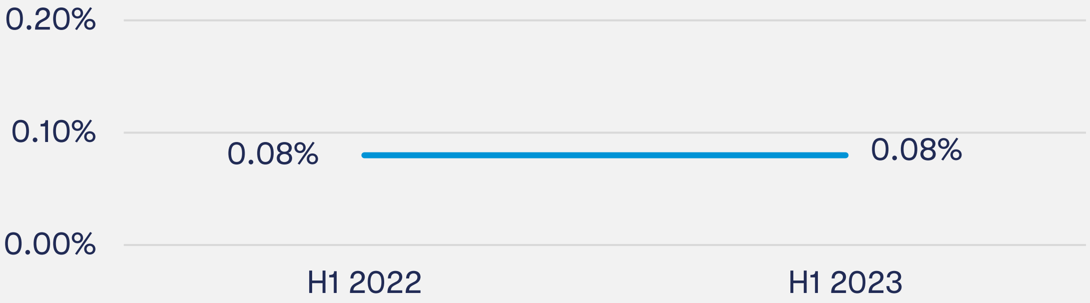
### 2. Net interest income


| | H1 2022 | H1 2023 |
|---|---|---|
| Gross asset yield | 4.0% | 1.6% |

### 3. Contribution to profit[1]




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



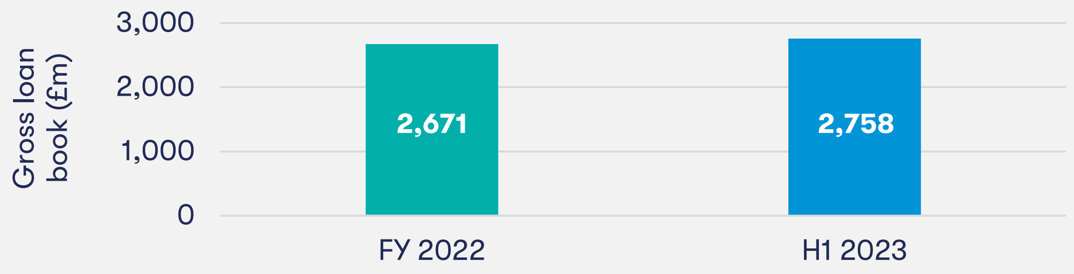

1. Total income less impairment losses

CCFS segment results

# Residential sub-segment

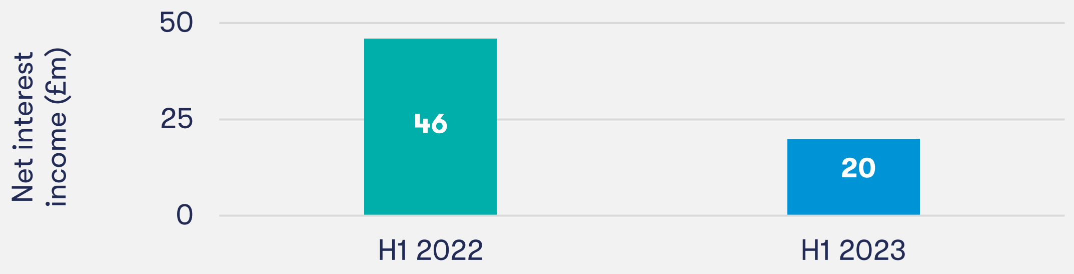
Average book LTV remained low at 58% (FY 2022: 57%), average origination LTV reduced to 62% (H1 2022: 66%).

## 1. Gross loan book



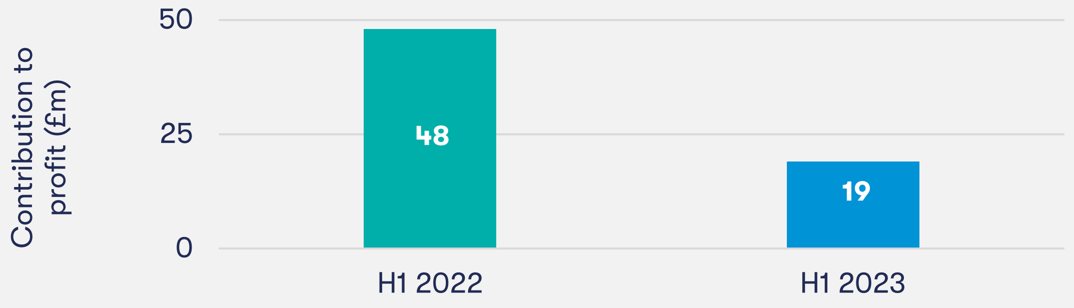

RWA as % of net loans — 42% — 43%

## 2. Net interest income

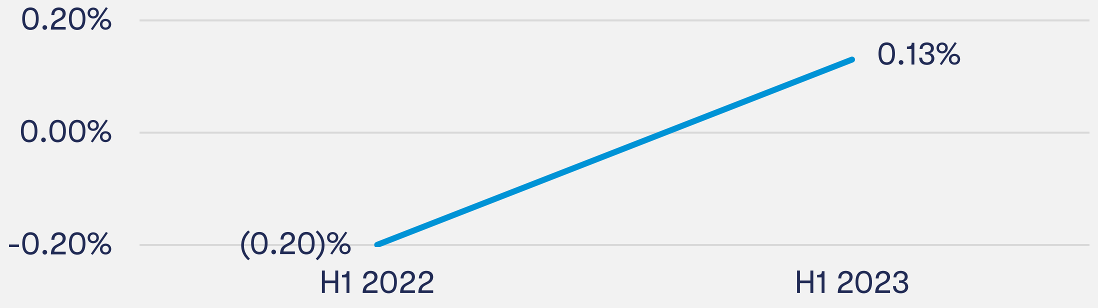



Gross asset yield — 4.7% — 3.0%

## 3. Contribution to profit[1]




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

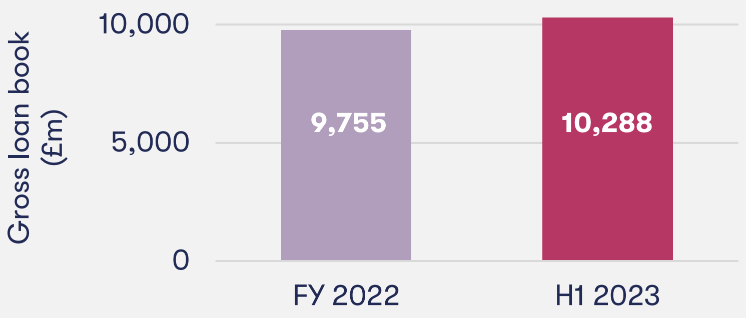



1. Total income less impairment losses

## OSB segment results

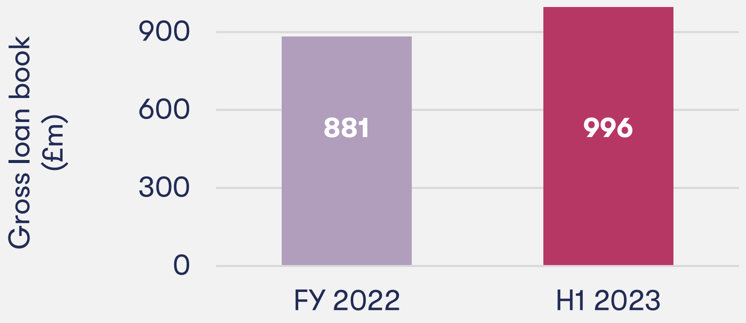
# BTL/SME sub segments

### 1. Buy to let



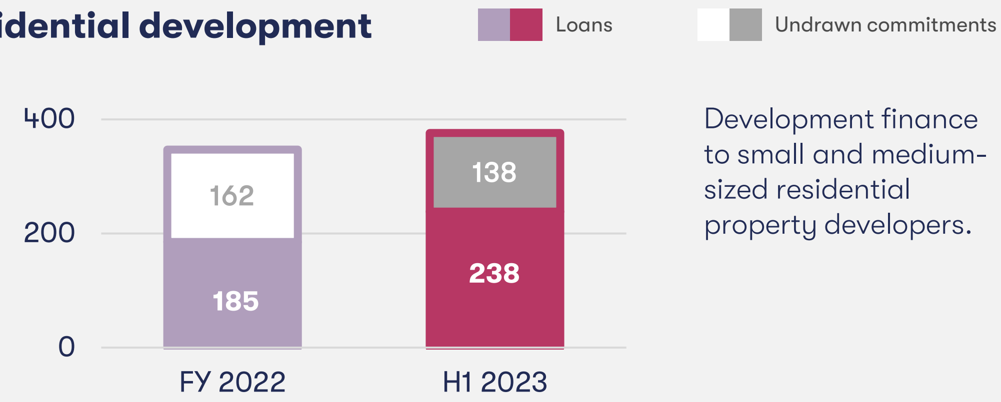

The weighted average interest coverage ratio (ICR) was 178% during H1 2023 (H1 2022: 211%)

### 2. Semi-commercial/commercial



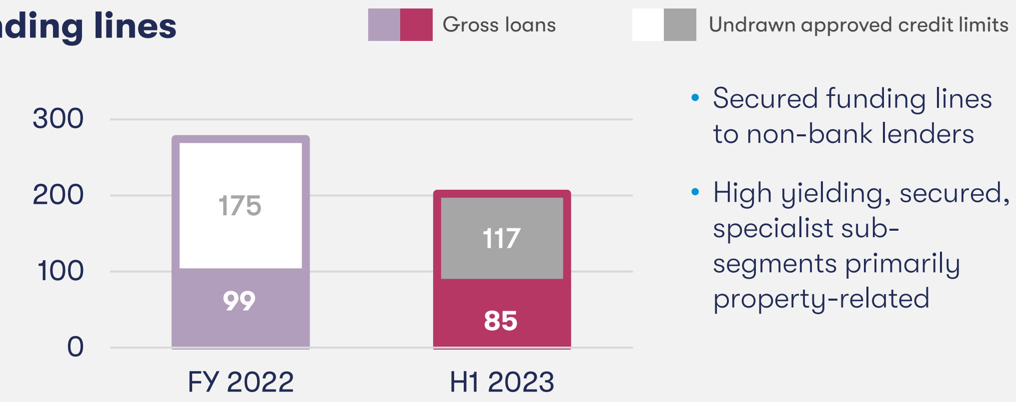

- Weighted average book LTV 73% (FY 2022: 69%)
- Average loan size £390k (FY 2022: £375k)

### 3. Residential development




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

### 4. Funding lines

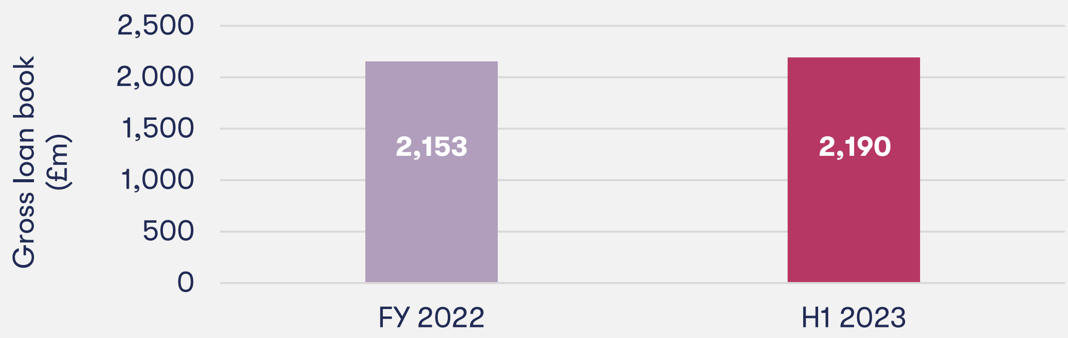



- Secured funding lines to non-bank lenders
- High yielding, secured, specialist sub-segments primarily property-related

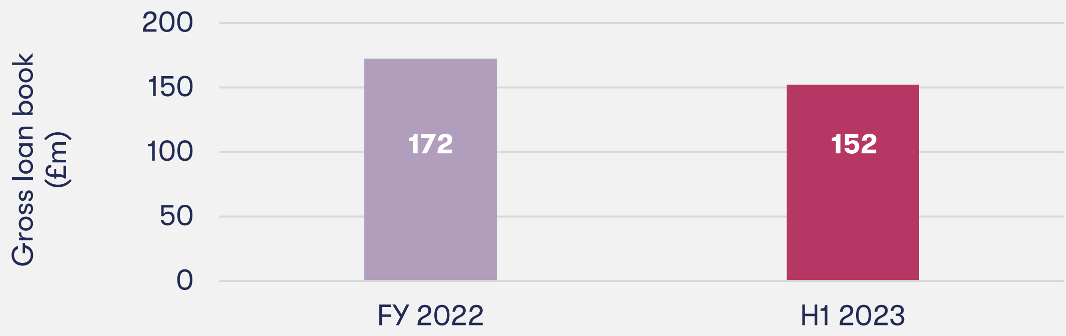
OSB segment results

# Residential sub-segments

### 1. First charge mortgages




### 2. Second charge mortgages




- First charge gross loan book increased by 2%

- OSB's second charge book is in run-off

# CCFS segment results

# Bridging

Short-term bridging originations increased to £226.7m (H1 2022: £77.0m) as the Group continued to enhance and promote its bridging product offering throughout the period.

### 1. Gross loan book

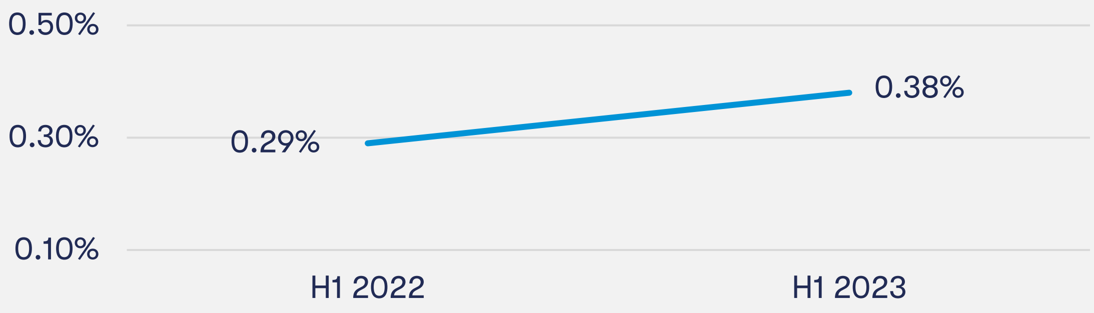

RWA as % of net loans — 48% — 52%

### 2. Net interest income


Gross asset yield — 7.0% — 7.2%

### 3. Contribution to profit[1]


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



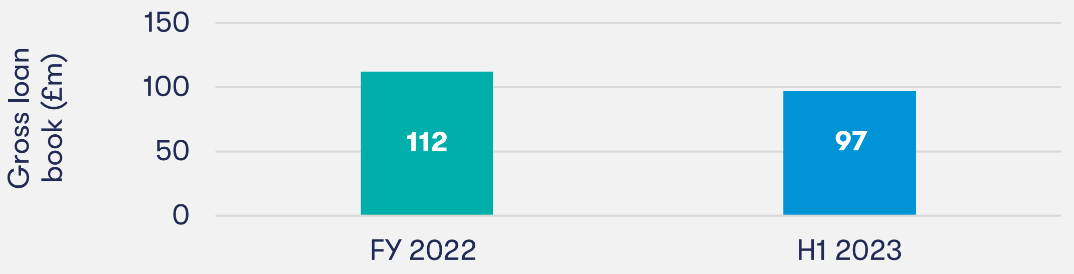

1. Total income less impairment losses

CCFS segment results

# Second charge

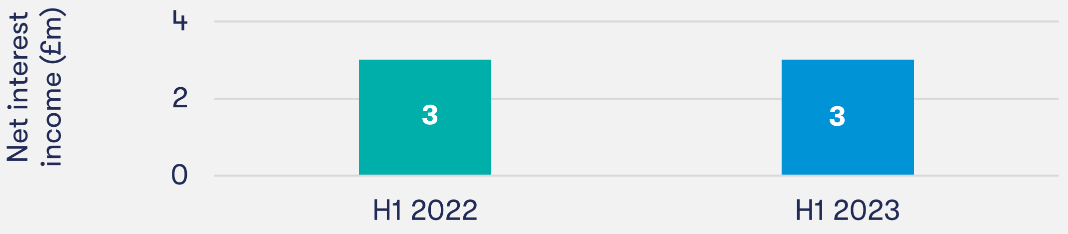
The Group no longer offers second charge products and the book is in run-off.

### 1. Gross loan book



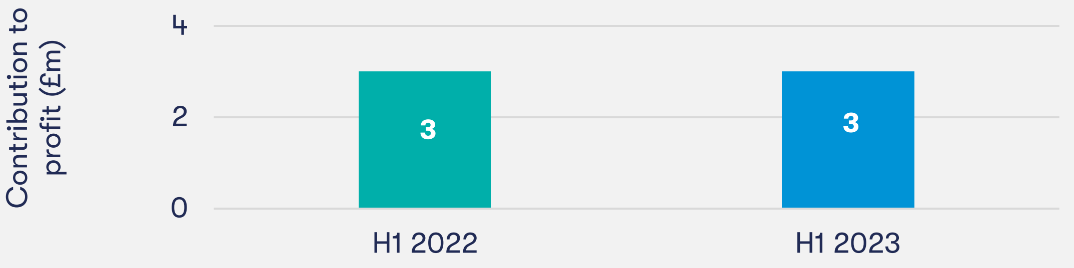

RWA as % of net loans — **41%** — **42%**

### 2. Net interest income

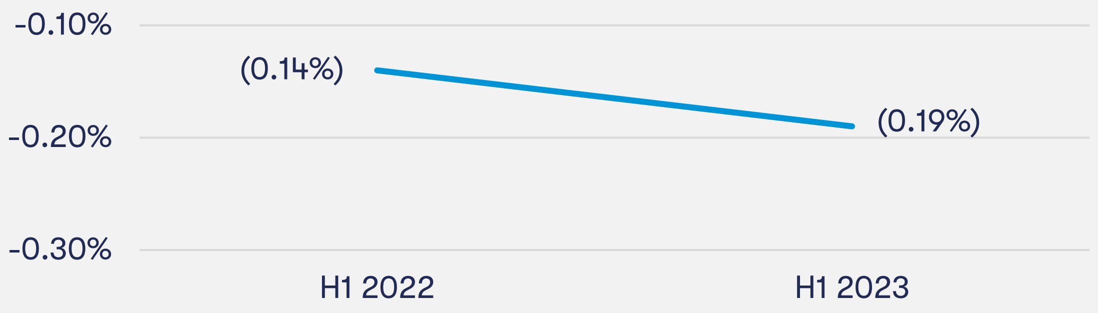



Gross asset yield — **5.2%** — **7.8%**

### 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[1] % | | | | |
|---|---|---|---|---|---|---|---|
| **Scenario** | **Probability weighting %** | **Economic measure** | **Year end 2023** | **Year end 2024** | **Year end 2025** | **Year end 2026** | **Year end 2027** |
| Base case | 40 | GDP | 0.4 | 0.8 | 1.5 | 2.3 | 1.6 |
| | | Unemployment | 4.0 | 4.2 | 4.0 | 3.8 | 3.8 |
| | | House price growth | (5.0) | (5.4) | (0.3) | 4.5 | 5.3 |
| | | CPI | 3.8 | 2.6 | 0.9 | 1.2 | 1.9 |
| | | Bank base rate | 5.8 | 5.6 | 4.3 | 3.1 | 2.1 |
| Upside | 30 | GDP | 1.2 | 3.3 | 2.5 | 2.9 | 1.5 |
| | | Unemployment | 3.8 | 3.7 | 3.7 | 3.6 | 3.6 |
| | | House price growth | (2.9) | (3.1) | 1.8 | 5.9 | 5.2 |
| | | CPI | 4.4 | 3.8 | 1.3 | 1.1 | 1.8 |
| | | Bank base rate | 6.5 | 6.8 | 5.4 | 4.4 | 3.4 |
| Downside | 20 | GDP | (1.2) | (2.3) | 0.9 | 2.0 | 1.6 |
| | | Unemployment | 4.8 | 6.1 | 7.0 | 6.9 | 6.6 |
| | | House price growth | (8.3) | (10.8) | (5.1) | 2.3 | 5.7 |
| | | CPI | 2.7 | 1.2 | 0.5 | 1.1 | 1.7 |
| | | Bank base rate | 5.1 | 4.6 | 3.1 | 1.8 | 1.3 |
| Severe downside | 10 | GDP | (2.4) | (4.9) | 0.2 | 1.6 | 1.7 |
| | | Unemployment | 5.0 | 6.7 | 7.5 | 7.4 | 7.1 |
| | | House price growth | (10.8) | (15.1) | (9.5) | (0.1) | 6.1 |
| | | CPI | 1.8 | 0.5 | 0.4 | 1.0 | 1.2 |
| | | Bank base rate | 4.3 | 3.4 | 1.8 | 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.

Important disclaimer

This document should be read in conjunction with any other documents or announcements distributed by OSB GROUP PLC (OSBG) through the Regulatory News Service (RNS). This document is not audited and contains certain forward-looking statements with respect to the business, strategy and plans of OSBG, its current goals, beliefs, intentions, strategies and expectations relating to its future financial condition, performance and results. Such forward-looking statements include, without limitation, those preceded by, followed by or that include the words 'targets', 'believes', 'estimates', 'expects', 'aims', 'intends', 'will', 'may', 'anticipates', 'projects', 'plans', 'forecasts', 'outlook', 'likely', 'guidance', 'trends', 'future', 'would', 'could', 'should' or similar expressions or negatives thereof but are not the exclusive means of identifying such statements. Statements that are not historical facts, including statements about OSBG's, its directors' and/or management's beliefs and expectations, are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by OSBG or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets, inflation, deflation, interest rates, energy prices and currencies; 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 and any continuation and escalation thereof) 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 his 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

OSBG 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.

OSB GROUP PLC, Registered in England and Wales (company number 11976839).
Registered office: OSB House, Quayside, Chatham Maritime, Chatham, United Kingdom, ME4 4QZ.