2015 Preliminary Results

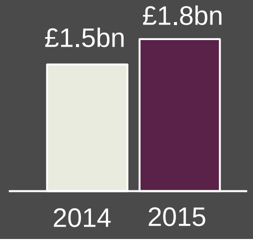
17 March 2016

Specialist
Personal
Flexible

Performance highlights

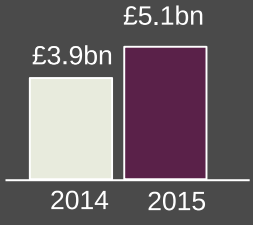
Gross New Lending

+ 20%



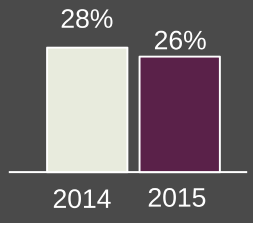
Loans and Advances

+ 31%



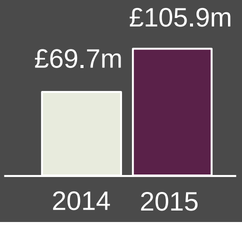
Cost : Income ratio

Improved by 2% points



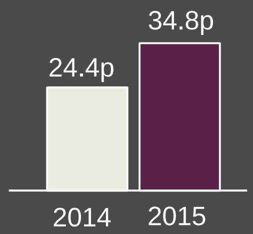
Underlying PBT

+52%



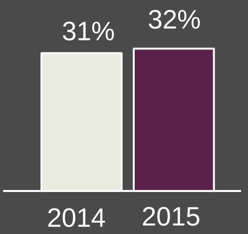
Underlying Basic EPS

+ 43%



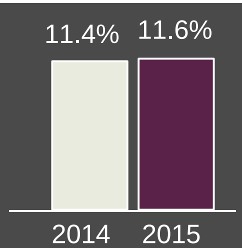
Underlying RoE

+ 1% point



Fully-loaded CET1 Ratio

Strengthened



Full year dividend per share

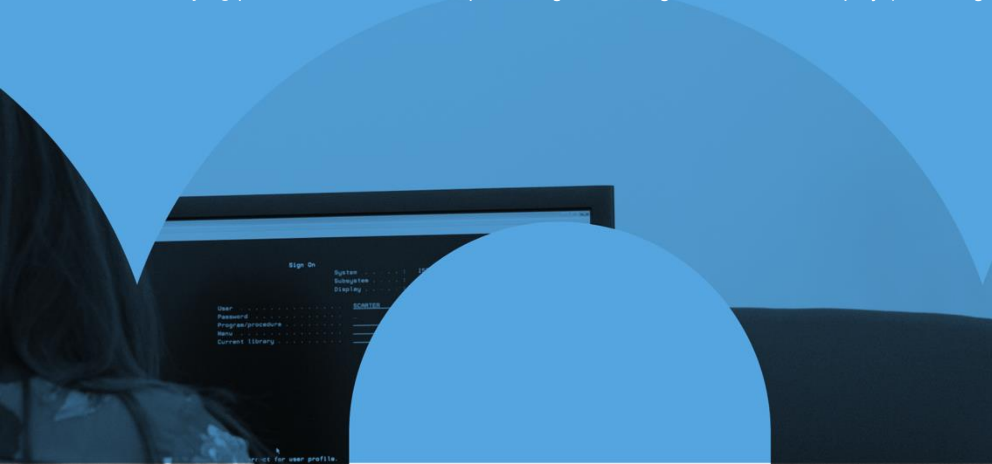
8.7 pence per share

(2014: 3.9p two-thirds dividend)

Delivering on our financial objectives 2014 - 2016[1]

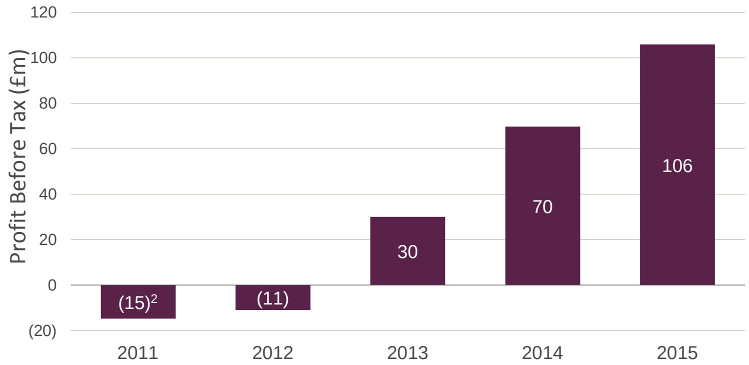
		2015 result
Funding / Liquidity strength	Maintain loan to deposit ratio of <100%[2]	**93%**
Cost discipline	Cost:Income ratio of <35%	**26%**
Capital strength	CRD IV CET1 ratio >10%	**11.6%**
Shareholder returns	RoE of >25%	**32%[3]**
Dividend policy	Pay-out ratio of ≥25%	**25%**

[1] Objectives relate to the current financial planning cycle that lasts until the end of 2016. This does not represent any forecast, target or expectation as to future results or performance and there can be no assurance that the objective will be met.
[2] Excluding the impact of any drawdown under the Funding for Lending Scheme (FLS).
[3] Underlying profit after taxation as a percentage of average shareholders' equity (excluding equity PSBs of £22m)

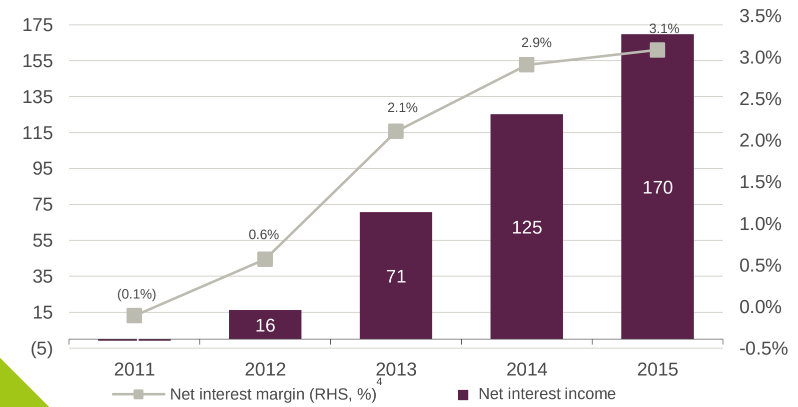


Key Financial Indicators

1 Improved underlying profitability[1]…

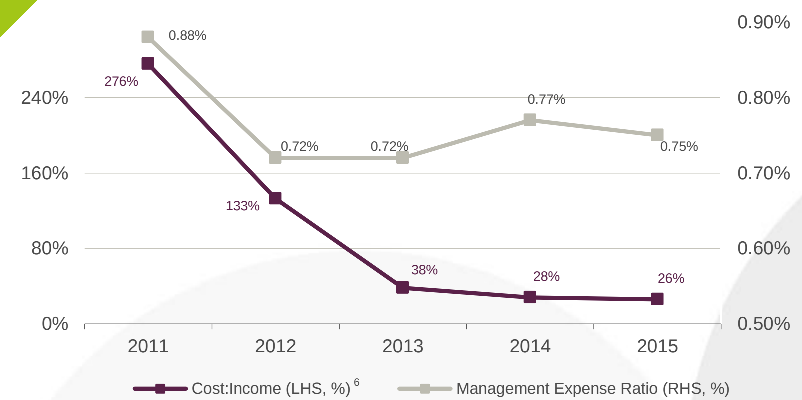


2 …driven by high-margin new lending[3]…



2015 RoE[7] of 32%

3 …well managed cost of funds / liquidity…



4 …and disciplined cost control

1. Before exceptional IPO expenses of £2.1m in 2015 (2014: £7.4m) and after deduction of coupons on equity PSBs of £1.5m in each period. Excludes negative goodwill of 17.6m in 2012.
2. 2011 financial information for the 11 month period ended 31 Dec-11.
3. Adjusted for coupon payments on PSBs classified as equity.
4. Net interest income, less coupons on equity PSBs classified as equity, as a percentage of average interest bearing assets, on a yearly basis., including off balance sheet Funding for Lending Scheme (FLS) drawings
5. Five month period ended 30 June 2011.
6. Administrative expenses including depreciation and amortisation as a percentage of total income after deducting coupons on equity PSBs.
7. Underlying profit after taxation (profit after taxation excluding exceptional IPO expenses, including the tax effect, of £1.6m in 2015 (2014: £6.4m) and after deducting coupons on equity PSBs of £1.2m (after tax) in 2015 and £1.1m in 2014) as a percentage of average shareholders' equity (excluding equity PSBs of £22m).

Income Statement

£m	2015	2014	2015 vs 2014 Variance	2015 vs 2014 % change
Net interest income	169.8	125.2	44.6	*36%*
Other income / (expense)	(7.3)	(6.3)	(1.0)	*16%*
Total income	**162.5**	**118.9**	**43.6**	***37%***
Operating expenses	(41.2)	(33.3)	(7.9)	*24%*
Operating profit	**121.4**	**85.6**	**35.8**	***42%***
FSCS provisions	(3.4)	(2.8)	(0.6)	*21%*
Impairments	(10.6)	(11.7)	1.1	*(9)%*
Profit before exceptional IPO expenses	**107.3**	**71.2**	**36.1**	***51%***
Exceptional IPO expenses	(2.1)	(7.4)	5.3	*(72)%*
Tax	(21.2)	(12.2)	(9.0)	*74%*
Profit for the period	**84.1**	**51.5**	**32.6**	***63%***
Underlying PBT[1]	105.9	69.7	36.2	*52%*
Underlying profit for the period[2]	84.5	56.8	27.7	*49%*
Net interest margin[3]	**3.09%**	**2.91%**	**18bps**	
Cost / income ratio	**26%**	**28%**	**(2)pps**	
Management expense ratio	0.75%	0.77%	(2)bps	
Impairments / avg gross loans	0.23%	0.33%	(10)bps	
Underlying EPS[4]	34.8p	24.4p	10.4p	
Underlying return on equity[5]	32%	31%	1pps	

2015 vs. 2014

- **Continued growth in net interest margin** reflecting the positive impact of high margin new lending, the lack of price pressure in core markets and continued reduction in funding costs
- **Cost:Income ratio further reduced,** driven by continued focus on cost control and efficiency, despite ongoing investments in premises and our technology infrastructure
- **Improved loan loss ratio** reflects continued strong performance of front book with negligible arrears and loan losses
- **Underlying PBT increased by 52%**

[1] Before exceptional IPO expenses of £2.1m in 2015 (2014: £7.4m) and after deduction of coupons on equity PSBs of £1.5m in each period.
[2] Profit after taxation excluding exceptional IPO expenses, including the tax effect, of £1.6m in 2015 (2014: £6.4m) and after deducting coupons on equity PSBs of £1.2m (after tax) in 2015 and £1.1m in 2014.
[3] Net interest income, less coupons on equity PSBs, as a percentage of average interest bearing assets, including off balance sheet Funding for Lending Scheme drawings.
[4] Underlying profit after taxation divided by the weighted average number of ordinary shares in issue.
[5] Underlying profit after taxation as a percentage of average shareholders' equity (excluding equity PSBs of £22m).

Balance Sheet

£m	2015	2014	2015 vs 2014 Variance	2015 vs 2014 % change
Liquid assets	748	926	(178)	*(19)%*
Net customer loans	5,135	3,919	1,216	*31%*
o/w gross customer loans	5,162	3,945	1,217	*31%*
o/w provisions	(27)	(26)	(1)	*4%*
Other assets	87	92	(5)	*(5)%*
Total assets	**5,970**	**4,937**	**1,033**	***21%***
Due to customers	5,364	4,332	1,032	*24%*
Wholesale funding	196	266	(70)	*(26)%*
Subordinated liabilities	25	28	(3)	*(11)%*
PSBs (accounted as debt)	15	15	-	-
Other liabilities	51	46	5	*11%*
Total liabilities	**5,651**	**4,687**	**964**	***21%***
Shareholders' equity	297	228	69	*30%*
PSBs (accounted as equity)	22	22	-	-
Total liabilities and equity	**5,970**	**4,937**	**1,033**	***21%***
Risk-weighted assets	2,340	1,829	511	*28%*
Risk-weighted assets % total assets	39%	37%	2pps	
Common Equity Tier 1 ratio	**11.6%**	**11.4%**	**20bps**	
Total capital ratio	**14.1%**	**14.8%**	**(70)bps**	
Leverage Ratio	4.5%	4.2%	30bps	

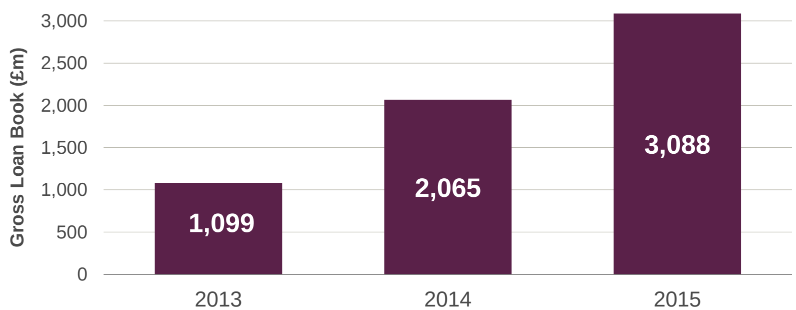
2015 vs. 2014

- **31% growth in loans & advances** through strong organic origination of £1.8bn and the purchase of a £260m second charge mortgage portfolio in 2015
- **Growth achieved whilst strengthening CET1 ratio to 11.6% (2014: 11.4%),** demonstrating strong organic capital generation capability through profitability
- **Efficient liquidity management** through adding FLS to continued growth in retail savings
- **Shareholders' equity** strengthened through profitability

Segmental Results – BTL / SME

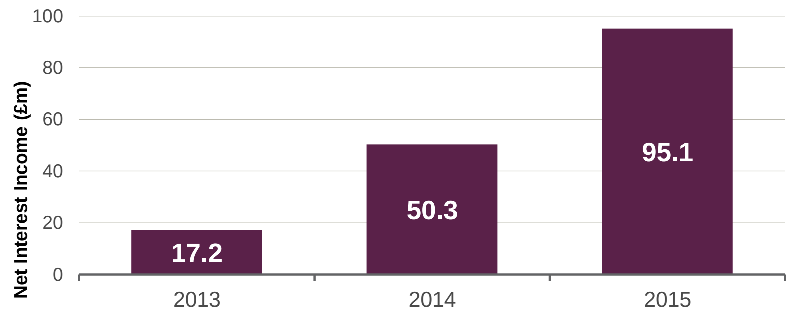
- LTVs remain low at 66% (2014: 68%) with only 1% of loans by value with LTVs exceeding 90% (2014: 2%)
- Average Interest rate coverage (ICR) for the Group was 159% during 2015
- Limited company applications for the Group rose from 21% in January to 40% by end 2015

1 Gross loan book

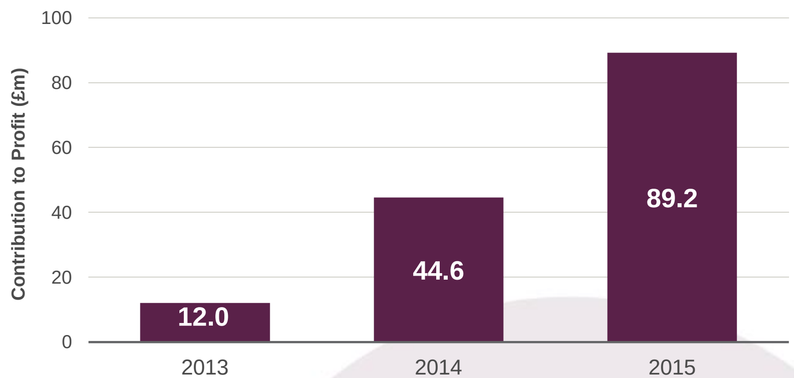


RWA as a % of net loans	2013	2014	2015
	48%	48%	46%

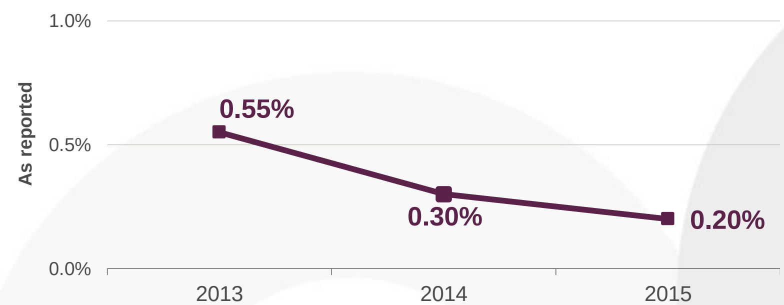
2 Net interest income



Gross asset yield	2013	2014	2015
	4.9%	5.6%	5.8%



3 Contribution to profit[1]



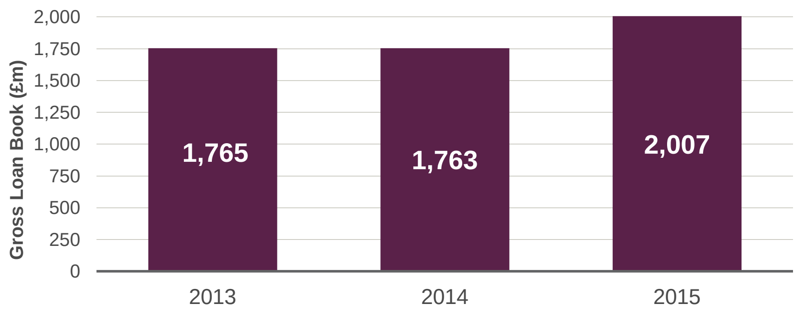
4 Loan loss charge as % of average gross loans

[1] Total income less impairment losses

Segmental Results – Residential

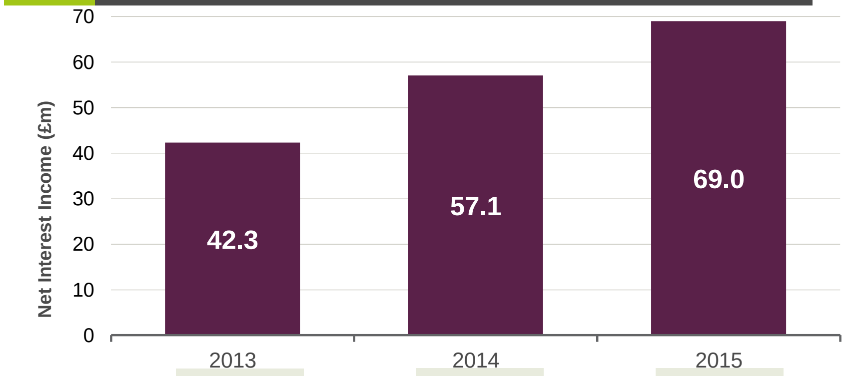
LTVs remain low at 56% (2014: 54%) with only 2% of loans by value with LTVs exceeding 90% (2014: 1%)

1 Gross loan book

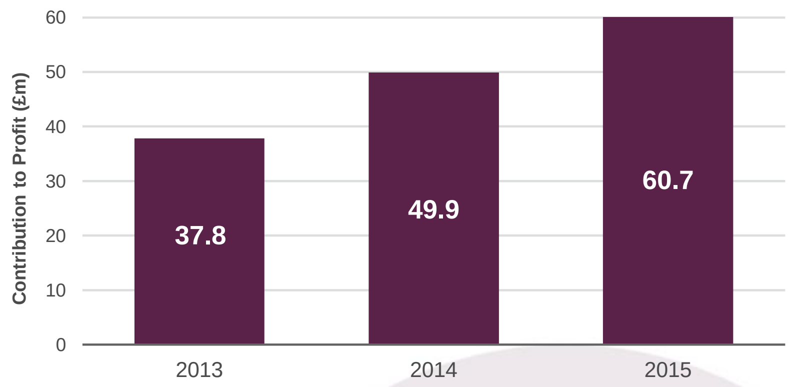


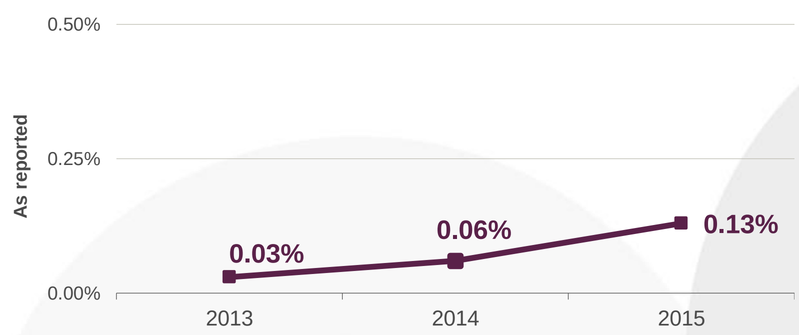
	2013	2014	2015
RWA as a % of net loans	42%	42%	43%

2 Net interest income



	2013	2014	2015
Gross asset yield	5.6%	5.7%	5.8%





3 Contribution to profit[1]

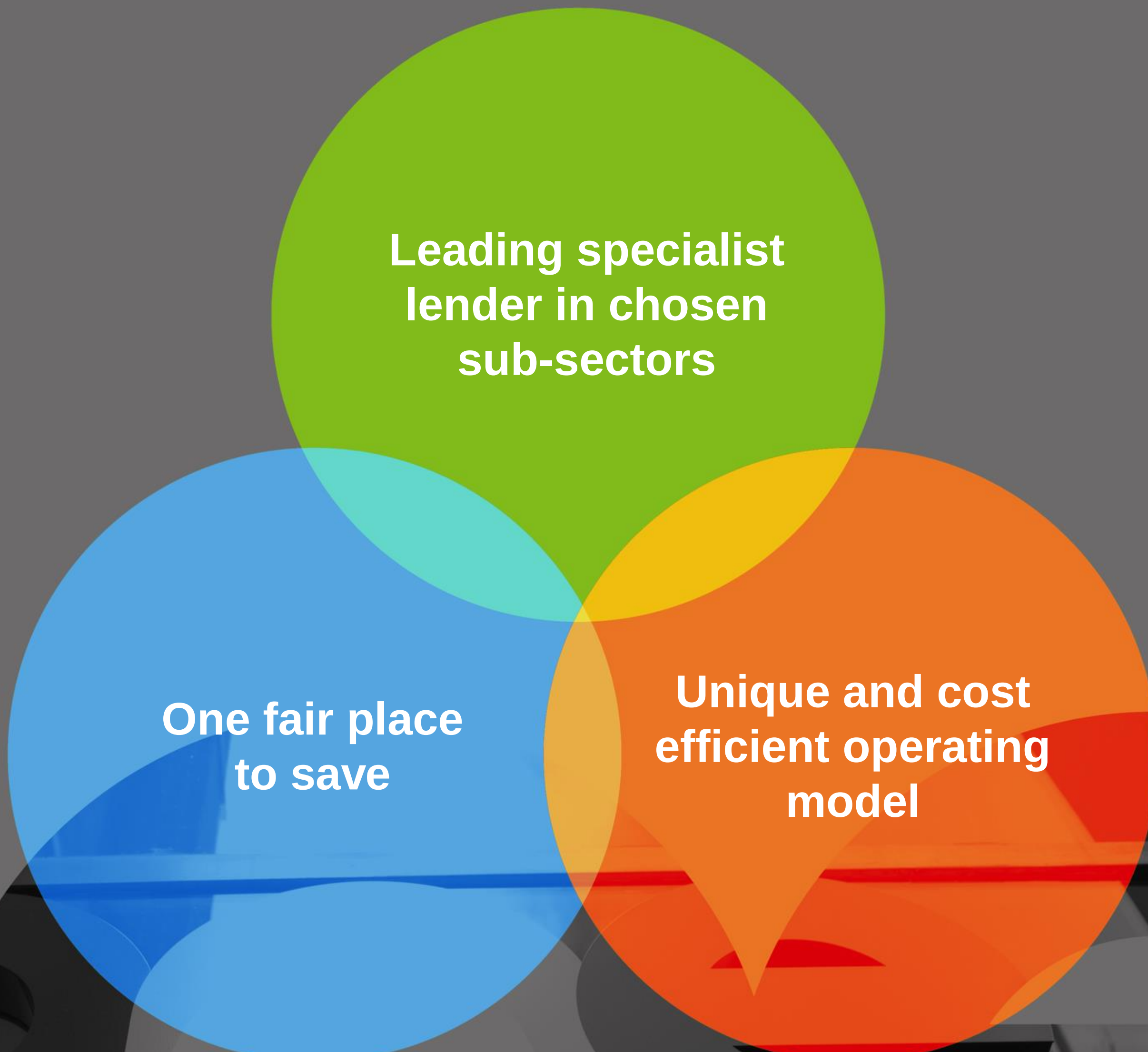
4 Loan loss charge as % of average gross loans

[1] Total income less impairment losses

Segmental Results – Personal Loans

- **Run-off portfolio of performing unsecured consumer loans acquired July 2013**
- **Gross loan book: £49m (Dec 2014: £117m)**
- **Net interest income: £5.6m (2014: £17.7m)**
- **Contribution to profit: £1.3m (2014: £10.4m)**
- **Loan loss charge as a % of average gross loans: 3.5% (2014: 3.6%)**

Our Business Model



One specialist lender

1 Leading specialist lender in chosen sub-sectors with a focus on bespoke underwriting

- **Our existing core businesses are performing well**
    - Consistent loan book growth in Buy-to-Let/SME segment – organic new lending £1.5bn (2014: £1.2bn)
    - High quality residential mortgage segment continued to perform well – gross organic lending £334m (2014: £286m)
    - Average Interest rate coverage (ICR) for the Group was 159% during 2015
- **Growth underpinned by bespoke and responsive underwriting, and strong intermediary relationships**
    - Only 48 loans in 3m+ arrears (£5.1m), out of >21,500 loans (£4.2bn) originated since the Bank's creation in 2011 (2014: 24 loans, £4.5m)
    - Focus on intermediaries rewarded with broker Net Promoter Score of 59%
    - Significant headroom to grow market share

One specialist lender

2 Growing our core and newer businesses

- **Continued opportunities in core markets**
  - Extended InterBay product range for professional investors
  - Targeted lending criteria to cement focus on long-term professional landlords – 69% of applications across the Group in H2 2015 were from professional landlords
  - Applications through limited companies across the Group increased from 21% in January 2015 to more than 40% in December 2015
  - Buy-to-Let Refinancing was 58% of completions in 2015
- **Extending our commercial offer and growing new business lines throughout 2015:**
  - Increased the range and volume of secured funding lines we provide to non-bank lenders, growing lending to £126m at December 2015, an increase of 80% from 2014 (£70m)
  - Grown Heritable Development Finance loan book – loan commitments stood at £168m at December 2015 an increase of £99m for the year

One fair place to save

3 One fair place to save, maintaining sustainable funding platform to support long-term growth

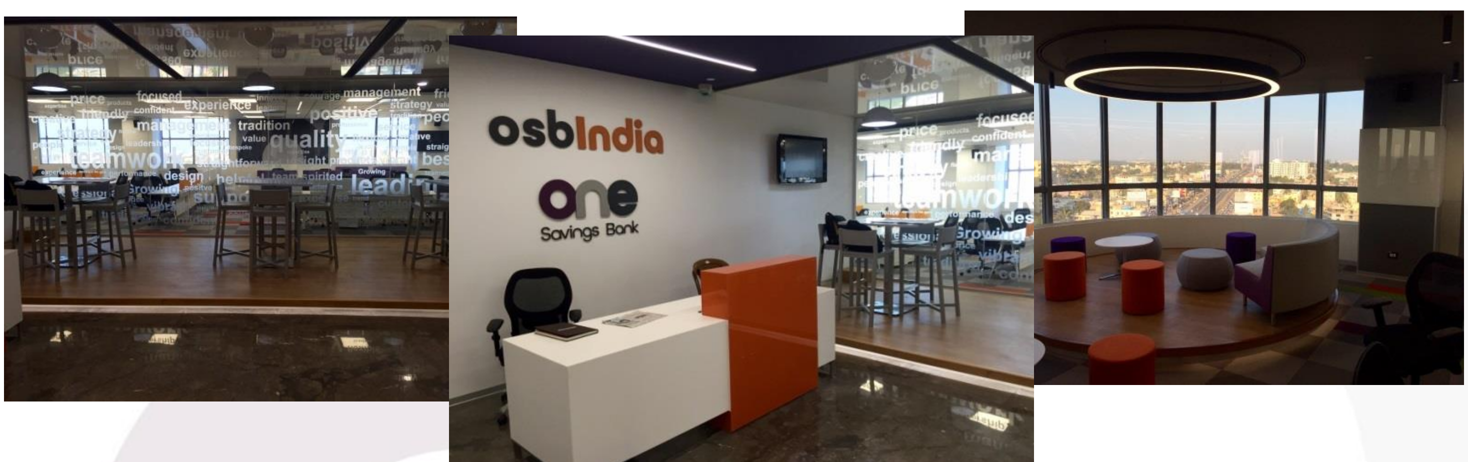
- Stable retail funding franchise continues to grow, with retail deposits up by 24% to £5.4bn
  - 23,000 new savings customers
  - 32,500 new online service customers
- Continued to develop core savings product range, quality recognised through industry awards
- Diversified our funding using the FLS
- Actively managed liquidity using a mixture of retention and FLS, averaging 89% retention (2014: 92%)
- Primarily retail funded with loan to deposit ratio of 93%[1] (2014: 90%)

[1] Excluding the impact of drawdowns under the FLS

Unique and cost-efficient operating model

4 Unique and cost efficient operating model with outstanding customer experience

- Our efficient operating platform is underpinned by continued investment in high quality, low cost, scalable Indian operations
  - Rebranded from EasiProcess to OSBIndia, reflecting its role as a core part of the Group
  - As at the end of 2015, we employed 210 people in India (UK 395)
  - We continue to take advantage of opportunities to further leverage our infrastructure in India, creating roles with average salary of £4,800 per head
- Cost:Income ratio further reduced to 26% (2014: 28%) including ongoing investments in premises and our technology infrastructure
- All while delivering an outstanding customer NPS of 55% in 2015 (2014: 39%)



Current market trends

- **Growth in Buy-to-Let lending continuing despite regulatory headwinds, private rented sector market remains vital to UK housing market**
- **Significant opportunities in our commercial lines**
- **Mortgage broker market share continues to increase**
- **Wholesale markets open and FLS extended, however retail funding continues to provide long term stability**

Summary and Outlook

2015 was another year of strong performance: delivered on all financial objectives and produced an RoE of 32%

Confident we will continue to achieve objectives

We have successfully innovated in the commercial side of our Buy-to-Let/SME segment and will continue to do so

We have entered 2016 with our strongest ever pipeline and we are seeing record applications in 2016

Confident in the outlook for our business and anticipate demand will remain strong for our chosen niches

Disclaimer

Important Message

No undertaking, representation, warranty or other assurance, express or implied, is given or made by or on behalf of any member of OneSavings Bank plc ("OSB") and its subsidiaries (together, the "OSB Group") or any shareholders, directors, officers, partners, employees, consultants or advisers of any member of the OSB Group or any other person as to the accuracy, fairness, completeness or sufficiency of the information, opinions, statements, projections, estimates or beliefs contained in this document and this document does not purport to give a complete summary of the risks associated with the proposal contained herein.

This document does not constitute or form part of an offer or invitation to sell, or a solicitation of an offer or agreement to buy or subscribe for, any security or instrument or to participate in any particular trading strategy. Save in the case of fraud, no liability is accepted for any loss, cost or damage suffered or incurred as a result of the use of or reliance upon any such information or opinion which is attributable to any errors, inaccuracies, omissions or misstatements (whether negligent or otherwise) contained in this document.

Neither the receipt of this document by you or any person, nor any information contained herein or subsequently communicated to you or any person is to be taken as constituting the giving of financial, tax, accounting, legal or investment advice or the making of a personal recommendation as defined in the rules of the Financial Conduct Authority (the "Rules"), by OSB or any member of the OSB Group and you acknowledge that you are not relying on any member of the OSB Group for any such advice or recommendation. You should consult with your own legal, regulatory, tax, business, investment, financial and accounting adviser to the extent that you deem necessary. No member of the OSB Group owes any duties of responsibilities of the kind referred to in the Rules relating to the making of personal recommendations in connection with any transaction.

To the extent available, the industry, market and competitive position data contained in this document comes from official or third party sources. While OSB reasonably believes that each of these publications, studies and surveys has been prepared by a reputable source, OSB has not independently verified the data contained therein. In addition, certain of the industry, market and competitive position data contained in this document comes from OSB's own internal research and estimates based on the knowledge and experience of OSB's management in the markets in which OSB operates. While OSB reasonably believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change. Accordingly, undue reliance should not be placed on any of the industry, market or competitive position data contained in this document.

This document includes statements that are, or may be deemed to be, "forward-looking statements". Forward-looking statements are identified by the use of such terms as "believe", "could", "envisage", "estimate", "potential", "intend", "may", "plan", "will", or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements involve substantial known and unknown risks, uncertainties, assumptions, estimates and other factors which may be beyond OSB's control and actual results and developments may differ materially from those expressed or implied by these statements and depend on a variety of factors. These statements are not historical facts and are regarding OSB's intentions, beliefs or current expectations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Any forward-looking statements in this document reflect OSB's view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to OSB's operations, results of operations, growth strategy and liquidity. OSB disclaims any obligation to update any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

OneSavings Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.