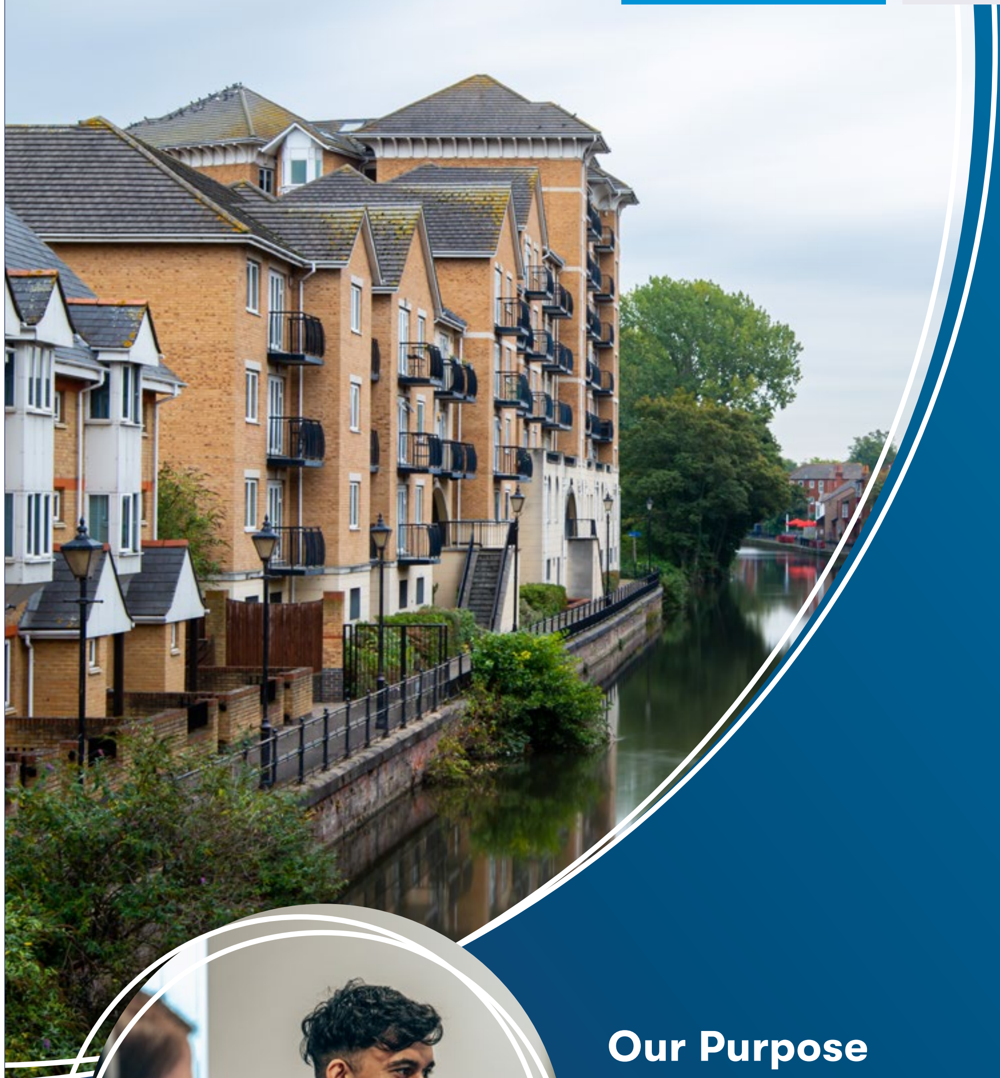
osb Group

Annual Report and Accounts

2024



OSB Group is a leading specialist mortgage lender, primarily focused on carefully selected sub-segments of the UK mortgage market.

Our continued success is driven by strong relationships with all our stakeholders.

For more information **see pages 133 - 135**

Our Purpose is to help our customers, colleagues and communities prosper.

Our Values are what our colleagues stand by, and support us in achieving our Purpose.

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For the latest investor relations content
www.osb.co.uk/investors

Highlights

Throughout the Strategic report, the Key performance indicators (KPIs) are presented on a statutory and an underlying basis.

Management believes that the underlying KPIs provide a more consistent basis for comparing the Group's performance between financial periods.

Underlying KPIs exclude acquisition-related items. In 2024, the acquisition-related items were fully amortised and therefore, from 2025 the Group's results will be presented on a statutory basis only.

For definitions of financial KPIs, see pages 37-39, for a reconciliation of statutory to underlying KPIs, see the Appendix.

Financial KPIs

Gross new lending[Δ]

-16%

2024 £4.0bn

2023 £4.7bn

Net interest margin[Δ]

-10bps

2024 221bps

2023 231bps

-21bps

2024 230bps

2023 251bps

Cost to income[Δ]

+3ppt

2024 39%

2023 36%

+4ppt

2024 37%

2023 33%

Net loan book

-2%

2024 £25.1bn

2023 £25.8bn

-2%

2024 £25.1bn

2023 £25.7bn

Loan loss ratio

+24bps

2024 (4)bps

2023 20bps

+25bps

2024 (5)bps

2023 20bps

Profit before tax

+12%

2024 £418.1m

2023 £374.3m

+4%

2024 £442.9m

2023 £426.0m

Key:

2024 | 2023 | Underlying 2024 | Underlying 2023

Highlights continued

Financial KPIs continued

Return on equity[Δ]

+1ppt

2024	15%
2023	14%

no change

2024	16%
2023	16%

Basic EPS[Δ] (pence per share)

+17%

2024	77.6p
2023	66.1p

+10%

2024	82.2p
2023	75.0p

Common Equity Tier 1 (CET1) ratio

+20bps

2024	16.3%
2023	16.1%

Ordinary dividend[Δ]

+5%

2024	33.6p
2023	32.0p

Δ The Group's external auditor performed an independent reasonable assurance review of certain KPIs as marked with the symbol Δ – see the Appendix for the auditor's assurance report.

Non-financial KPIs

Women in senior management[1]

+3ppt

2024	36%
2023	33%

Reduction in direct emissions[2]

41%

2024	101.83 tCO_2e
2023	171.44 tCO_2e

1. Employees at grades A (Executive Director) to grade E (including function heads with senior direct reports or employees in specialist roles of a senior nature).
2. Direct emissions are Scope 1 and Scope 2 using market-based methodology.

Savings customer satisfaction – Net Promoter Score

+1

OSB	2024	+72
	2023	+71

no change

CCFS	2024	+62
	2023	+62

Our culture

Together we prosper

At OSB Group we are working hard to create a positive, collaborative and supportive environment.

Our Purpose

To help our customers, colleagues and communities prosper.

By that we mean more than just helping them to be more financially well off. We want them to flourish, thrive and succeed in their personal and professional goals.

Our Vision

To be recognised as the UK's number one choice of specialist bank, through our commitment to exceptional service, strong relationships and competitive propositions.

By working Stronger together, Taking ownership, Aiming high and Respecting others, we will more powerfully achieve our own goals, as well as those of our stakeholders.

But we are not just focused on lending and savings (though that is what we do and what we are great at); we are a business that cares about leaving things better than we found them. We are passionate about Stewardship, which encourages us to give back to our communities, supporting those who are vulnerable or less fortunate, embracing diversity and finding new ways to protect our environment.

It does not matter where we are working from: a branch, on the road, in the office or from home. It does not even matter that we are not all in the same country. We are clear about what we want to achieve, we know how we want to achieve it and we are absolutely determined to build upon the foundations we have created so our customers, shareholders, communities and colleagues can prosper.

Our Values

Our Values are the principles that support our Purpose.

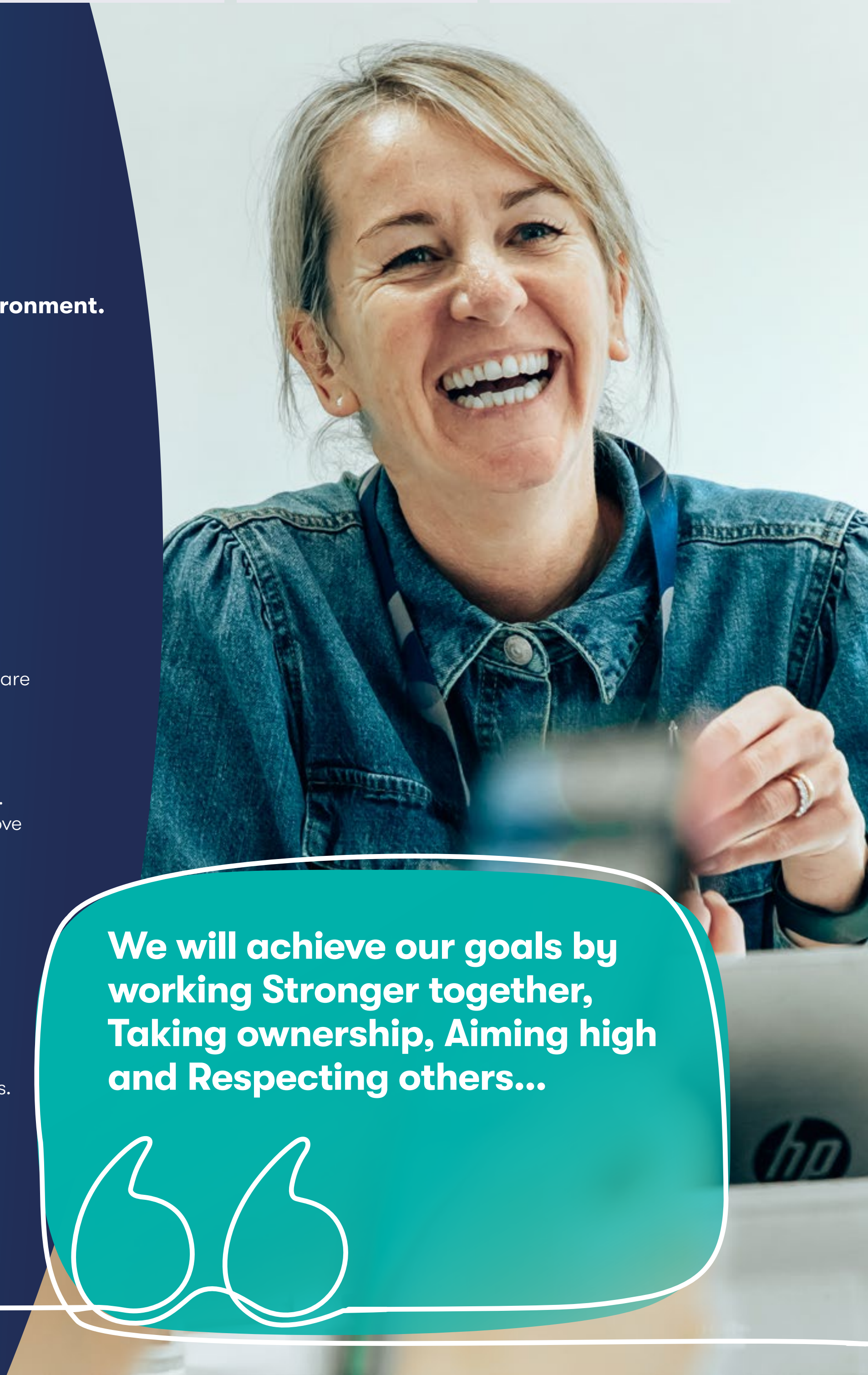
Stronger together
We collaborate to create a culture in which we all share goals and values. We aim to build trust, respect and openness across the Group.

Aim high
We set the bar high for ourselves and our customers. They are the ones who know when we are going above and beyond and remember the promises we keep.

Stewardship
We act with conscience and take social, environmental and ethical factors into consideration when making decisions.

Take ownership
We take ownership of what needs to be done as well as our personal and professional development, helping to achieve the collective goals of the business.

Respect others
We treat others fairly and communicate in a way that respects an inclusive and diverse culture, listening to all voices and ensuring opinions are offered and heard.



We will achieve our goals by working Stronger together, Taking ownership, Aiming high and Respecting others...

Why invest?

OSB Group is a leading specialist mortgage lender; what makes us different is our unique business model and our consistent returns.

Leader in specialist sub-segments

OSB Group is a leading mortgage lender in professional Buy-to-Let and specialist Residential market sub-segments.

The Private Rented Sector has experienced an expansion in the last 20 years boosted by a lack of affordable housing in the UK; the Group's share of new Buy-to-Let business was c.6% in 2024. As a result of the £1.25bn securitisation executed in December 2024, the Group's net loan book decreased by 2% in 2024.

For more information see pages 27-36

Highly capital-generative

The Group is strongly capitalised with a proven track record of capital generation through profitability. This allows it to support growth as well as distributions to shareholders.

The Board has recommended a final dividend of 22.9 pence per share and a £100m share repurchase programme over the next twelve months.

Consistent returns

Since its IPO, the Group has consistently generated an attractive return on equity (RoE), driven by strong growth in its specialist market sub-segments and sound risk management.

In 2024, the underlying and statutory RoEs were 16% and 15%, respectively.

Our competitive advantage

The Group focuses on market sub-segments where its specialist approach to underwriting offers a key source of differentiation.

The Group offers a unique breadth of complementary yet differentiated lending propositions to its customers, ranging from speedy decisions for 'off the peg' solutions from its Precise brand, through to structuring unique 'bespoke' solutions through its InterBay brand.

For more information see page 16

Experienced leadership team

The Group is managed by an experienced and well-respected leadership team and governed by a Board with a broad range of skills and expertise. The leadership team has a long track record in operational management and in delivery of sustainable returns for shareholders.

For more information see pages 118-121

Focus on sustainability

The Group progressed its commitment to net zero[1] and the Net Zero Banking Alliance by publishing interim science-based targets for 2030. In 2024, we reduced our direct emissions by 41% compared to previous year through targeted investment and proactive estate management.

We strive to make the Group a more diverse and inclusive organisation and, in the year, the proportion of female colleagues in senior roles increased to 36%, towards our target of 40% by the end of 2026.

For more information see pages 72-99

Underlying net loan book
£25.1bn
2023: £25.7bn

Ordinary dividend per share
33.6p
2023: 32.0p

Underlying return on equity
16%
2023: 16%

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 1.5°C aligned pathways.

Investor update

Group's medium-term aspirations

Along with the 2024 preliminary results, the Group updated the market on its medium-term aspirations.

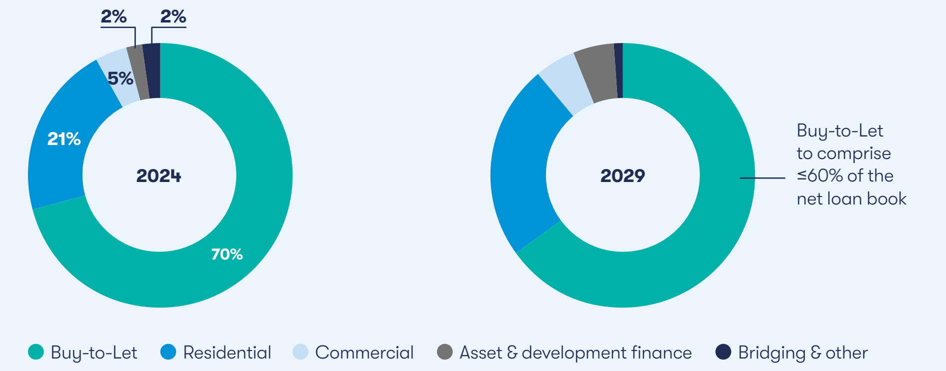
The Group's medium-term aspirations for 2027-29 are the outcome of the Board and management teams' key strategic decisions. The Group will focus on the goal of being the number one UK specialist lender for the future. It will be human led and technology underpinned targeting optimal lending growth that prioritises returns and loan book diversification. Central to this is our transformation programme that will deliver long term competitive advantage for the Group.

Near term guidance and medium-term aspirations

	Transition period		
	2025 Guidance	2026 Direction	2027–2029 Aspiration
Loan book growth	Low single digit	Modestly higher than 2025	Mid single digit if returns meet our requirements
NIM	c.2.25%	Similar levels to 2025	
Loan book diversification			Buy-to-Let to comprise ≤ 60% of the net loan book
Administrative expenses	c.£270m	Modestly higher than 2025	Gradual improvement to low 30s% cost to income ratio and positive jaws
RoTE	Low teens		Mid teens
Distributions	5% dividend per share growth per year and commitment to return excess capital		Progressive dividend per share and commitment to return excess capital

Investor update continued

Group's gross loans as at 31 December



The Group's strategy to deliver higher returns is supported by its key strengths:

- Intermediary strategy - trusted leadership with intermediaries, offering a single point entry to access the Group's diversified product range, through its 100+ sales relationship managers with deep product expertise
- Deep experience and credit expertise in a range of higher yielding specialist segments - with increasing diversification and ability to grow, delivering strong risk adjusted returns
- Structurally lower cost base – focus on delivering cost efficiency and an increasing proportion of colleagues based in our fully integrated subsidiary OSB India
- Building our bank for the future - entering the third year of a five-year transformation programme optimising operations for a digital future, which will transform the experience of intermediaries, brokers and colleagues
- Improving the broker and customer experience – Combining our successful intermediary lending strategy with our transformation programme to deliver our optimised lending growth plan with a higher yielding, diversified loan book

This will maintain the Group's leading position in specialist lending, delivering margin expansion, positive cost jaws, improved returns and enhanced distributions to shareholders.

2025 and 2026 will be transition years during which the Group will continue to invest, while lower margin mortgages will continue roll-off. From 2027, with the transformation largely complete, the Group will be set on a trajectory of attractive growth with a higher yielding mix, improved returns and commitment to returning excess capital to shareholders.

Transformation programme

The Group completed two years of its five-year transformation programme with c.£60m spend to-date, of which 68% was capitalised. The Group expects to spend a further c.£130m until the programme completes in 2027, of which 33% will be capitalised.

2027-2029

Mid-teens RoTE

Strategic Report

Chair of the Board's statement

2024 proved to be more stable from a macroeconomic viewpoint compared to 2023. House prices were relatively stable, affordability improved and we were able to offer savers good returns. Nonetheless, demand across the mortgage market remained subdued. The Group focused on pricing discipline to maintain overall returns.

Total ordinary dividend, pence per share

33.6

2023: 32.0

Share repurchase

£100m

2023: £100m

I met with a number of shareholders during the year. Two messages were consistent in those meetings:

- to reduce potential volatility from effective interest rate (EIR)
- to share a longer-term view of the Group's strategic direction and the likely shareholder returns.

We listened carefully.

On EIR, management completed a forensic analysis of our past policies and executed a range of actions. The result is that the remaining potential impact from customer behaviour on profitability and net interest margin fell to a business-as-usual range.

Many of you will have attended our Investor update where the senior management team lay out our future plans for the Group, including:

- guidance and medium-term aspirations;
- clarity on dividend and return of surplus capital; and
- an update on investment and future benefits as we continue with our technology and business transformation.

The Group published its inaugural Climate Transition Plan in April as it continued to progress on the path to achieving the long-term goal of net zero greenhouse gas emissions by 2050.

Sarah Hedger, a long-serving Non-Executive Director has advised the Board that she will not be seeking re-election and will retire at the Group Annual General Meeting on 8 May 2025. The Board of OSB Group and I would like to thank her for her contribution over the years. I am delighted that Victoria Hyde was confirmed as the Chief Financial Officer and Executive Director, and with the influence she is already having on the business.

The Group remains well-capitalised and has met its interim MREL requirement of 22.5% of risk-weighted assets, including regulatory buffers, following a further £400m issuance of senior debt in January.

The Board is committed to returning excess capital to shareholders and I am pleased to announce that following the successful completion of the two £50m share repurchases during 2024, a further £100m share repurchase programme over the next twelve months will commence on 14 March 2025. In addition, the Board has recommended a final dividend of 22.9 pence per share for 2024, which together with the interim dividend of 10.7 pence per share, represents a progressive, total ordinary dividend for the year of 33.6 pence per share (2023: 32.0 pence), an increase of 5%.

Chair of the Board's statement continued

We are continuing to invest in our transformation and have successfully delivered the first two years of the programme, vital to ensuring the long-term sustainability of the business, with more customer-facing launches to come.

The Board is confident that our focused strategy and plans will deliver our medium-term aspirations, with capital generation supporting further capital returns to our owners, and a progressive dividend per share.

Along with our Board, our Executives and most importantly the nearly 2,500 colleagues in our teams, I am looking forward to the future with renewed confidence and enthusiasm.

David Weymouth
Chair of the Board
12 March 2025

COMPANIES ACT 2006 SECTION 172 COMPLIANCE STATEMENT

The Directors are bound by their duties under section 172(1)(a) to (f) of the Companies Act 2006 and the manner in which these have been discharged; in particular their duty to act in the way they consider, in good faith, promotes the success of the Company for the benefit of its shareholders as a whole.

Pages 133-135 in the Corporate Governance Report demonstrate how the Board has engaged with the Group's key stakeholders (customers, intermediaries, colleagues, shareholders, suppliers, regulators and the local communities in which we are located). Examples of strategic decisions which have impacted the Group's key stakeholders are set out on page 127.

The Group met its interim MREL requirement, including regulatory buffers, in January 2024 following a further £400m issuance of senior debt...

Market review

Activity in the housing and mortgage markets improved modestly in 2024, however it remained subdued relative to historical averages.

The UK housing and mortgage market

Higher interest rates, the rising cost of living and a return to house price growth all contributed to ongoing affordability pressures which constrained growth in the year.

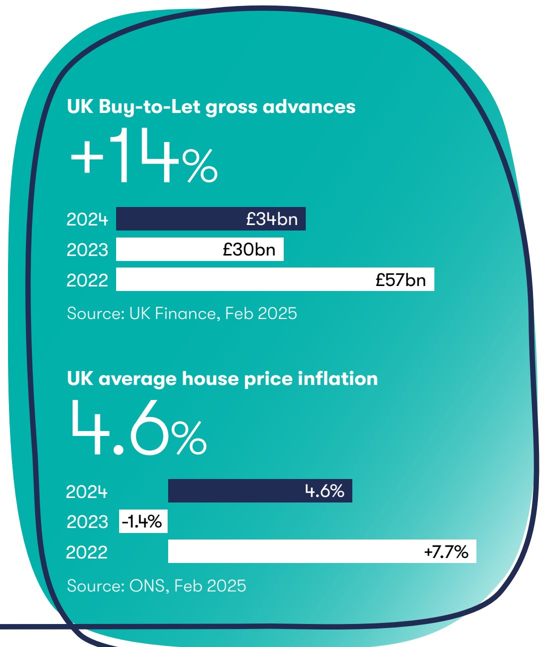
There was heightened economic and political uncertainty in the lead-up to the UK General Election which took place in July; this influenced potential purchase and refinancing decisions in the first half of the year.

Property transactions reached 1.1m in the year (2023: 1.0m)[1], representing a year-on-year increase of 8%, while mortgage approvals grew by 28% to £263bn (2023: £205bn)[2] and total UK gross mortgage lending increased by 7% to £242bn in 2024 (2023: £226bn).[2] However, this is measured relative to 2023 which saw the lowest level of activity for nearly a decade following a steep rise in inflation and interest rates.

Inflationary pressures continued to subside during the year, with the Consumer Price Index falling into line with the Bank of England's 2% target in May 2024, for the first time since July 2021, before rising again in the fourth quarter.[3] The reduction followed the Bank of England's actions to curb inflation and in 2024 two base rate cuts were implemented, reducing the base rate from 5.25% at the start of the year to 4.75% in November.

These measures contributed to an easing of mortgage interest rates in the second half of the year, however rates remained significantly higher than those available for much of the last decade. According to the Bank of England, the average quoted interest rate on a two-year fixed rate residential mortgage at 75% loan to value was 4.60% in December 2024, down from a peak of 6.22% in July 2023, however this is still more than double the average quoted rate in March 2022 of 2.14%.[4]

With interest rates trending downwards, market sentiment improved towards the end of the year. The December 2024 RICS Residential Market Survey noted modestly positive responses on metrics relating to new buyer enquires and agreed sales, signalling a strengthening of buyer demand.[5]



Market review continued

This strength in demand was supported by growth in household incomes and spending power, with real wages remaining in positive territory for 18 consecutive months as of October 2024, when the annual growth rate reached 2.5%.[6] Nominal wage growth outpaced house price growth for 22 consecutive months from January 2023, thereby easing affordability pressures for prospective buyers.

Increasing demand also exerted upward pressure on house prices, which returned to growth in April 2024 following eight months of contraction. According to the ONS, house prices grew by 4.6% in the twelve months to December, with the average house price reaching £268,600 in September 2024, higher than the previous peak of £265,700 in September 2022.[7]

The UK savings market

Savings balances in the UK increased by 5% in 2024, to close the year at £2,286bn, compared to a 1% contraction a year earlier, with the household savings ratio increasing during the year indicative of an easing in cost of living pressures.[8,9,10]

Maintaining cash on hand was a key theme for 2024 with non-interest bearing current account balances increasing by 18% during the year, while tax efficient ISA products continued to attract deposits, with a 15% increase in balances.[10,11]

Pricing of one year fixed rate bonds decreased significantly during the year, with average rates falling by 89bps for these products and by 99bps for one year fixed rate ISAs. In contrast, average pricing on instant access accounts fell by only 22bps during the year,[11] indicating that deposit-taking institutions did not fully pass on the Bank of England's 50bps of base rate cuts during the year.

At the end of December 2024, 2,117 savings products were promoted in the market, a significant increase from the 1,918 accounts advertised a year earlier, and the total number of savings providers increased from 140 to 148 during 2024.[12]

The Group's lending segments

Buy-to-Let

The Private Rented Sector (PRS) comprised 4.7m households in 2023-24, according to the UK Government's English Housing Survey, having grown by 52% since 2008-09, and represented 19% of all households.[13]

The English Private Landlord Survey, commissioned by the UK Government, was published in December 2024 and demonstrated the important role that professional, multi-property landlords play within the sector. The survey showed that 17% of landlords owned five or more rental properties and represented 49% of all tenancies in England.[14]

The Renters' Rights Bill is a key piece of legislation that will define how landlords operate in the future PRS.

It also demonstrated that these multi-property landlords are more likely to finance their portfolio through a Buy-to-Let mortgage than those with fewer properties. Nearly two-thirds of landlords with a Buy-to-Let mortgage owned more than one property compared with 46% of landlords with no borrowing. It is these experienced, professional landlords that form the Group's core customer base.

Landlords have contended with a changing economic and regulatory landscape in recent years. This trend continued in 2024 as rising costs continued to put pressure on net yields and uncertainty increased ahead of the General Election in July.

The Renters' Rights Bill is a key piece of legislation that will define how landlords operate in the future PRS.

The Bill was introduced by the incoming Labour Government in September 2024 and revived many of the measures proposed in the original Renters' (Reform) Bill introduced by the Conservative Government in May 2023. These included a wide-ranging set of measures to improve standards in the PRS, such as the abolishment of Section 21 evictions and the application of a decent home standard. It also features some changes that were not contained in the original Bill, including the application of Awaab's Law to the PRS which would require landlords to investigate and remediate reported health hazards within a specified timeframe.

Data from the ONS showed that rental growth remained strong throughout the year, reaching a peak annual growth rate of 9.2% in March and remaining at 9.0% in the twelve months to December.[15]

Market review continued

The RICS Residential Market Survey suggested that rental rise was primarily driven by a continued imbalance between the demand and the supply of rental properties which has persisted over several years. The latest RICS survey reported weakening but positive demand throughout most of 2024, while the supply indicator relating to new landlord instructions remained firmly in negative territory.[5]

The English Private Landlord Survey asked landlords which factors influenced their decision to increase rents for their most recent new letting and found that 79% of landlords had set rents in line with those in the local area, while 29% mentioned mortgage costs as a reason for putting up rents and 18% mentioned tax changes.

The Group's own Landlord Leaders research found that 53% of landlords experienced an increase in the cost of maintenance or repairs in the last twelve months, while 50% also experienced higher costs of insurance and mortgage servicing. Overall, 98% of respondents saw their costs increase, and 49% of those who reported increasing costs said that they had managed this by increasing rents.

Landlords were also impacted by the changes to Stamp Duty Land Tax (SDLT) that were announced by the Chancellor in the Autumn Budget. Effective from 31 October 2024, the surcharge on additional property purchases was raised from 3% to 5%.[16]

The concerns regarding rising costs and tax burdens, increasing legislation and the impact on returns led a limited number of landlords to exit the market. Research conducted by Pegasus Insight on behalf of the Group showed that landlords with fewer than four Buy-to-Let mortgages were the least likely to return a profit and the least likely to acquire new properties in the next 12 months.[17] Likewise, the Group's Landlord Leaders research found that 33% of non-professional landlords were considering their position in the sector compared to 25% of professional landlords.

UK Finance reported that Buy-to-Let mortgage balances outstanding increased by 1% to £299bn during the year (2023: £296bn).[18] The gross advances in the Buy-to-Let market reached £34.4bn in the twelve months to December 2024, an increase of 14% compared with £30.0bn in 2023. There was a 19% increase in purchases to £10.1bn (2023: £8.5bn) while remortgage completions increased by 12% to £23.1bn (2023: £20.6bn). Product transfers also remained a popular option for landlords reaching the end of their initial term, however volumes fell by 1% to £46.0bn (2023: £46.6bn) and they represented 67% of all Buy-to-Let refinancing activity (2023: 70%).

Residential

Residential gross mortgage advances to homeowners reached £206bn in the 12 months to December 2024 according to UK Finance, an 11% increase compared to £186bn in 2023. Within this total, purchase activity increased by 21% to £146bn (2023: £121bn), while remortgage volumes fell by 8% to £60bn (2023: £65bn).[19]

Remortgage volumes in the year were likely dampened by the continued popularity of product transfers within an existing lender which are not included in gross lending totals. Product transfers totalled £218bn in the twelve months to December 2024, a 9% year-on-year decrease (2023: £240bn), and represented 78% of all regulated refinancing activity during the year (2023: 79%).[20]

Commercial

CBRE data for 'all property' showed that on average, commercial property capital values increased by 2% in 2024. This represented average capital growth of 4% in 2024 for the retail sector, 5% average growth for the industrial sector, while average capital values of offices declined by 3% in the year.[21]

According to CoStar Research, annual investment in new office space of just £7.8bn in 2024 was close to a historical low, with activity picking up in the third quarter of the year. Average office yields stabilised at around 8.5% in 2024, their highest level in 27 years, having peaked at c.9% at the beginning of the year.[22]

CoStar Research also reported that retail demand remained subdued amid rising business costs and faltering retail sales that deterred many retailers from expanding, while some struggling retailers entered administration. Nonetheless, according to CoStar, retail investment surged towards the end of 2024 with £7.6bn of retail property traded nationally in 2024, well above the value transacted a year ago.[23]

The industrial property sector continued to benefit from structural factors such as e-commerce, supply chain reconfiguration and the push towards net-zero carbon emissions. In 2024, net absorption was negative, however the national vacancy rate remains low at around 5% according to CoStar. Tenant appetite was stronger for the highest energy-efficiency rated buildings, offering support to rental growth. However, sector-wide rent gains have decelerated to 4.3% year-on-year as vacancies began to rise.[24]

Residential development

A lower level of activity in the residential development sector reflected the subdued wider housing market as developers reduced the number and scale of projects in response to the higher cost of financing and lower demand from homebuyers. New build completions were 4% lower in the first nine months of 2024 compared to the first nine months of 2023, whilst new build starts were down 34%.[25]

1. HM Revenue and Customs: Monthly Property Transactions, Jan 2025.
2. Bank of England, Jan 2025.
3. Office for National Statistics; Consumer Price Inflation, Jan 2025.
4. Bank of England, Quoted household interest rates, Jan 2025.
5. RICS Residential Market Survey, Dec 2024.
6. Office for National Statistics; Average Weekly Earnings, Jan 2025.
7. Office for National Statistics, House Price Index, Feb 2025.
8. BoE, Sterling retail deposits (VRJX), Jan 2025.
9. Bank of England, Sterling Household Deposits (LPMB5S9, LPMZ3TT, LPMZ3TZ, LPMB8S4), Feb 2025.
10. ONS, Household Saving Ratio, Dec 2025.
11. Building Societies Association, Savings interest Rates, Feb 2025.
12. Moneyfacts, Treasury Reports on UK Savings Trends, Dec 2023 to Dec 2024.
13. UK Government: English Housing Survey 2023 to 2024.
14. UK Government: English Private Landlord Survey 2024.
15. ONS: Price Index of Private Rents, Jan 2025.
16. UK Government, Autumn Budget 2024.
17. Pegasus Insight Landlord Trends Q4 2024.
18. UK Finance, BTL mortgages outstanding, Feb 2025.
19. UK Finance, new mortgages and affordability, Feb 2025.
20. UK Finance, refinancing and releveraging mortgages, Feb 2025.
21. CBRE, UK Monthly Index Snapshot, Jan 2025.
22. CoStar Research, Office national report, Jan 2025.
23. CoStar Research, Retail national report, Jan 2025.
24. CoStar Research, Industrial national report, Jan 2025.
25. ONS, UK House building: permanent dwellings started and completed, Jan 2025.

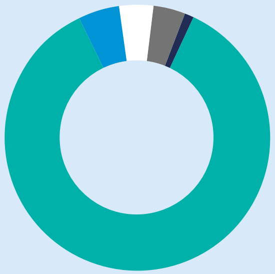
Our business model

We are a leading specialist mortgage lender, supported by diversified and stable funding platforms and operating through a unique and cost-efficient operating model.

Sophisticated funding platforms

Our lending is predominantly funded by retail deposits sourced through our Kent Reliance (KR) and Charter Savings Bank (CSB) franchises. The Group's issuance of high-quality residential mortgage-backed securities, access to the Bank of England's funding schemes and issuance of MREL qualifying debt provide funding diversification.

Group's funding channels as at 31 December 2024



Statutory retail deposits

£23.8bn

2023: £22.1bn

26

securitisations since 2013 worth

£13.5bn

2023: 23 securitisations worth £11.4bn

Competitive advantages

Brands and heritage
Both KR and CSB are award-winning franchises. KR has over 160 years of heritage and nine branches.

Capital markets expertise
Our strategy is to be dynamic and nimble with issuance plans providing cost-efficient term funding.

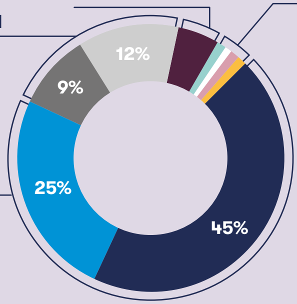
Read more on pages 17-18

1. Indexed Long-Term Repo.

Specialist mortgage lending

The Group's complementary underwriting platforms support OSB's bespoke and experience-based manual approach and CCFS's automated approach to loan assessment, offering attractive solutions for each of our borrowers.

Gross loans



Statutory loans to customers

£25.1bn

2023: £25.8bn

Gross new lending

£4.0bn

2023: £4.7bn

Value we create

Competitive advantages

Relationships with intermediaries
We invest time to develop strong relationships with mortgage brokers who distribute our products to customers.

Breath of propositions
Our diverse brands allow us to tailor our lending proposition to better meet the needs of our borrowers.

Read more on page 16

Unique operating model

The Group operates customer service functions in multiple locations, including our wholly-owned subsidiary OSB India. The Group also has expertise in credit assessment, case management, in-house real estate expertise and collections.

Read more on page 19

OSB savings customer NPS

+72

CSB savings customer NPS

+62

Statutory cost to income ratio

39%

Competitive advantages

Outstanding customer service
OSB India puts customer service at the heart of everything it does, demonstrated by our excellent customer Net Promoter Scores (NPS).

Deep credit expertise
Our deep credit expertise and strong data analytical capabilities offer valuable insights and learning from the performance of mortgage products.

Our business model continued

Value we create

For shareholders

Our proven business strategy and capital generation capability support consistent capital returns including a progressive dividend per share.

Statutory basic EPS
77.6p
2023: 66.1p

Ordinary dividend per share
33.6p
2023: 32.0p

For savers

We offer fair and transparent products that meet our customers' needs and recognise loyalty with special rates for existing savers. Our commitment to excellent customer service is reflected in our strong NPS scores.

OSB customer retention[1]
90%
2023: 91%

CCFS customer retention[1]
85%
2023: 85%

For intermediaries

Our Sales teams have strong relationships with intermediaries, helping them to understand our products. We structure bespoke solutions for our borrowers, delivering clear, accurate and efficient decisions that are recognised for their quality, fairness and consistency.

OSB broker NPS[2]
+57
2023: +57

CCFS broker NPS[2]
+52
2023: +57

For employees

We strive to create a positive, collaborative and inclusive environment for all colleagues. We invest in training, development and employee engagement activities and offer competitive remuneration and attractive benefits.

Women in senior management roles[3]
36%
2023: 33%

Number of Group employees promoted in 2024
327
2023: 183

For the environment

We are committed to environmental stewardship, reducing our impact on the environment, supporting the transition to a low-carbon economy and achieving net zero across our value chain.

Reduction in direct emissions[4]
41%

Electricity purchased in the UK from renewable tariffs
100%
2023: 99%

For our communities

We support our national and local community partnerships through a variety of volunteering initiatives, fundraising events and sponsorships.

Group sponsorships and donations
over £394k
2023: over £288k

1. Retention is defined as average maturing fixed contractual retail deposits that remain with the Group on their maturity date.
2. OSB broker NPS relates to Kent Reliance brokers and CCFS broker NPS relates to Precise brokers.
3. Employees at grades A (Executive Director) to grade E (including function heads with senior direct reports or employees in specialist roles of a senior nature).
4. Direct emissions are Scope 1 and Scope 2 using market-based methodology.

Our business model explained

Specialist mortgage lending

The complementary strengths and enhanced customer propositions from the Group's diverse brands make us a leading specialist lender in the UK. The Group reports its lending business under two segments: OneSavings Bank and Charter Court Financial Services.

OneSavings Bank segment

Through our brands we tailor our lending proposition to the specific needs of our borrowers. Under our Kent Reliance and InterBay brands all of our loans are underwritten by experienced and skilled underwriters, supported by technology to reduce the administrative burden on underwriters and mortgage intermediaries.

We refer to scorecards and bureau data to support our skilled underwriter loan assessments. We consider each loan on its own merits, responding quickly and flexibly to offer an attractive solution for each of our customers. No case is too complex for us, and for those borrowers with more tailored or larger borrowing requirements, our Transactional Credit Committee meets three times each week, demonstrating our responsiveness to customer needs.

Charter Court Financial Services segment

Our Precise brand uses an automated underwriting platform to manage mortgage applications and to deliver a rapid decision-in-principle, based on rigorous lending policy rules and credit scores. The platform is underpinned by extensive underwriting expertise, enabling identification of new niches and determining appropriate lending parameters.

It allows for consistent underwriting within the Group's risk appetite. Quick response times help the Group to compete for the 'first look' at credit opportunities, while a robust manual verification process further strengthens the disciplined approach to credit risk.

Complementary brand propositions

'Off the peg'

PRECISE.

If the case fits the policy then we will issue a speedy agreement-in-principle

Buy-to-Let
Residential
Bridging

'Tailored'

Kent Reliance

Experience-based manual underwriting allows us to assess more complex and larger mortgage requirements

Buy-to-Let
Residential

'Bespoke'

InterBay Commercial

Heritable Development Finance

Unique to each customer, we structure the deal to the specifics of an application

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

Our business model explained continued

Sophisticated funding platforms

The Group's lending business is supported by diversified and stable funding platforms. This enables cost of funds optimisation, while prudently managing funding and liquidity risks.

Retail savings

The Group is predominantly funded by retail savings deposits sourced through two brands: Kent Reliance and Charter Savings Bank (CSB).

Kent Reliance is an award-winning retail savings franchise with over 160 years of heritage and nine branches in the South East of England. It takes deposits online, while CSB, a multi- award-winning retail savings bank, offers its products online.

Both Banks have a wide range of savings products, including easy access, fixed term bonds, cash ISAs and business savings accounts. CSB and Kent Reliance have diversified their retail funding sources through pooled funding platforms with a range of products offered, including easy access, longer-term bonds and non-retail deposits.

In 2024, our savings products received industry recognition: Charter Savings Bank won Best Overall Savings Provider for the seventh year running from Personal Finance Awards, Best Fixed Term Savings Provider from YourMoney.com awards and Cash ISA Provider of the Year from Moneynet Personal Finance Awards. YourMoney.com Personal Finance Awards named Kent Reliance as Best Cash ISA Provider.

Kent Reliance's proposition for savers is simple: to offer consistently good-value savings products that meet customer needs for cash savings with loyalty rates for existing customers.

CSB's philosophy is to maintain and develop its award-winning business, offering competitively priced savings products. Operating with an agile, nimble approach, CSB can respond quickly to the funding requirements of the business.

Securitisation platforms

The Group accesses the securitisation market to provide attractive long-term wholesale funding to complement its retail deposit franchise and to optimise its funding mix. Securitisations also provide efficient access to commercial and central bank repo facilities.

The Group's strategy is to be fleet-of-foot and dynamic rather than deterministic with its securitisation issuance plans. This enables it to maximise opportunities with repeat issuances during periods of buoyant market activity and to use other funding when the market is less favourable.

The Group is a programmatic issuer of high-quality prime residential mortgage-backed securities through the Precise Mortgage Funding (PMF), Charter Mortgage Funding (CMF) and Canterbury Finance securitisation programmes. OSB has also issued three deals of owner-occupied and Buy-to-Let acquired mortgages via Rochester Financing since 2013.

The Group was an active participant in the securitisation market in 2024, with three transactions totalling £2.1bn, commencing with PMF 2024-1, a £509m securitisation of Buy-to-Let mortgages. The Group issued another Simple, Transparent and Standardised (STS) securitisation, CMF 2024-1, in May 2024 of £330m of owner-occupied mortgages.

In December 2024, the Group issued PMF 2024-2, a £1.25bn securitisation of Buy-to-Let mortgages. The Group sold its economic interest in this transaction, resulting in the derecognition of the underlying mortgages from the Group's balance sheet. PMF 2024-2 was also notable for being the Group's first STS Buy-to-Let securitisation. These transactions demonstrated the Group's ability to utilise its wholesale funding programmes to deliver cost-efficient AAA-rated funding.

The Group's securitisations were well received by investors in 2024 with further diversification in the investor base.

In total, the Group has completed 26 securitisations worth more than £13.5bn since 2013.

The Group has access to a secured warehouse facility which provides access to funding on a contingent basis secured on a portfolio of residential mortgages. This facility was undrawn at the year end.

Statutory retail deposits
£23.8bn
2023: £22.1bn

Securitisations
26
securitisations since 2013, across OSB and CCFS, worth
£13.5bn
2023: 23 securitisations worth £11.4bn

Our business model explained continued

Other funding

Bank of England Schemes

The Group takes advantage of the Bank of England's funding schemes. Drawings under the Term Funding Scheme for SMEs (TFSME) reduced to £1.4bn as at 31 December 2024 from £3.3bn at the end of 2023, as the Group repaid £1.9bn during the year. TFSME borrowings provide four-year funding at the BoE's base rate of interest and are due for repayment by October 2025. Drawings under Index Long-Term Repo were £380.3m as at 31 December 2024 (31 December 2023: £10.1m).

Debt issuance

The Group was active in unsecured debt issuance markets in January 2024, issuing a further £400m of HoldCo senior MREL qualifying debt securities. The trade was well received by the primary issuance market and the Group significantly expanded its debt investor base as a result.

The Group's bonds are actively traded in secondary markets.

The Group significantly expanded its debt investor base.

Jens Bech, Group Commercial Director

Our business model explained continued

Unique operating model

The lending and savings businesses operate through the Group's unique and cost-efficient operating model.

osbIndia

Customer service

The Group operates customer service functions in multiple locations across the UK including Chatham, Wolverhampton, Fareham, London and Fleet. These, together with our wholly-owned subsidiary OSB India, help us deliver on our aim of putting customers first.

The Group has proven collection capabilities and expertise in case management and supporting customers in financial difficulty.

This offers valuable insights into, as well as the opportunity to learn from, the performance of mortgage loan products. We have deep credit expertise through strong data analytical capabilities.

We deliver cost efficiencies through excellent process design and management. We have strong IT security and continue to invest in enhancing our digital offering as customer demand changes.

OSB India

OSB India (OSBI) is a wholly-owned subsidiary based in Bangalore and Hyderabad, India.

OSBI puts customer service at the heart of everything it does and we reward our colleagues based on the quality of service they provide to customers, which is demonstrated by our excellent customer Net Promoter Scores.

At OSBI, we employ highly talented and motivated colleagues at a competitive cost. We benchmark our processes against industry best practice, challenging what we do and eliminating customer pain points as they arise. We continue to invest in developing skills that enable highly efficient service management, matching those to business needs both in India and the UK.

Various functions are also supported by OSBI, including Support Services, Operations, IT, Finance and Human Resources. We have a one team approach between the UK and India. The employee turnover in India remained stable with the regretted attrition rate of 12%[1] for 2024 demonstrating strong culture and the Group's compelling employee proposition.

OSBI operates a fully paperless office – all data and processing are in the UK.

ESG

We operate in a sustainable way, with key Environmental, Social and Governance considerations guiding our actions and decisions.

As a specialist lender, we have been long aware of our responsibilities and the positive impact we can make in society through our activities.

In April we published our Climate Transition Plan, where we laid the foundations for progressing towards our target of net zero[1] by the end of 2050.

The Group strives to create a more diverse and inclusive workplace and, with 36% women in senior management roles in the UK, we are on track to meet our 40% target by the end of 2026. During the year we introduced a range of new maternity and family benefits in the UK to support our employees who are parents and carers. We also donated over £394k to charitable causes in the year.

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 1.5°C aligned pathways.
2. Restated due to change in calculation methodology.
3. Employees electing to leave the Group by way of resignation, excluding those retiring or resigning due to formal performance or absence process.
4. Employees at grades A (Executive Director) to grade E (including function heads with senior direct reports or employees in specialist roles of a senior nature).
5. Direct emissions are Scope 1 and Scope 2 using market-based methodology.

OSB India colleagues at the end of 2024
949
2023: restated 982[2]

OSBI regretted attrition rate[3]
12%
2023: 12%

Group colleagues at the end of 2024
2,498
2023: restated 2,506[2]

Women in senior management roles[4]
36%
2023: 33%

Reduction in direct emissions[5]
41%
2024: 101.83 tCO_2e
2023: 171.44 tCO_2e

Electricity purchased in the UK from renewable tariffs
100%
2023: 99%

Chief Executive Officer's statement

The results delivered by OSB Group in 2024 demonstrate the strong fundamentals which underpin our business, and also the focused and disciplined strategic choices made in the year by the Board and management that will shape the Group's future.

The housing market continued to display subdued levels of activity in 2024, with affordability pressures and lack of buyer confidence caused primarily by political and economic uncertainty. Against this backdrop, the Group continued to assist property investors and other borrowers with their financing needs and to provide savers with attractive options to deposit their savings.

I am proud that for 2023, we were ranked the fourth largest Buy-to-Let lender in the UK in terms of gross new lending.[1] The Group's share of new Buy-to-Let mortgages was c.6% at the end of December 2024.[2]

Financial performance

The Group delivered an underlying pre-tax profit of £442.9m in 2024, up 4% from £426.0m in 2023, with underlying basic earnings per share of 82.2 pence (2023: 75.0 pence). On a statutory basis, profit before tax increased to £418.1m and basic earnings per share was 77.6 pence (2023: £374.3m and 66.1 pence, respectively).

The underlying and statutory net interest margins reduced to 230bps and 221bps (2023: 251bps and 231bps, respectively), inclusive of a further EIR adjustment of £15.9m, due to lower prevailing spreads to SONIA from mortgages and deposits as products written in prior years reached maturity in addition to the cost of MREL issuance as the Group serviced the £950m of MREL qualifying debt raised since April 2023. These were partially offset by the non-recurrence of the adverse EIR adjustment recorded in 2023.

The Group focused on reducing EIR sensitivity and the potential for future EIR adjustments from changes in customer behaviour when Precise Buy-to-Let customers reach product maturity. In December, we completed a securitisation of £1.25bn of Precise Buy-to-Let mortgages which were derecognised from the Group's balance sheet, and in the second half of the year we reviewed recent customer behaviour and made the decision to reduce the expected time that Precise borrowers would spend on the reversion rate from five to four months. Both of these actions, along with the continued seasoning of the Precise Buy-to-Let book, reduced the EIR sensitivity and the potential for future EIR adjustments bringing them to the business-as-usual level seen before 2023.

We demonstrated again our strong cost discipline and efficiency with core operating expenditure across the UK and India increasing by just 3%. Including investment in the Group's transformation programme, cost of redundancy and the new Bank of England levy, the underlying administrative expenses increased by 11% to £257.4m, from £232.9m in 2023.

...the Board has recommended a final dividend per share of 22.9 pence to deliver a progressive full year dividend per share of 33.6 pence, representing a payout ratio of 40% of underlying earnings and a £100m share repurchase programme...

Chief Executive Officer's statement continued

In the fourth quarter, the Group implemented a redundancy programme which affected 139 roles in the UK and India and resulted in a £4.5m one-off expense.

We have completed two years of our transformation programme, delivering tangible results. We now have a scalable, secure and high-performing infrastructure with agile customer-focused architecture in place ready to use in the future. This will enable us to deliver the customer delivery phase which will allow us to grow efficiently in the long term. We launched a broker app in July and a savings platform for new Kent Reliance customers in October and in 2024 we expensed a total of £15m for the transformation programme.

The management expense ratio increased to 85bps, both on an underlying and statutory basis (2023: 81bps and 82bps, respectively), primarily due to higher non-core administrative expenses. The cost to income ratios also increased to 37% and 39% on an underlying and statutory basis (2023: 33% and 36%, respectively).

The Group delivered an underlying return on equity of 16% for 2024 (2023: 16%) and 15% on a statutory basis (2023: 14%).

Our lending franchises

The UK mortgage market remained subdued in 2024 although there was some increase in gross mortgage lending, as reductions in the Bank of England base rate and lower SONIA swap rates were reflected in mortgage pricing. UK Finance reported growth of 14% in gross Buy-to-Let advances in the year compared to the historically low levels of 2023. The balance of outstanding Buy-to-Let mortgages increased by 1% in the year, reflecting ongoing affordability pressures faced by some amateur landlords.[2]

The Group's underlying and statutory net loan book reduced by 2% to £25.1bn (31 December 2023: £25.7bn and £25.8bn, respectively), as a result of the derecognition from the balance sheet of £1.25bn of Precise Buy-to-Let mortgages following the completion of the securitisation in December. The underlying net loan book would have increased by 2.5% since 31 December 2023 excluding this transaction, supported by originations of £4.0bn in the year (2023: £4.7bn). The planned reduction in originations was the result of our disciplined approach to pricing new business and prioritising returns. We chose not to follow as some lenders reduced their new business spreads in certain sub-segments, which led to an improved and attractive blended front book margin for the year.

Our focus on returns was supported by a planned increase in diversification with originations in our well-established, higher yielding commercial and residential development finance sub-segments up by c.10% in the year to £446.8m and £189.1m respectively, and bridging originations were up by 5%. We continued to provide finance to professional, multi-property landlords investing and extending their portfolios despite the subdued market activity.

Refinancing was robust in the year with 62% of Buy-to-Let completions in Kent Reliance represented by remortgages, unchanged from 2023. For Precise, refinancing decreased to 46% of completions from 48% in the prior year, reflecting the Group's disciplined approach to mortgage pricing.

1. UK Finance, Value of BTL gross lending, July 2024.
2. UK Finance, BTL mortgages outstanding and gross lending, February 2025.

£443m

Underlying profit before tax
2023: £426m

8%

Underlying and statutory retail deposits growth
2023: 12%

Chief Executive Officer's statement continued

Under Kent Reliance's well-established product transfer programme, Choices, 70% of borrowers refinanced with the Group within three months of their fixed rate product ending (2023: 78%). The proportion of Precise borrowers who chose another product with the Group reduced to 51% from 66% in 2023, as we continued to be selective in offering retention products.

The Group's mortgage propositions continued to win industry awards in 2024, including Best Lender for Partnership with Mortgage Club from L&G Mortgage Club and Best Specialist Lender from Mortgage Strategy Awards. Our relationships with brokers were reflected in strong Net Promoter Scores (NPS) of +57 for OSB and +52 for CCFS (2023: +57 OSB and CCFS).

Credit and risk management

The Group has a high-quality loan book with balances over three months in arrears at 1.7% of the loan book at 31 December 2024 (31 December 2023: 1.4%). The increase in arrears was largely due to the impact of borrowers with maturing fixed rate mortgages facing significantly higher prevailing rates. We continued to work closely with those needing assistance. As anticipated, the Group's arrears stabilised in the fourth quarter of the year as affordability for remortgaging customers improved.

The Group recorded an impairment credit of £12.8m on an underlying basis representing an underlying loan loss ratio of (5)bps for the year (2023: £48.5m charge and 20bps, respectively). The impairment credit resulted largely from updated macroeconomic scenarios, particularly an improvement in house prices. The statutory impairment credit was £11.7m, equivalent to a loan loss ratio of (4)bps (2023: £48.8m charge and 20bps, respectively).

The weighted average loan to value (LTV) of the Group's loan book remained strong at 64% as at 31 December 2024, unchanged from the end of 2023 and the weighted average LTV of new business written by the Group remained stable at 68%. Interest coverage ratios remained strong at 186% for OSB and 160% for CCFS, despite mortgage rates remaining elevated, reflecting the long-term income improvement enjoyed by professional landlords (2023: 176% and 154%, respectively).

Multi-channel funding model

Retail deposits were the primary source of funding for the Group and grew by 8% to £23.8bn by the end of 2024 (31 December 2023: £22.1bn). The growth was due to our consistently fair and attractively priced products, as well as the continued repayment of the TFSME drawings which were largely replaced with retail funding.

We opened more than 237k new savings accounts in the year, and retention rates remained very high: 90% for customers with maturing fixed rate bonds and ISAs at Kent Reliance and 85% for Charter Savings Bank (2023: 91% and 85%, respectively). We maintained a strong focus on customer service, which was reflected in Net Promoter Scores for the year of +72 for Kent Reliance and +62 for Charter Savings Bank (2023: +71 and +62, respectively).

We complemented funding from retail deposits with our expertise in the wholesale markets and, in 2024, the Group completed three transactions: a £509m securitisation of Buy-to-Let mortgages in February, a £330m securitisation of owner-occupied mortgages in May and a £1.25bn securitisation of Buy-to-Let mortgages in December. All securitisations saw strong demand from our growing investor base which allowed us to achieve attractive pricing. I am particularly pleased with the December securitisation which supported our proactive approach to reducing the earnings volatility from revenue recognition under the EIR methodology.

We will continue to access the wholesale markets when conditions are favourable, to benefit from diversification of funding and to support a smooth transition as we continue to repay TFSME drawings with a mix of retail savings and wholesale funds. In 2024, we repaid £1.9bn of TFSME funding with the remainder due by October 2025. As at 31 December 2024, the Group's drawings under this Bank of England facility reduced to £1.4bn (31 December 2023: £3.3bn).

Capital management

The Group's capital position, which reflects the £100m of share repurchase programmes announced in 2024, remained strong with a CET1 ratio of 16.3% as at 31 December 2024 (31 December 2023: 16.1%).

We completed a review of the latest Basel 3.1 rules and we now estimate the impact on the Group's CET1 ratio as at 31 December 2024 to reduce to just over 1% when the rules are introduced in January 2027. We continue to target a CET1 ratio of 14%, post the implementation of Basel 3.1.

The Group has met the interim MREL requirement, plus regulatory buffers, of 22.5% of risk-weighted assets, under the current standardised rules and is now carrying a total of £950m of MREL qualifying debt securities. The Group has a deadline of 1 July 2026 to meet the end-state MREL requirement. The new implementation date for Basel 3.1 rules has delayed the potential need for further MREL debt issuance beyond 2025.

We chose not to follow as some lenders reduced their new business spreads in certain sub-segments which led to an attractive blended front book margin for the year...

Chief Executive Officer's statement continued

The Board has recommended a final dividend per share of 22.9 pence (2023: 21.8 pence), which together with the interim dividend per share of 10.7 pence (2023: 10.2 pence), results in a total ordinary dividend per share for the year of 33.6 pence, an increase of 5% (2023: 32.0 pence), in line with our stated desire to deliver a progressive dividend per share. When combined with the share repurchase programmes announced in 2024, this represented a total return to shareholders of £226m for the year.

The Board remains committed to returning excess capital to shareholders and has today announced a new £100m share repurchase programme over the next twelve months to commence on 14 March.

Investing in our future

2024 marked the second year of our transformation programme building the number one UK specialist lender of the future. Good progress was made, delivering tangible results with strong, scalable and agile systems architecture in place that will form the foundation for all new lending and savings products that will be launched in 2025 and beyond. Our first customer and broker facing digital tools were launched and material progress was made to deliver an enhanced experience for our customers, partners and colleagues as we introduce the next phases.

The Group is recognised for its efficiency and excellent customer service and, in 2024, we launched our pioneering, first-of-a-kind, mobile app for intermediaries demonstrating our commitment to mortgage brokers as well as a savings platform with self-serve account management tools for new Kent Reliance savers.

Our success is dependent on our nearly 2,500 employees across the UK and India and it was with great regret that I announced the redundancy programme in November which affected 139 roles in the UK and India.

Throughout the year, we continued to make progress against our sustainability commitments, including the publication of our inaugural Climate Transition Plan in April. Direct emissions were 41% lower in 2024 compared to a year earlier, benefitting from targeted investment and proactive estate management. We also took steps to enhance our data quality associated with the more complex area of reducing financed emissions. Our efforts to become a more diverse and inclusive organisation were demonstrated in 36% of women in senior management roles in the UK (2023: 33%), on track to meet our target of 40% by the end of 2026.

Looking forward

The Group's focus on writing a blend of new business in segments where returns are strong and sustainable was reflected in the quality and mix of originations written during 2024. In line with our optimised lending growth plan and medium-term aspirations, we have increased new lending in diversified specialist segments where we have deep credit expertise whilst maintaining our leading position in the professional Buy-to-Let segment. These segments, which deliver strong risk-adjusted returns, include commercial lending, asset finance, development finance and bridging. This will have a positive impact on the Group's overall risk-adjusted returns as the back book matures and is replaced with an optimised mix of new business.

We continued to leverage the strengths in intermediary relationships and breadth of individual customer needs that position the Group as the UK's number one specialist lender.

Our transformation programme will position us to scale in all our lending segments and grow efficiently in the medium term. It will also allow us to further enhance the experience of dealing with OSB Group for our lending and savings customers and intermediary partners in 2025 and beyond.

Given our focus on returns, we anticipate low single digit loan book growth in 2025 with similar dynamics to those seen in 2024. NIM in 2025 is expected to be c.225bps, as both lending spreads to SONIA and net funding impacts on NIM began to stabilise in the second half of 2024. We anticipate c.£270m of administrative expenses in 2025, as we continue to invest in our transformation programme, with core costs increasing below the rate of inflation. We anticipate a low teens RoTE ratio in 2025 and we will continue to prioritise returns to shareholders with dividend increasing by 5%.

In 2026, we expect broadly similar dynamics and we have today announced our medium-term aspirations to provide further guidance on the Group's performance up to 2029, see page 07.

The Group remains well-capitalised, with strong liquidity and a high-quality secured loan book. We remain focused on delivering good outcomes for our stakeholders and strong returns for our shareholders.

Andy Golding
Chief Executive Officer
12 March 2025

Strategic framework

Our Vision is to be recognised as the UK's number one choice of specialist bank, through our commitment to exceptional service, strong relationships and competitive propositions.

Specialist mortgage lending

Be a leading specialist lender in our chosen market sub-segments

Our goals
- Be the go-to specialist lender for intermediaries meeting the breadth of individual needs for their customers
- Achieve a diversified portfolio by targeting market segments which offer attractive returns and higher yields on a risk-adjusted basis
- Innovate to secure sustainable segment leadership

2024
- Originations were £4.0bn (2023: £4.7bn) in a subdued market, with a c.10% increase in new business across our well-established commercial and residential development finance sub-segments
- Proportion of Buy-to-Let refinance completions remained high at 62% under Kent Reliance and 46% under Precise demonstrating a relative increase in new purchases

Looking forward
- Deploy scale and resources on new lending opportunities – our optimal growth plan
- Deliver a broader, more agile product set
- Optimised and rapid pricing changes

Key risks
- Political and economic uncertainty affecting demand for specialist mortgages and the appetite from professional landlords to grow their portfolios
- Potential regulatory changes, including legislative focus on Buy-to-Let and environmental regulation
- New specialist lenders entering the market

KPIs
Originations
£4.0bn
2023: £4.7bn

Focus on automated and experience-based manual underwriting

Our goals
- High-quality decisions protecting the business
- Use deep credit expertise to deliver high-quality lending decisions
- Provide a differentiated underwriting approach based on the needs and characteristics of our customers; offering both an automated approach and a skilled experience-based manual underwriting capability and in-house real estate expertise
- Deliver clear, accurate and efficient decisions recognised by intermediaries for their quality and fairness

2024
- The Transactional Credit Committee met three times a week to assist with more complex and larger new mortgage applications and larger portfolio relationships

Looking forward
- Increase underwriting efficiency to better serve borrower needs across complementary brands with a human-led approach underpinned by technology
- Higher new business conversion
- Simplified, automated and digitised internal processes

Key risks
- Changing regulations for underwriting
- More complex underwriting requirements
- Difficulty in recruiting experienced underwriters
- Increasing intermediary demands

KPIs
Loan loss ratio
(4)bps
2023: 20bps

Strategic framework continued

Specialist mortgage lending continued

Further deepen relationships and reputation for delivery with intermediaries

Our goals
- Increase partner engagement in response to demand
- Be the go-to for intermediaries
- Offer lending brands complementary propositions
- Deliver bespoke solutions to meet intermediary and customer needs

2024
- Single online broker registration enabled
- Launched a Precise broker mobile app
- Enhanced tools rolled out to Precise front end

Looking forward
- Simplified, automated and digitised customer-facing process
- Enhanced speed to market from more agile product set
- Embedded technology and use of data

Key risks
- More complex underwriting requirements slowing the process
- Speed of investment in technology solutions to ensure that the Group can keep pace with market demands
- Competitive pressures and changing macroeconomic conditions leading to peaks and troughs, affecting service levels

KPIs

OSB broker NPS
+57
2023: +57

CCFS broker NPS
+52
2023: +57

Sophisticated funding platforms

Maintain stable, high-quality, diversified funding platforms

Our goals
- Expertise in funding options
- Maintain resilient and diversified funding platforms to support future growth, ensure that liquidity requirements are met through the economic cycle and cost of funds is optimised
- Be primarily funded through attracting and retaining loyal retail savings customers, whilst maintaining a sophisticated securitisation funding programme and balance sheet management capability

2024
- Opened over 237k new savings accounts across both savings brands in 2024 (2023: 210k)
- Launched the savings platform for new KR customers
- Completed three securitisation transactions totalling £2.1bn, including a £1.25bn trade under the PMF programme that resulted in the derecognition of the underlying Buy-to-Let mortgages

Looking forward
- Increase investment to further enhance customer experience and servicing capabilities
- Benefit from the ability to execute structured balance sheet management transactions

Key risks
- Competition in wholesale and retail markets as banks repay their TFSME drawings
- Increased expectation for technology-based accounts
- Volatility of capital markets on demand and price

KPIs

Savings accounts opened
over 237,000
2023: over 210,000

Unique operating model

Leverage our unique and cost-efficient operating model

Our goals
- Best-in-class customer service
- Have customer service at the heart of everything we do
- Maintain centres of excellence across existing locations in Chatham, Wolverhampton and in India
- Resilient technology with data science uplift
- Deliver cost efficiencies through excellent process design and management

2024
- Maintained strong savings customer NPS of +72 for Kent Reliance and +62 for Charter Savings Bank due to our focus on customer service and transparent and fair savings products
- Delivered one core banking system to host all products and brands, with a resilient cloud platform
- Integrated with a number of fintech solutions

Looking forward
- Technology resilience to be enhanced and achieve estate standardisation
- Increasingly volume agnostic
- Deliver cost efficiencies and operational enhancements by leveraging OSBI's lending, savings and support operations and capabilities

Key risks
- Need to achieve continuous service improvement as the Group grows
- Increasing complexity from compliance with changing regulation
- Maintaining operational resilience as the Group grows

KPIs

Cost to income ratio
39%
2023: 36%

Strategy in action

Investing in our future – the Group's transformation programme

The Group is recognised for its efficiency and excellent customer service and in 2024 we continued to invest to remain agile and nimble...

The #1 specialist lender

Our investment philosophy is to develop the technology underpinning the Group to enable us to grow in an environment that has higher digital expectations whilst not losing the human touch.

It will deliver long-term competitive advantage in customer, colleague and cost metrics and will future-proof our technology. 2024 marked the second year of the Group's transformation programme and we continued to deliver against the objectives that we set at the start:

- to enhance the customer and broker experience
- to improve the colleagues' experience and engagement
- to deliver scalability and agility.

We manage the programme under three main pillars: lending, savings and cloud, engineering and data.

Customers and brokers will see the benefits in terms of ease of doing business with us day to day, whether they are a savings customer, broker or mortgage holder. Our new savings customer will have the ability to open and fund an account within minutes with automated application decisioning and the balance visible online. Brokers and borrowers will benefit from a greater level of automated verification, enabling more underwriter specialism as the straightforward elements of the process will be completed for them. The scalable, secure high-performing platform built on the cloud and improvements to data will improve resilience, security and analytics.

We have established our core banking system, which gives us a long-term resilient architecture that can be adapted more easily to future change. This will be leveraged as the front end products are built.

2024 achievements

Early in the year, we delivered an online broker registration capability that enables the intermediaries to register for business just once across a range of our brands.

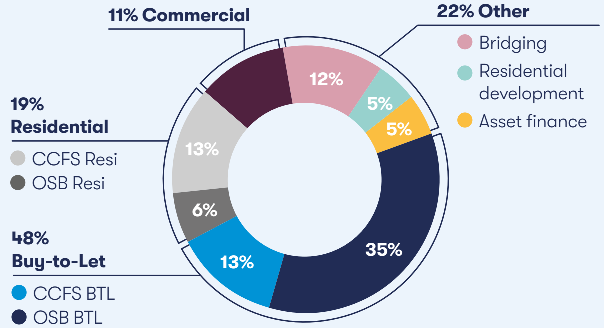
In August, we launched our pioneering, first-of-a-kind, mobile app for intermediaries for our Precise brand. The app has many useful functionalities including affordability calculators, real-time updates and most of all, allows brokers to work with us on the move.

In October, the Group launched the first product on its new savings platform to Kent Reliance customers. The platform offers self-serve account management tools and allows customers to sign up online in minutes.

Portfolio overview

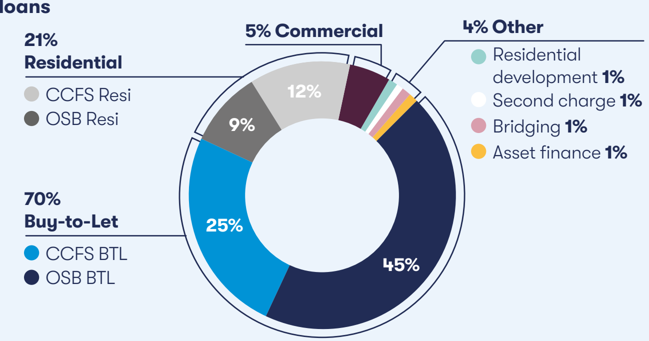
The Group reports its lending business under two segments: OneSavings Bank (OSB) and Charter Court Financial Services (CCFS), a consolidated view by product type is presented here.

Originations



Loans and advances to customers

Gross loans



	2024 £m	2023 £m	Growth %
Buy-to-Let	**17,568.5**	18,463.3[1]	(5)
Residential	**5,186.9**	5,225.1	(1)
Commercial	**1,356.0**	1,095.7	24
Bridging	**364.5**	333.1	9
Asset finance	**316.9**	222.7	42
Residential development	**262.0**	280.8	(7)
Second charge	**165.8**	218.1	(24)
Other	**32.6**	47.7	(32)
Gross loans	**25,253.2**	25,886.5	(2)

1. Restated to exclude asset finance.

Portfolio overview continued

BUY-TO-LET

Lending under Kent Reliance (KR) and Precise brands, reported under OSB and CCFS segments, respectively

Completions in 2024

Five-year fixed rate mortgages

KR	72%
Precise	63%

Completions represented by refinance

KR	62%
Precise	46%

Weighted average completion LTV

KR	70%
Precise	73%

Weighted average interest cover ratio

KR	186%
Precise	160%

Proportion of professional, multi-property landlords

Kent Reliance
91%

Borrowing via a limited company

KR
79%

Precise
69%

Net loan book

Customer retention[1]

KR	70%
Precise	51%

Average loan size

Kent reliance
£255k

Precise
£190k

Weighted average book LTV

KR	67%
Precise	67%

1. Customers refinancing with the Group within three months of their fixed rate product ending.

RESIDENTIAL

Lending under KR and Precise brands, reported under OSB and CCFS segments, respectively

Completions in 2024

Weighted average completion LTV[2]

KR	66%
Precise	63%

Net loan book

Weighted average book LTV[2]

KR	48%
Precise	59%

2. KR Residential sub-segment weighted average LTVs include first and second charge lending.

COMMERCIAL

Lending under the InterBay brand, reported under OSB segment, it includes asset finance

Weighted average book LTV
73%

Average loan size
£440k

BRIDGING

Lending under the Precise brand, reported under CCFS segment

Originations
£460m

RESIDENTIAL DEVELOPMENT

Lending under the Heritable brand, reported under OSB segment

Loan book
£262.0m

+

Committed
£168.2m

Representing
2,162
residential units

Segments review

The Group reports its lending business under two segments: OneSavings Bank and Charter Court Financial Services.

OneSavings Bank (OSB) segment

The OSB segment comprises two sub-segments:

BTL/SME
Buy-to-Let mortgages secured on residential property held for investment purposes by experienced and professional landlords, commercial mortgages secured on commercial and semi-commercial properties held for investment purposes or for owner occupation, asset finance and residential development finance to small and medium-sized developers.

Residential
First charge mortgages to owner-occupiers, secured against a residential home and under shared ownership schemes.

The following tables present OSB's contribution to profit and loans and advances to customers on a statutory basis:

Contribution to profit

For year ended 31 December 2024	BTL/SME £m	Residential £m	Total £m
Net interest income	**333.1**	**55.9**	**389.0**
Other expense	**(2.9)**	**(0.6)**	**(3.5)**
Total income	**330.2**	**55.3**	**385.5**
Impairment of financial assets	**8.6**	**(5.7)**	**2.9**
Contribution to profit	**338.8**	**49.6**	**388.4**

For year ended 31 December 2023	BTL/SME £m	Residential £m	Total £m
Net interest income	394.4	79.4	473.8
Other expense	(2.5)	(0.6)	(3.1)
Total income	391.9	78.8	470.7
Impairment of financial assets	(36.9)	(4.7)	(41.6)
Contribution to profit	355.0	74.1	429.1

Loans and advances to customers

As at 31 December 2024	BTL/SME £m	Residential £m	Total £m
Gross loans and advances to customers	**13,155.8**	**2,283.2**	**15,439.0**
Expected credit losses	**(90.5)**	**(10.6)**	**(101.1)**
Net loans and advances to customers	**13,065.3**	**2,272.6**	**15,337.9**
Risk-weighted assets	**6,592.6**	**1,040.3**	**7,632.9**

As at 31 December 2023	BTL/SME £m	Residential £m	Total £m
Gross loans and advances to customers	12,175.1	2,334.2	14,509.3
Expected credit losses	(102.4)	(8.7)	(111.1)
Net loans and advances to customers	12,072.7	2,325.5	14,398.2
Risk-weighted assets	6,117.9	1,068.4	7,186.3

Segments review continued

OSB segment continued

Buy-to-Let/SME sub-segment

Loans and advances to customers

	31-Dec-2024 £m	31-Dec-2023 £m
Buy-to-Let	**11,201.2**	10,541.8[1]
Commercial	**1,356.0**	1,095.7
Asset finance	**316.9**	222.7
Residential development	**262.0**	280.8
Funding lines	**19.7**	34.1
Gross loans and advances to customers	**13,155.8**	12,175.1
Expected credit losses	**(90.5)**	(102.4)
Net loans and advances to customers	**13,065.3**	12,072.7

1. Restated to exclude asset finance.

Gross loan book
£13,156m
2023: £12,175m
+8%

Net interest income
£333m
2023: £394m
-16%

Contribution to profit
£339m
2023: £355m
-5%

The Buy-to-Let/SME net loan book increased by 8% to £13,065.3m, supported by originations of £2,206.4m, up by 2% from £2,163.7m in 2023 as the Group focused on new lending in more specialist and higher yielding sub-segments.

Net interest income in this sub-segment decreased by 16% to £333.1m (2023: £394.4m), due to mortgages redeeming or switching faster onto lower prevailing spreads as well as the continued recycling of the fixed rate deposit book onto tighter spreads. A favourable effective interest rate (EIR) adjustment of £0.3m was recognised for the year (2023: £0.1m adverse).

Other expenses were £2.9m and related to losses from the Group's hedging activities (2023: £2.5m). The impairment credit of £8.6m (2023: £36.9m charge) reflected updated forward-looking macroeconomic scenarios, in particular improved house price outlook and the release of post-model adjustments. Overall, the Buy-to-Let/SME sub-segment made a contribution to profit of £338.8m, a decrease of 5% compared with £355.0m in 2023.

The Group remained highly focused on the risk assessment of new lending, as demonstrated by the average loan to value (LTV) for Buy-to-Let/SME originations[1] of 70%, which remained unchanged from the prior year. The average book LTV in this sub-segment[1] increased marginally to 68%, with 4.5% of loans exceeding 90% LTV (31 December 2023: 67% and 4.0%, respectively).

Buy-to-Let

The Buy-to-Let gross loan book increased by 6% to £11,201.2m at the end of December 2024 (31 December 2023: restated £10,541.8m[2]) benefitting from an increase in new purchase activity. Originations reduced by 5% in the year to £1,372.3m (2023: restated £1,444.9m[2]).

The proportion of Kent Reliance Buy-to-Let completions represented by refinance remained unchanged from 2023 at 62%.

Product transfers remained popular, with 70% of existing borrowers choosing a new product, under the Choices retention programme, within three months of their initial rate mortgage coming to an end, however the Group was selective in offering retention products (2023: 78%).

The Group's new borrowers continued to favour five-year fixed rate mortgages, which represented 72% of Buy-to-Let completions in 2024 (2023: 74%), while the majority of existing customers transferring to a new product at maturity preferred the flexibility of a shorter-term.

Landlords continued to optimise their businesses from a tax perspective, with 92% of Kent Reliance mortgage purchase applications coming from landlords borrowing via a limited company (2023: 87%), and overall, professional, multi-property landlords represented 91% of completions by value for the Kent Reliance brand in 2024, in line with the prior year.

The weighted average LTV of the Buy-to-Let book as at 31 December 2024 was 67% with an average loan size of £260k (31 December 2023: 66% and £255k). The weighted average interest coverage ratio for Buy-to-Let originations remained high during 2024 at 186% (2023: 176%) supported by reducing mortgage interest rates and opportunities to increase rents.

1. Buy-to-Let/SME sub-segment average weighted LTVs include Kent Reliance and InterBay Buy-to-Let, semi-commercial and commercial lending.
2. Restated to exclude asset finance.

Segments review continued

OSB segment continued

Buy-to-Let/SME sub-segment continued

Commercial

Through its InterBay brand, the Group lends to borrowers investing in commercial and semi-commercial property, reported in the Commercial total, and more complex Buy-to-Let properties and portfolios, reported in the Buy-to-Let total.

The gross loan book grew by 24% to £1,356.0m in 2024 (31 December 2023: £1,095.7m) supported by originations of £446.8m which increased 10% from £405.6m in the prior year. The Group focused on high-quality commercial and semi-commercial business in the year, launching a new, simplified semi-commercial product range in January.

The weighted average LTV of the commercial book was stable at 73%, and the average loan size was £440k in 2024 (2023: 73% and £410k).

InterBay Asset Finance, which predominantly targets UK SMEs and small corporates, financing business-critical assets, continued to grow in 2024, adding to its high-quality portfolio. The gross carrying amount under finance leases increased by 42% to £316.9m as at 31 December 2024 (31 December 2023: £222.7m).

Residential development

Our Heritable residential development business provides development finance to small and medium-sized residential property developers. The preference is to fund house builders which operate outside central London and provide relatively affordable family housing, as opposed to complex city centre schemes where affordability and control of construction costs can be more challenging. New applications predominantly represent repeat business from the team's extensive existing relationships. Heritable take an exacting approach to approving funding for new customers.

The residential development finance gross loan book at the end of 2024 was £262.0m, with a further £168.2m committed (31 December 2023: £280.8m and £120.9m, respectively). Total approved limits were £623.3m, exceeding drawn and committed funds due to the revolving nature of the facilities, where construction is phased and loans are redrawn as sales on the initially developed properties occur (31 December 2023: £566.8m).

At the end of 2024, Heritable had commitments to finance the development of 2,162 residential units, the majority of which are houses located outside central London or other major cities in England.

Funding lines

During the year, the Group maintained a cautious risk approach focusing on servicing existing customers. Total credit approved limits as at the end of 2024 were £44.4m with total gross loans outstanding of £19.7m (31 December 2023: £197.1m and £34.1m, respectively).

Segments review continued

OSB segment continued

Residential sub-segment

Loans and advances to customers

	31-Dec-2024 £m	31-Dec-2023 £m
First charge	**2,181.2**	2,199.1
Second charge[1]	**102.0**	135.1
Gross loans and advances to customers	**2,283.2**	2,334.2
Expected credit losses	**(10.6)**	(8.7)
Net loans and advances to customers	**2,272.6**	2,325.5

1. Second charge mortgage book is in run-off.

First charge

First charge originations under the Kent Reliance brand reduced to £255.9m in the year (2023: £342.2m) as the Group chose not to offer mortgages at lower returns due to heightened competition in the year. The gross loan book was £2,181.2m as at 31 December 2024, broadly flat compared with £2,199.1m in the prior year.

Net interest income in the Residential sub-segment decreased by 30% to £55.9m (2023: £79.4m) due to mortgages redeeming or switching faster onto lower prevailing spreads as well as the continued recycling of the fixed rate deposit book onto tighter spreads. Net interest income also included an adverse EIR adjustment of £3.3m as a result of cash underperformance compared to expectations (2023: £1.0m favourable).

Other expenses of £0.6m (2023: £0.6m) related to losses from the Group's hedging activities and the impairment charge of £5.7m (2023: £4.7m) was largely due to modelled IFRS 9 stage migration and an increase in accounts with arrears. Overall, contribution to profit from this sub-segment reduced by 33% to £49.6m for the year compared with £74.1m in 2023.

The average book LTV remained unchanged from prior year at 48%[2], with only 1.5% of loans with LTVs exceeding 90% (31 December 2023: 2.2%). The average LTV of new residential originations increased to 66% (2023: 62%)[2] as a result of more mortgages completing at LTVs of 80% and above in the year.

Gross loan book
£2,283m
2023: £2,334m
-2%

Net interest income
£56m
2023: £79m
-30%

Contribution to profit
£50m
2023: £74m
-33%

2. Residential sub-segment average weighted LTVs include first and second charge lending.

Segments review continued

Charter Court Financial Services (CCFS) segment

The CCFS segment comprises four sub-segments:

Buy-to-Let mortgages secured on residential property held for investment purposes by both non-professional and professional landlords, residential mortgages to owner-occupiers secured against residential properties including those unsupported by the high street banks and short-term bridging secured against residential property in both the regulated and unregulated sectors.

The following tables present CCFS' contribution to profit and loans and advances to customers on an underlying basis, excluding acquisition-related items and a reconciliation to the statutory results.

Contribution to profit

For year ended 31 December 2024	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1] £m	Total underlying £m	Acquisition-related items[2] £m	Total statutory £m
Net interest income	**189.5**	**92.6**	**13.9**	**3.1**	**2.5**	**301.6**	**(24.2)**	**277.4**
Loss on sale of financial instruments	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**	**–**	**(2.1)**
Other income	**–**	**–**	**–**	**–**	**5.2**	**5.2**	**1.2**	**6.4**
Total income	**189.5**	**92.6**	**13.9**	**3.1**	**5.6**	**304.7**	**(23.0)**	**281.7**
Impairment of financial assets	**7.8**	**1.3**	**0.9**	**(0.1)**	**–**	**9.9**	**(1.1)**	**8.8**
Contribution to profit	**197.3**	**93.9**	**14.8**	**3.0**	**5.6**	**314.6**	**(24.1)**	**290.5**

For year ended 31 December 2023	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1] £m	Total underlying £m	Acquisition-related items[2] £m	Total statutory £m
Net interest income	127.4	75.2	8.8	4.8	24.7	240.9	(56.1)	184.8
Other (expense)/income	–	–	–	–	(3.8)	(3.8)	6.4	(2.6)
Total income	127.4	75.2	8.8	4.8	20.9	237.1	(49.7)	187.4
Impairment of financial assets	(5.0)	(1.2)	(0.7)	–	–	(6.9)	(0.3)	(7.2)
Contribution to profit	122.4	74.0	8.1	4.8	20.9	230.2	(50.0)	180.2

1. Other relates to net interest income from acquired loan portfolios as well as a loss on structured asset sales, fee income from third-party mortgage servicing and gains or losses on the Group's hedging activities.
2. For more details on acquisition-related items, see Reconciliation of statutory to underlying results in the Financial review.

Segments review continued

CCFS segment continued

Loans and advances to customers

As at 31 December 2024	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1] £m	Total underlying £m	Acquisition-related items[2] £m	Total statutory £m
Gross loans and advances to customers	**6,367.3**	**3,005.7**	**364.5**	**63.8**	**12.9**	**9,814.2**	–	**9,814.2**
Expected credit losses	**(20.5)**	**(4.6)**	**(0.4)**	**(0.3)**	–	**(25.8)**	–	**(25.8)**
Net loans and advances to customers	**6,346.8**	**3,001.1**	**364.1**	**63.5**	**12.9**	**9,788.4**	–	**9,788.4**
Risk-weighted assets	**2,687.8**	**1,355.8**	**205.7**	**28.7**	**4.8**	**4,282.8**	–	**4,282.8**

As at 31 December 2023	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1] £m	Total underlying £m	Acquisition-related items[2] £m	Total statutory £m
Gross loans and advances to customers	7,921.5	3,026.0	333.1	83.0	13.6	11,377.2	24.3	11,401.5
Expected credit losses	(29.0)	(5.4)	(1.2)	(0.2)	–	(35.8)	1.1	(34.7)
Net loans and advances to customers	7,892.5	3,020.6	331.9	82.8	13.6	11,341.4	25.4	11,366.8
Risk-weighted assets	3,138.9	1,263.0	167.5	35.8	5.4	4,610.6	48.7	4,659.3

1. Other relates to acquired loan portfolio.
2. For more details on acquisition-related items, see Reconciliation of statutory to underlying results in the Financial review.

Segments review continued

CCFS segment continued

Underlying loans and advances to customers

	31-Dec-2024 £m	31-Dec-2023 £m
Buy-to-Let	**6,367.3**	7,921.5
Residential	**3,005.7**	3,026.0
Bridging	**364.5**	333.1
Second charge[1]	**63.8**	83.0
Other[2]	**12.9**	13.6
Gross loans and advances to customers	**9,814.2**	11,377.2
Expected credit losses	**(25.8)**	(35.8)
Net loans and advances to customers	**9,788.4**	11,341.4

1. Second charge mortgage book is in run-off.
2. Other relates to acquired loan portfolio.

CCFS underlying net loan book reduced by 14% to £9,788.4m at the end of 2024 (31 December 2023: £11,341.4m) largely reflecting the £1,249.9m securitisation and deconsolidation transaction in December. Originations in the CCFS reduced by 32% to £1,491.4m, from £2,186.8m in the prior year, reflecting the Group's disciplined approach to lending.

CCFS Buy-to-Let sub-segment

Originations in the Buy-to-Let sub-segment through the Precise brand decreased in 2024 to £516.7m (2023: £1,006.0m) as the Group chose not to offer mortgages at lower returns due to heightened competition. The underlying gross Buy-to-Let loan book decreased by 20% in the year to £6,367.3m from £7,921.5m at the end of 2023 largely as a result of the £1,249.9m December securitisation and deconsolidation transaction.

The proportion of remortgages decreased to 46% of completions under the Precise brand, demonstrating the relative strength of purchase activity (2023: 48%). The Group was selective in offering retention products, leading to 51% of existing borrowers choosing to switch to a new product within three months of their initial rate mortgage coming to an end (2023: 66%).

Five-year fixed rate products continued to be popular and accounted for 63% of Precise completions, down from 67% in 2023, as an increasing proportion of customers elected to take shorter-term mortgages in anticipation of falling interest rates. Borrowing via a limited company made up 69% of Buy-to-Let completions in 2024 (2023: 68%). The proportion of loans for specialist property types, including houses of multiple occupation and multi-unit properties represented 24% of completions in this sub-segment (2023: 21%).

Research conducted by Pegasus Insight in the fourth quarter of 2024, found that 77% of landlords reported strong rental demand from prospective tenants in the regions where they currently let property and that rental yields exceeded 6% in the third quarter of 2024, the highest level recorded in ten years.

The weighted average LTV of the loan book in this segment decreased marginally to 67% (2023: 68%) largely due to the December securitisation and deconsolidation transaction. The new lending average LTV was 73% with an average loan size of £190k (2023: 71% and £190k, respectively). The weighted average interest coverage ratio for Buy-to-Let originations increased to 160% in 2024 (2023: 154%).

Underlying net interest income in this sub-segment increased to £189.5m compared with £127.4m in the prior year, primarily as a result of the non-recurrence of the adverse EIR adjustment recognised in 2023. It was partially offset by mortgages redeeming or switching faster onto lower prevailing spreads as well as the continued recycling of the fixed rate deposit book onto tighter spreads. The Group recognised an adverse EIR adjustment of £8.2m relating to a reduction in the average expected time that Precise borrowers would spend on the reversion rate from five to four months before refinancing, based on observed customer trends. In 2023, a 12-month reduction in the average expected time borrowers would spend on the reversion rate led to an adverse EIR adjustment of £139.5m.

This sub-segment recognised an impairment credit of £7.8m (2023: £5.0m charge) reflecting updated forward-looking macroeconomic scenarios, in particular improved house price outlook and the release of post-model adjustments. On an underlying basis, Buy-to-Let made a contribution to profit of £197.3m, compared with £122.4m in the prior year, with the increase largely due to the non-recurrence of the adverse EIR adjustment. On a statutory basis, the Buy-to-Let sub-segment made a contribution to profit of £179.2m (2023: £82.1m).

Gross loan book
£9,814m
2023: £11,377m[3]
-14%

Net interest income[3]
£302m
2023: £241m
+25%

Contribution to profit[3]
£315m
2023: £230m
+37%

3. Underlying.

Segments review continued

CCFS segment continued

CCFS Residential sub-segment

The gross loan book in the CCFS' Residential sub-segment remained broadly flat at £3,005.7m as at 31 December 2024 (31 December 2023: £3,026.0m). Originations reduced to £514.6m (2023: £743.6m) as the Group chose not to offer mortgages at lower returns due to heightened competition in the year. The Group continued to focus on individuals underserved by high street lenders and broadened its offering in May with the addition of one-year fixed rate and lifetime tracker products.

The average loan size in this sub-segment was £160k (31 December 2023: £160k) with an average LTV for new lending of 63% and the book LTV of 59%, both unchanged compared to 2023.

Underlying net interest income increased to £92.6m compared with £75.2m in 2023, primarily as a result of the non-recurrence of the adverse EIR adjustment recognised in the prior year. It was partially offset by maturing mortgages redeeming or switching faster onto lower prevailing spreads as well as the continued recycling of the fixed rate deposit book onto tighter spreads. The Group recognised an adverse EIR adjustment of £4.6m relating to a reduction in the average expected time that Precise borrowers would spend on the reversion rate from five to four months before refinancing, based on observed customer trends. In 2023, the adverse EIR adjustment of £43.0m related to a 12-month reduction in the average expected time borrowers would spend on the reversion rate.

The Residential sub-segment recorded an impairment credit of £1.3m (2023: £1.2m charge) due to updated forward-looking macroeconomic scenarios, in particular improved house price outlook. Overall, the Residential sub-segment made a contribution to profit of £93.9m on an underlying basis and £87.4m on a statutory basis (2023: £74.0m and £59.5m, respectively).

CCFS Bridging sub-segment

Short-term bridging originations grew by 5% to £460.1m (2023: £437.2m) as the Group focused on building a pipeline of high-quality, high-return business. The gross loan book in this sub-segment grew by 9% to £364.5m as at 31 December 2024 (31 December 2023: £333.1m).

Underlying net interest income increased by 58% to £13.9m (2023: £8.8m) and an impairment credit of £0.9m was recognised for the year (2023: £0.7m charge). The bridging sub-segment made a contribution to profit of £14.8m in 2024 on an underlying basis compared with £8.1m in 2023 and £14.3m on a statutory basis (2023: £6.9m).

Key performance indicators

Throughout the Strategic report, the results and the Key performance indicators (KPIs) are presented on a statutory and an underlying basis.

Management believes that the underlying results and KPIs provide a more consistent basis for comparing the Group's performance between financial periods.

Underlying results and KPIs for 2024 and 2023 exclude acquisition-related items.

In 2024, the acquisition-related items were fully amortised and therefore, from 2025 the Group's results will be presented on a statutory basis only.

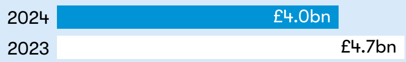
For a reconciliation of statutory results to underlying results, see page 45.

The Group's external auditor performed an independent reasonable assurance review of certain KPIs as marked with the symbol Δ – see the Appendix for the auditor's assurance report.

Key:
2024 | 2023 | Underlying 2024 | Underlying 2023

Gross new lendingΔ

-16%

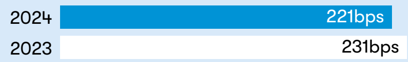


Definition
Gross new lending is defined as gross new lending before redemptions.

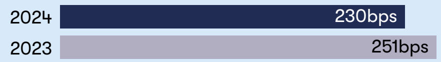
2024 performance
Gross new lending decreased in the year reflecting the subdued mortgage market and the Group's disciplined approach to writing new business.

Net interest margin (NIM)Δ

-10bps



-21bps

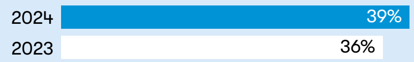


Definition
NIM is defined as net interest income as a percentage of a 13-point average of interest earning assets (cash, investment securities, loans and advances to customers and credit institutions). It represents the margin earned on loans and advances and liquid assets after swap expense/income and cost of funds.

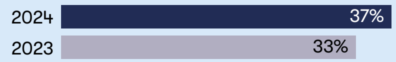
2024 performance
Statutory and underlying NIM reduced, as the benefit of the non-recurrence of the adverse EIR adjustment recognised in 2023 was more than offset by lower prevailing spreads to SONIA from mortgages and deposits, as products written in prior years reached maturity and additional MREL issuance.

Cost to income ratioΔ

+3ppt



+4ppt



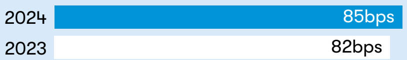
Definition
Cost to income ratio is defined as administrative expenses as a percentage of total income. It is a measure of operational efficiency.

2024 performance
Statutory and underlying cost to income ratios increased as a result of higher administrative expenses as the Group's continued investment in the transformation programme, as well as redundancy costs and the new Bank of England levy.

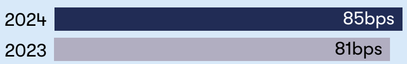
Key performance indicators continued

Management expense ratioΔ

+3bps



+4bps



Definition

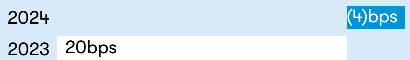
Management expense ratio is defined as administrative expenses as a percentage of a 13-point average of total assets. It is a measure of operational efficiency.

2024 performance

Statutory and underlying management expense ratios increased in the year as a result of higher administrative expenses reflecting the Group's continued investment in the transformation programme, as well as redundancy costs and the new Bank of England levy.

Loan loss ratio

+24bps



+25bps

Definition

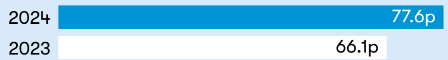
Loan loss ratio is defined as expected credit losses as a percentage of a 13-point average of gross loans and advances. It is a measure of the credit performance of the loan book.

2024 performance

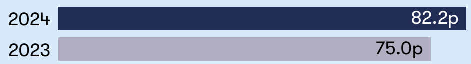
Statutory and underlying loan loss ratios were favourable in the year, largely due to improved macroeconomic scenarios and a reduction in post-model adjustments, partially offset by an increase in provisions for accounts in arrears, changes in borrowers' profiles as they transitioned through impairment stages and loan book growth.

Basic EPSΔ (pence per share)

+17%



+10%



Definition

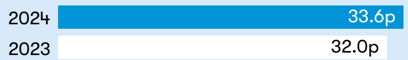
Basic EPS is defined as profit attributable to ordinary shareholders, which is profit after tax and after deducting coupons on AT1 securities, gross of tax, divided by the weighted average number of ordinary shares in issue.

2024 performance

Statutory and underlying basic EPS increased due to higher profit after tax and a lower number of shares in issue, post the £100m share repurchase programme completed in the year.

Ordinary dividend per shareΔ (pence per share)

+5%



Definition

Dividend per share is defined as the sum of the recommended final dividend per share and any interim dividend per share for the year.

2024 performance

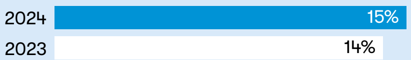
The Board has recommended a final dividend of 22.9 pence per share, which together with the 2024 interim dividend of 10.7 pence represents a total ordinary dividend of 33.6 pence per share.

For calculation of the final dividend, see the Appendix.

Key performance indicators continued

Return on equity[Δ]

+1ppt



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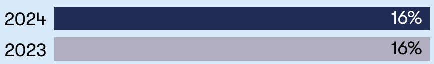


Definition

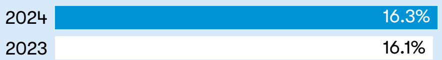
Return on equity is defined as profit attributable to ordinary shareholders, which is profit after tax and after deducting coupons on AT1 securities, gross of tax, as a percentage of a 13-point average of shareholders' equity (excluding £150m of AT1 securities).

2024 performance

The statutory and underlying return on equity was broadly stable as higher profitability was offset by an increase in average equity balance.

CRD IV Common Equity – Tier 1 capital ratio

+20bps



Definition

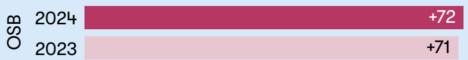
It is defined as Common Equity Tier 1 (CET1) capital as a percentage of risk-weighted assets (calculated on a standardised basis for credit risk and operational risk) and is a measure of the capital strength of the Group (for more information, see note 50 to the Consolidated Financial Statements).

2024 performance

The CET1 ratio improved, supported by the release of capital following the securitisation and derecognition transaction in December 2024 and a slower rate of loan book growth in the year.

Savings customer satisfaction – Net Promoter Score

+1



No change

Definition

The NPS measures customers' satisfaction with services and products. It is based on customer responses to the question of whether they would recommend us to a friend. The response scale is 0 for absolutely not to 10 for definitely yes. Based on the score, a customer is a detractor between 0 and 6, a passive between 7 and 8 and a promoter between 9 and 10. Subtracting the percentage of detractors from promoters gives an NPS of between -100 and +100.

2024 performance

Savings customer NPS remained strong due to our fair savings products offering and excellent customer service.

Financial review

Summary Profit or Loss	FY 2024	FY 2023
Net interest income	**666.4**	658.6
Net fair value loss on financial instruments	**(1.5)**	(4.4)
Loss on sale of financial instruments	**(2.4)**	–
Other operating income	**4.7**	3.9
Administrative expenses	**(258.1)**	(234.6)
Provisions	**(2.7)**	(0.4)
Impairment of financial assets	**11.7**	(48.8)
Profit before tax	**418.1**	374.3
Profit after tax	**308.1**	282.6

Key ratios[1]		
Net interest margin	**221bps**	231bps
Cost to income ratio	**39%**	36%
Management expense ratio	**85bps**	82bps
Loan loss ratio	**(4)bps**	20bps
Return on equity	**15%**	14%
Basic earnings per share, pence	**77.6**	66.1
Ordinary dividend per share, pence	**33.6**	32.0

Extracts from the Statement of Financial Position	31-Dec-24 £m	31-Dec-23 £m
Loans and advances to customers	**25,126.3**	25,765.0
Retail deposits	**23,820.3**	22,126.6
Total assets	**30,243.6**	29,589.8

Key ratios		
Common Equity Tier 1 ratio	**16.3%**	16.1%
Total capital ratio	**19.7%**	19.5%
Leverage ratio	**7.7%**	7.5%

Alternative performance measures

The Group presents alternative performance measures (APMs) in this Strategic report as Management believes they provide a more consistent basis for comparing the Group's performance between financial periods.

Underlying results and KPIs for 2024 and 2023 exclude acquisition-related items. In 2024, the acquisition-related items were fully amortised and therefore, from 2025 the Group's results will be presented on a statutory basis only.

APMs reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Board. However, any APMs in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

For more information on APMs and the reconciliation between APMs and the statutory equivalents, see the Appendix.

Summary underlying Profit or Loss	FY 2024	FY 2023
Net interest income	**690.6**	714.7
Net fair value loss on financial instruments	**(2.7)**	(10.8)
Loss on sale of financial instruments	**(2.4)**	–
Other operating income	**4.7**	3.9
Administrative expenses	**(257.4)**	(232.9)
Provisions	**(2.7)**	(0.4)
Impairment of financial assets	**12.8**	(48.5)
Profit before tax	**442.9**	426.0
Profit after tax	**326.0**	319.7

Key underlying ratios[1]		
Net interest margin	**230bps**	251bps
Cost to income ratio	**37%**	33%
Management expense ratio	**85bps**	81bps
Loan loss ratio	**(5)bps**	20bps
Return on equity	**16%**	16%
Basic earnings per share, pence	**82.2**	75.0

Extracts from the underlying Statement of Financial Position	31-Dec-24	31-Dec-23
Loans and advances to customers	**25,126.3**	25,739.6
Retail deposits	**23,820.3**	22,126.6
Total assets	**30,243.6**	29,565.6

1. For more detail on the calculation of key ratios, see the Appendix.

Financial review continued

Profit before tax

	FY 2024	FY 2023	Change
Profit before tax	**£418.1m**	£374.3m	12%
Acquisition-related items[1]	**£24.8m**	£51.7m	(52)%
Underlying profit before tax	**£442.9m**	£426.0m	4%
Earnings per share	**77.6p**	66.1p	17%
Underlying earnings per share	**82.2p**	75.0p	10%
Return on equity	**15%**	14%	1ppt
Underlying return on equity	**16%**	16%	–

1. See the reconciliation of statutory to underlying results on page 45.

Profit before tax increased largely due the non-recurrence of the adverse effective interest rate (EIR) adjustment recognised in 2023, loan book growth before the £1,249.9m securitisation and deconsolidation transaction in December 2024 and an impairment credit compared to a charge in the prior year. These drivers were partially offset by mortgages redeeming or switching faster onto lower prevailing spreads, continued recycling of the fixed rate deposit book onto tighter spreads, additional MREL issuance and higher administrative expenses.

The Group's statutory effective tax rate increased to 26.1%, compared with 24.6% in 2023, predominantly due to the increase in the standard rate of corporation tax, see note 11 to the Consolidated Financial Statements.

Return on equity was broadly stable compared to prior year, and basic earnings per share increased, reflecting higher profit after tax and a lower number of shares post the £100m share repurchase programme completed in the year.

Net interest income and net interest margin

	FY 2024	FY 2023	Change
Net interest income	**£666.4m**	£658.6m	1%
Underlying net interest income	**£690.6m**	£714.7m	(3)%
Net interest margin	**221bps**	231bps	(10)bps
Underlying net interest margin	**230bps**	251bps	(21)bps
Other operating income and underlying other operating income	**£4.7m**	£3.9m	21%

Net interest income benefitted from the non-recurrence of the adverse EIR adjustment recognised in 2023 and loan book growth before the £1,249.9m securitisation and deconsolidation transaction in December 2024. These were offset by mortgages redeeming or switching faster onto lower prevailing spreads, continued recycling of the fixed rate deposit book onto tighter spreads and additional MREL issuance.

Net interest income benefitted from the reduction of acquisition-related items as the fair value uplift to CCFS mortgages on acquisition was fully amortised.

Net interest margin decreased in 2024 compared with the prior year as the benefit of the non-recurrence of the adverse EIR adjustment recognised in 2023 was more than offset by mortgages redeeming or switching faster onto lower prevailing spreads, continued recycling of the fixed rate deposit book onto tighter spreads and additional MREL issuance.

The Group recognised an adverse EIR adjustment of £15.9m on a statutory and underlying basis. The adverse EIR adjustment largely related to a reduction in the average expected time that Precise borrowers would spend on the reversion rate from five to four months before refinancing, based on observed customer trends. In 2023, a 12-month reduction in the average expected time borrowers would spend on the reversion rate led to an adverse EIR adjustment of £210.7m on a statutory and £181.6m on an underlying basis. The adverse EIR adjustment accounted for 5bps of net interest margin and underlying net interest margin in the year (2023: 72bps and 63bps, respectively).

Financial review continued

In the year, the Group implemented an equity structural hedge, comprising a series of receive fixed rate swaps, to reduce earnings volatility due to interest rate changes arising from the portion of the balance sheet funded by equity. The Group continued to hedge its fixed rate mortgage portfolio in full with pay fixed rate swaps. The equity structural hedge was not designated as a hedge under IFRS 9 and, to minimise fair value volatility through the income statement, an equivalent portion of the existing mortgage hedge was de-designated. The equity structural hedge had a weighted average life of 2.5 years and the notional amount was £1,409.9m as at 31 December 2024.

Other operating income mainly comprised CCFS' commissions and servicing fees, including those relating to securitised loans, which have been derecognised from the Group's balance sheet.

Net fair value loss on financial instruments

	FY 2024	FY 2023	Change
Net fair value loss on financial instruments	**£1.5m**	£4.4m	(66)%
Underlying net fair value loss on financial instruments	**£2.7m**	£10.8m	(75)%

Net fair value loss on financial instruments included a loss of £19.8m (2023: £2.0m gain) from hedge ineffectiveness and a gain on unmatched swaps of £21.2m (2023: £11.1m loss). The Group also recorded a £5.5m loss from the amortisation of hedge accounting inception adjustments (2023: £4.3m loss), a £2.3m gain (2023: £6.4m gain) from the amortisation of acquisition-related inception adjustments, and a statutory gain of £0.3m from other items (2023: £2.6m gain), see note 5 to the Consolidated Financial Statements. On an underlying basis, other items amounted to a loss of £0.8m (2023: £3.8m loss).

The loss in respect of the ineffective portion of hedges arose from recent swap volatility and will unwind over the remaining life of the hedged fixed term mortgages and retail savings bonds.

The net gain on unmatched swaps related primarily to fair value movements on mortgage pipeline swaps, prior to them being matched against completed mortgages, and was caused by an increase in interest rate outlook on the SONIA yield curve. The Group economically hedges its committed pipeline of mortgages and this unrealised gain unwinds over the life of the swaps through hedge accounting inception adjustments.

Loss on sale of financial instruments

	FY 2024	FY 2023	Change
Loss on sale of financial instruments	**£2.4m**	–	n/m
Underlying loss on sale of financial instruments	**£2.4m**	–	n/m

In December 2024, the Group completed the PMF 2024-2 transaction which securitised £1,249.9m of Charter Court Financial Services Buy-to-Let mortgages. The Group recognised a loss on sale of £2.4m from this transaction due to the difference between proceeds received and the carrying value of the items derecognised from the Group's balance sheet.

Administrative expenses

	FY 2024	FY 2023	Change
Administrative expenses	**£258.1m**	£234.6m	10%
Underlying administrative expenses	**£257.4m**	£232.9m	11%
Cost to income ratio	**39%**	36%	3ppt
Underlying cost to income ratio	**37%**	33%	4ppt
Management expense ratio	**85bps**	82bps	3bps
Underlying management expense ratio	**85bps**	81bps	4bps

Administrative expenses increased largely due to further investment in the Group's transformation programme, redundancy costs and the new Bank of England levy.

The Group's cost to income and management expense ratios increased primarily as a result of the higher administrative expenses.

Financial review continued

Impairment of financial assets

	FY2024	FY2023	Change
Impairment (credit)/charge	**£(11.7)m**	£48.8m	n/m
Underlying impairment (credit)/charge	**£(12.8)m**	£48.5m	n/m
Loan loss ratio	**(4)bps**	20bps	(24)bps
Underlying loan loss ratio	**(5)bps**	20bps	(25)bps

The Group recorded an impairment credit and a favourable loan loss ratio largely due to an improved macroeconomic outlook, particularly in relation to house price performance.

The Group updated the forward-looking macroeconomic scenarios used in its IFRS 9 models resulting in a release of £36.2m, largely due to an improved house price outlook, and a further £7.9m release was due to a reduction in post-model adjustments. These were partially offset by a £10.8m charge relating to an increase in provision for accounts with arrears of three months or more, a £8.4m charge for changes in borrowers' profiles as they transitioned through modelled IFRS 9 stages and a £3.3m charge for Stage 1 provisions in respect of loan book growth. The individually assessed provisions and other movements amounted to a charge of £9.9m and £8.8m on a statutory and underlying basis, respectively. See Risk Review for further details.

In 2023, the impairment charge was largely due to changes in the credit profile of borrowers as they transitioned through modelled IFRS 9 impairment stages, increases in provisions relating to accounts in arrears, higher individually assessed provisions and write-offs.

Dividend

The Board has recommended a final dividend of 22.9 pence per share for 2024 which, together with the interim dividend of 10.7 pence per share, represents a total ordinary dividend of 33.6 pence per share. See the Appendix for the calculation of the 2024 final dividend.

The recommended final dividend is subject to approval at the AGM on 8 May 2025. The final dividend will be paid on 13 May 2025, with an ex-dividend date of 27 March 2025 and a record date of 28 March 2025.

Balance sheet growth

	31-Dec-2024	31-Dec-2023	Change
Net loans and advances to customers	**£25,126.3m**	£25,765.0m	(2)%
Underlying net loans and advances to customers	**£25,126.3m**	£25,739.6m	(2)%
Total assets	**£30,243.6m**	£29,589.8m	2%
Underlying total assets	**£30,243.6m**	£29,565.6m	2%
Retail deposits and underlying retail deposits	**£23,820.3m**	£22,126.6m	8%

Net loans and advances to customers reduced in the year due to the December £1,249.9m securitisation transaction which resulted in the derecognition of the mortgages. Excluding this transaction, net loans and advances to customers and underlying net loans and advances to customers would have increased by 2%, supported by mortgage originations of £4.0bn in the year.

Total assets increased in the year, largely due to higher liquid assets as the Bank of England's Term Funding Scheme for SMEs (TFSME) was replaced by retail deposits with a shorter contractual maturity, and as the Group held a higher amount of residential mortgage backed securities (RMBS), partially offset by a reduction in net loans and advances to customers.

Retail deposits increased as the Group continued to repay its drawings under TFSME and replace them with retail deposits. In 2024, the Group repaid £1.9bn of TFSME funding and had £1.4bn of drawings outstanding as at 31 December 2024.

Statutory profit before tax

£418.1m

2023: £374.3m

Common Equity Tier 1 ratio

16.3%

2023: 16.1%

Financial review continued

Liquidity

	31-Dec-2024	31-Dec-2023	Change
High-quality liquid assets – OSB	**£1,393.2m**	£1,155.7m	21%
High-quality liquid assets – CCFS	**£2,240.7m**	£1,514.0m	48%
Liquidity coverage ratio – Group	**217%**	168%	49pps
Liquidity coverage ratio – OSB	**183%**	208%	(25)pps
Liquidity coverage ratio – CCFS	**231%**	139%	92pps

OSB and CCFS operate under the Prudential Regulation Authority's liquidity regime and are managed separately for liquidity risk. Each Bank holds its own significant liquidity buffer of liquidity coverage ratio (LCR) eligible high-quality liquid assets (HQLA).

Each Bank operates within a target liquidity runway in excess of the minimum LCR regulatory requirement, which is based on internal stress testing. Each Bank has a range of contingent liquidity and funding options available for possible stress periods.

The Group also held portfolios of unencumbered pre-positioned Bank of England level B and C eligible collateral in the Bank of England Single Collateral Pool.

As at 31 December 2024, liquidity coverage ratios were all significantly in excess of the regulatory minimum of 100% plus Individual Liquidity Guidance.

Capital

	31-Dec-2024	31-Dec-2023	Change
CET1 ratio	**16.3%**	16.1%	20bps
Total capital ratio	**19.7%**	19.5%	20bps
Risk-weighted assets	**£11,915.7m**	£11,845.6m	1%
Leverage ratio	**7.7%**	7.5%	20bps

The Group's capital position remained strong, with the CET1 and total capital ratios of 16.3% and 19.7% (31 December 2023: 16.1% and 19.5%, respectively). Profit generated in the year increased the CET1 ratio by 2.7%, the securitisation and derecognition transaction in December increased it by 0.5%, 2024 dividends reduced it by 1.1% and the £100m share repurchase programme completed in 2024 further reduced it by 0.9%.

The combined Group had a Pillar 2a requirement of 1.35% of risk-weighted assets (excluding a static add-on of £17.4m for transformation risk) as at 31 December 2024, broadly unchanged from the requirement as at 31 December 2023.

Summary cash flow statement

	31-Dec-2024 £m	31-Dec-2023 £m
Profit before tax	**418.1**	374.3
Net cash generated/(used in):		
Operating activities	**2,235.7**	425.2
Investing activities	**(29.3)**	(301.2)
Financing activities	**(1,489.0)**	(654.1)
Net increase/(decrease) in cash and cash equivalents	**717.4**	(530.1)
Cash and cash equivalents at the beginning of the year	**2,514.0**	3,044.1
Cash and cash equivalents at the end of the year	**3,231.4**	2,514.0

Cash flow statement

The Group's cash and cash equivalents increased by £717.4m during the year to £3,231.4m as at 31 December 2024.

In 2024, loans and advances to customers increased by £135.0m, primarily funded by £1,693.7m of deposits from retail customers. The Group repaid £52.8m of cash collateral received on derivative exposures and received £64.4m of initial margin, reflecting a reduction in swap pricing over the year. Cash used in financing activities of £1,489.0m included financing repaid: TFSME scheme repayments of £1,957.1m, repayment of £548.4m towards securitisation funding and repayment of PSBs of £15.0m. It also included interest on financing of £273.3m as well as £126.4m of dividends paid and £90.6m used under the share repurchase programme. These were partially offset by funding through securitisations and senior note issuances which raised £1,142.1m and £370.2m of financing drawn from the ILTR scheme. Cash used in investing activities was £29.3m.

In 2023, loans and advances to customers increased by £2,200.5m, primarily funded by £2,370.8m of deposits from retail customers. The Group repaid £336.9m of cash collateral received on derivative exposures and received £38.8m of initial margin, reflecting a reduction in swap pricing in the fourth quarter. Cash used in financing activities of £654.1m included financing repaid: TFSME scheme repayments of £900m and repayments of the ILTR scheme of £290.8m. It also included interest on financing of £205.4m, dividends of £185.0m and share repurchase of £152.4m, which were partially offset by funding through securitisations, senior notes and subordinated liability issuances raising £1,138.7m. Cash used in investing activities was £301.2m.

Financial review continued

Reconciliation of statutory to underlying results

	FY 2024			FY 2023		
	Statutory results £m	Acquisition-related items £m	Underlying results £m	Statutory results £m	Acquisition-related items £m	Underlying results £m
Net interest income	**666.4**	24.2[1]	**690.6**	658.6	56.1	714.7
Fair value loss on financial instruments	**(1.5)**	(1.2)[2]	**(2.7)**	(4.4)	(6.4)	(10.8)
Loss on sale of financial instruments	**(2.4)**	–	**(2.4)**	–	–	–
Other operating income	**4.7**	–	**4.7**	3.9	–	3.9
Total income	**667.2**	23.0	**690.2**	658.1	49.7	707.8
Administrative expenses	**(258.1)**	0.7[3]	**(257.4)**	(234.6)	1.7	(232.9)
Provisions	**(2.7)**	–	**(2.7)**	(0.4)	–	(0.4)
Impairment of financial assets	**11.7**	1.1[4]	**12.8**	(48.8)	0.3	(48.5)
Profit before tax	**418.1**	24.8	**442.9**	374.3	51.7	426.0
Profit after tax	**308.1**	17.9	**326.0**	282.6	37.1	319.7
Summary Balance Sheet						
Loans and advances to customers	**25,126.3**	–	**25,126.3**	25,765.0	(25.4)	25,739.6
Other financial assets	**4,975.1**	–	**4,975.1**	3,722.8	1.3	3,724.1
Other non-financial assets	**142.2**	–	**142.2**	102.0	(0.1)	101.9
Total assets	**30,243.6**	–	**30,243.6**	29,589.8	(24.2)	29,565.6
Amounts owed to retail depositors	**23,820.3**	–	**23,820.3**	22,126.6	–	22,126.6
Other financial liabilities	**4,125.8**	–	**4,125.8**	5,272.0	–	5,272.0
Other non-financial liabilities	**74.1**	–	**74.1**	46.7	(6.3)	40.4
Total liabilities	**28,020.2**	–	**28,020.2**	27,445.3	(6.3)	27,439.0
Net assets	**2,223.4**	–	**2,223.4**	2,144.5	(17.9)	2,126.6

Notes to the reconciliation of statutory to underlying results table:

1. Amortisation of the net fair value uplift to CCFS' mortgage loans and retail deposits on Combination.
2. Inception adjustment on CCFS' derivative assets and liabilities on Combination.
3. Amortisation of intangible assets recognised on Combination.
4. Adjustment to expected credit losses on CCFS loans on Combination.

Risk review

The Group continued to leverage its risk management framework and supporting capabilities to manage its risk profile in the context of continued market and economic uncertainty, delivering strong financial performance within the confines of the Board approved risk appetite.

Executive summary

During 2024 the Group performed well in delivering key risk objectives, whilst managing the Group's operating and financial performance.

The macro-economic outlook for the United Kingdom (UK) stabilised against a backdrop of heightened uncertainty during 2024 with inflationary pressures easing and base rates starting to decline feeding through into modest levels of economic growth. Unemployment levels remained low with house prices, wages and rental payment levels increasing, whilst mortgage product rates decreased which helped to moderate the risks posed by the elevated costs of living and borrowing. Uncertainty remains relating to the economic impact of the new Government's fiscal policies, the longer-term trajectory of interest rates and the impact of US government trade policies.

The ongoing impact of the conflict in Ukraine and the volatile situation in the Middle East, also pose risks to the UK economic outlook with the possibility of future supply-side shocks feeding through into inflation and reduced economic growth.

The Group continued to be alert to the evolving nature of its non-financial risk profile, actively identifying, assessing and responding to the risks resulting from the changing operating environment, evolving customer expectations and regulatory and legal obligations.

The Group's fully secured loan portfolios exhibited resilient performance during 2024, as a result of the robust credit risk and affordability assessments undertaken at the point of underwriting, and the levels of supporting security in place. The elevated cost of borrowing continued to result in loan affordability challenges as some customers transitioned onto higher rate mortgage products, in conjunction with the impact of the elevated costs of living. However, strong adherence to underwriting disciplines and the stabilising economic outlook have helped to maintain and more recently stabilise the arrears trend for residential and Buy-to-Let portfolio segments. In assessing the underlying dynamics of the arrears trends it was noted that the acquired and closed books continue to contribute to the Group and OSB solo entity arrears performance; a suite of initiatives are underway to maintain and improve arrears levels. The Group's commercial, development finance and asset finance lending has exhibited strong performance despite the economic challenges impacting them.

Ensuring that the Group continued to maintain appropriate levels of provision remained an important discipline with extensive oversight provided by the Board. The Group undertook detailed analysis to assess portfolio risk dynamics and drivers, ensuring that credit provision models remained appropriately calibrated and where required, supported by post-model adjustments. Benchmarking analysis has been regularly provided to the Board and management, enabling review and challenge of provision coverage levels and the ongoing appropriateness of macroeconomic scenarios utilised within IFRS9 calculations. As a result of the improving economic outlook and positive borrower performance, the Group adjusted downwards its provision levels from the peak of the pandemic and the cost of living and borrowing challenges.

The Group utilised its analytical capabilities to undertake stress testing and scenario analysis to understand the potential impacts across the Group's credit risk profile, capital and liquidity positions, whilst also considering the impact of future Basel 3.1 capital rules. This activity supported the strategic and financial planning activity undertaken throughout the year. The Group continued to generate capital and funded growth through retail and wholesale channels, with funding primarily being driven by retail deposits. The Group continued to operate with material capital and liquidity surpluses to its regulatory and internal stress-based requirements. A number of reverse stress tests were performed to identify the severity of macroeconomic scenarios that would be required for the Group and its entities to breach minimum regulatory capital requirements. These assessments were utilised in the going concern assessment, which demonstrated the Group's inherent resilience to extreme stress scenarios.

The Group further enhanced capabilities to ensure compliance with the Bank of England's Resolvability Assessment Framework (RAF) requirements and conducted a detailed fire drill of its capabilities. In January 2024, the Group successfully issued a further £400m of MREL qualifying senior notes and as a result met its interim MREL requirements ahead of the July 2024 compliance date and is well positioned to meet its end-state requirements.

The Group continued to successfully manage its funding and liquidity risk profile, raising retail deposits within a competitive and volatile market. During the year, the Group successfully delivered against its wholesale

Risk review continued

issuance plans, with securitisation activity facilitating planned repayment of the Bank of England's Term Funding Scheme for SMEs (TFSME). In December 2024 the Group successfully securitised c.£1.25bn of Buy-to-Let mortgages, selling the junior economic interest in the transaction which improved the Group's CET1 ratio as the mortgages were de-recognised from the balance sheet. The transaction also reduced the potential impact of changes in customer behaviour in the reversion period, and supported repayment of drawings under TFSME. The transaction funded the repayment of borrowing from the Bank of England and in doing so improved the Group's contingency funding profile by reducing assets encumbered with the Bank of England. During January 2025 the Prudential Regulation Authority approved a Core UK Group waiver which allows excess funding at one bank entity to be used by the other bank entity as required.

The Group continued to make progress against its programme of activity to further digitise the bank in a careful and considered way. During the year the Group observed a low level of operational incidents and resultant losses, whilst conducting a full risk and control self-assessment across all business areas to ensure risks continued to be re-assessed, controls documented and operated as designed. The Board received regular risk reports providing an overview of the operational risk profile and effectiveness of key controls.

To ensure that change risk is managed effectively, dedicated resources have been onboarded, a change risk framework has been implemented and defined change risk metrics, risk appetite and limits have been established.

Priority areas for 2025

A heightened level of uncertainty remains around the UK economic outlook and the operating environment for 2025 and beyond. The Group's Enterprise Risk Management Framework continues to underpin the Group's management of existing and emerging risks, whilst delivering strategic and financial objectives. Key areas of focus for 2025 include:

- Oversight and support across planned credit profile enhancement initiatives, leveraging analytical capabilities to drive improvements in the Group's arrears profile and risk-based pricing, considering the market outlook and the impact of Basel 3.1 rules.
- Continue to support the optimisation of the Group's balance sheet to enhance future financial performance and resilience under potential periods of future stress.
- Further embed the Group's operational risk management framework, with a focus on the careful management of change and vendor risk as IT transformation and further initiatives to digitise the bank progress.
- Deliver ongoing enhancements to the Group's stress testing procedures to ensure the robustness of capital and liquidity positions including the embedding of the latest iteration of IRB models within stress testing models, considering industry and PRA feedback. Conduct further stress testing analysis assessing the impact of Basel 3.1 rule changes.
- Provide second line oversight of further initiatives to ensure the Group's risk culture continues to drive good outcomes for customers, facilitating the continued compliance with consumer duty expectations.
- Continuous embedding of capabilities which ensure the ongoing operational resilience of the Group, including oversight of all actions identified within the Group's annual self-assessment to ensure refinements are delivered to critical processes and tolerances, as the Group implements planned IT transformation activities and further digitises core processes.
- Continue to enhance and embed RAF capabilities, to ensure regulatory expectations continue to be met, whilst identifying operational risk and resilience enhancements which can be delivered via the utilisation of existing RAF capabilities.
- Continue to provide second line oversight of the funding strategy and drive enhancements to sensitivity analysis around key liquidity drivers.
- Provide second line oversight and support delivery of planned climate risk management enhancement initiatives, to ensure the Group meets its stated ambitions.

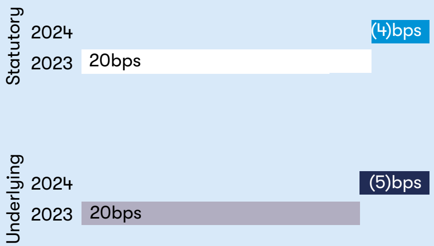
Risk review continued

Key risk performance indicators

Risk appetite is aligned to a select range of key performance indicators, which are used to assess performance against strategic, business, operational and regulatory objectives.

Actual performance against these indicators is continually assessed and reported.

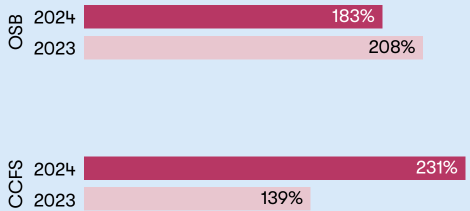
Loan loss ratio



2024 performance

Impairment credit representing -5bps underlying loan loss ratio due to updated macroeconomic scenarios, particularly driven by house price improvement.

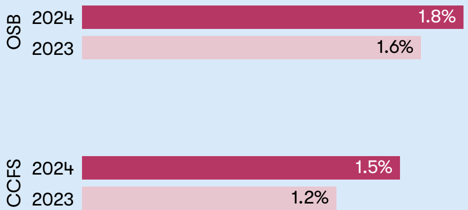
Liquidity coverage ratio



2024 performance

Liquidity ratios remained well above internal and regulatory requirements. The reduction at OSB was driven by managed reductions of Bank of England funding during the year. The increase at CCFS was due to successful issuance of RMBS driving an increase in High Quality Liquid Assets.

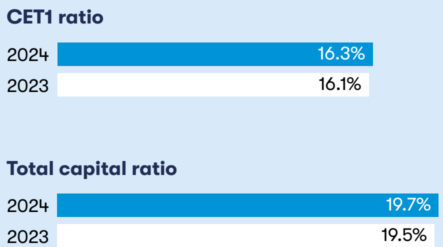
3+ months in arrears



2024 performance

The Group's ratio of balances which are greater than three months in arrears increased to 1.7% (2023: 1.4%) largely driven by the elevated cost of borrowing. Across the OSB bank entity, arrears increased to 1.8% from 1.6% at the end of 2023 while for CCFS arrears increased to 1.5% from 1.2% at the end of 2023.

Capital ratios



2024 performance

The Group's capital position remained strong with a CET1 ratio of 16.3% and a total capital ratio of 19.7% as at the end of 2024 (31 December 2023: 16.1% and 19.5%, respectively). The capital ratios improved during the year driven by ongoing profitability, the impact of the securitisation of Buy-to-Let exposures which were de-recognised from the balance sheet reducing risk weighted asset balances, partially offset by shareholder distributions within the year.

Risk review continued

Enterprise Risk Management Framework

The Enterprise Risk Management Framework (ERMF) sets out the principles and approach with respect to the management of the Group's risk profile in order to successfully fulfil its business strategy and objectives, including compliance with all conduct and prudential regulatory objectives.

The ERMF is the overarching framework that enables the Board and senior management to actively manage and optimise the risk profile within the constraints of its risk appetite. The ERMF also facilitates informed risk-based decisions to be taken in a timely manner, ensuring that the interests and expectations of key stakeholders can be met.

The ERMF provides a structured mechanism to align critical components of an effective approach to risk management, linking overarching risk principles to day-to-day risk identification, assessment, mitigation, and monitoring activities.

The modular construct of the ERMF provides an agile approach keeping pace with the evolving nature of the risk profile and underlying drivers. The ERMF and its core modular components are subject to periodic review and approval by the Board and its relevant Committees. The key components of the ERMF structure are as follows:

1 Risk principles and culture

The Group established a set of risk management and oversight principles that inform and guide all underlying risk management and assessment activities. These principles are informed by the Group's Purpose, Vision and Values.

2 Risk strategy and appetite

The Group established a clear business vision and strategy which is supported by an articulated risk vision and underlying principles. The Board is accountable for ensuring that the Group's ERMF is structured against the strategic vision and is delivered within agreed risk appetite thresholds.

3 Risk assessment and control

The Group is committed to building a safe and secure banking operation through an integrated and effective ERMF.

4 Risk analytics

The Group uses quantitative analysis and statistical modelling to help improve its business decisions.

5 Stress testing and scenario development

Stress testing is an important risk management tool, which is used to evaluate the potential effects of a specific event and/or movement in a set of variables to understand the impact on the Group's financial and operating performance. The Group has a stress testing framework which sets out the Group's approach.

6 Risk data and information technology

The maintenance of high-quality risk information, along with the Group's data enrichment and aggregation capabilities, are central to the Risk function's objectives being achieved.

7 Risk Management Framework's policies and procedures

Risk frameworks, policies and supporting documentation outline the process by which risk is effectively managed and governed within the Group.

8 Risk management information and reporting

The Group established a comprehensive suite of risk Management Information (MI) and reports covering all principal risk types.

9 Risk governance and function organisation

Risk governance refers to the processes and structures established by the Board to ensure that risks are assumed and managed within the Board-approved risk appetite, with clear delineation between risk-taking, oversight and assurance responsibilities. The Group's risk governance framework is structured to adhere to the 'three lines of defence' model.

10 Use and embedding

Dissemination of key framework components across the Group to ensure that business activities and decision-making are undertaken in line with the Board expectations.

Enterprise Risk Management Framework (ERMF)

Key elements			
Risk principles and culture	Risk strategy and appetite	Risk governance and function organisation	Risk definitions and categorisation

Principal risks

Financial risks		Non-financial risks		
Credit risk Liquidity and funding risk	Market risk Solvency risk	Strategic and business risk Reputational risk	Operational risk Conduct risk	Financial Crime risk Compliance/regulatory risk

Capabilities			
Risk framework and policies	Risk data and IT	Risk analytics	Risk management information

Risk regulatory submissions		
ICAAP	ILAAP	Recovery plan/Z-templates

Risk review continued

Group organisational structure

The Board has ultimate responsibility for the oversight of the Group's risk profile and risk management framework and, where it deems it appropriate, it delegates its authority to relevant Committees. The Board and its Committees are provided with appropriate and timely information relating to the nature and level of the risks to which the Group is exposed and the adequacy of risk controls and mitigants.

The Internal Audit function provides independent assurance to the Board and its Committees as to the effectiveness of the systems and controls and the level of adherence to internal policies and regulatory requirements. The Board also commissions third-party subject matter expert reviews and reports in relation to issues and areas requiring deeper technical assessment and guidance.

Risk appetite

As outlined within the Group's Risk Appetite Framework, the Group aligns its strategic and business objectives with its risk appetite, which defines the level of risk that the Group is willing to accept, enabling the Board and senior management to monitor the risk profile relative to its strategic and business performance objectives. Risk appetite is a critical mechanism through which the Board and senior management are able to identify adverse trends and respond to unexpected developments in a timely and considered manner.

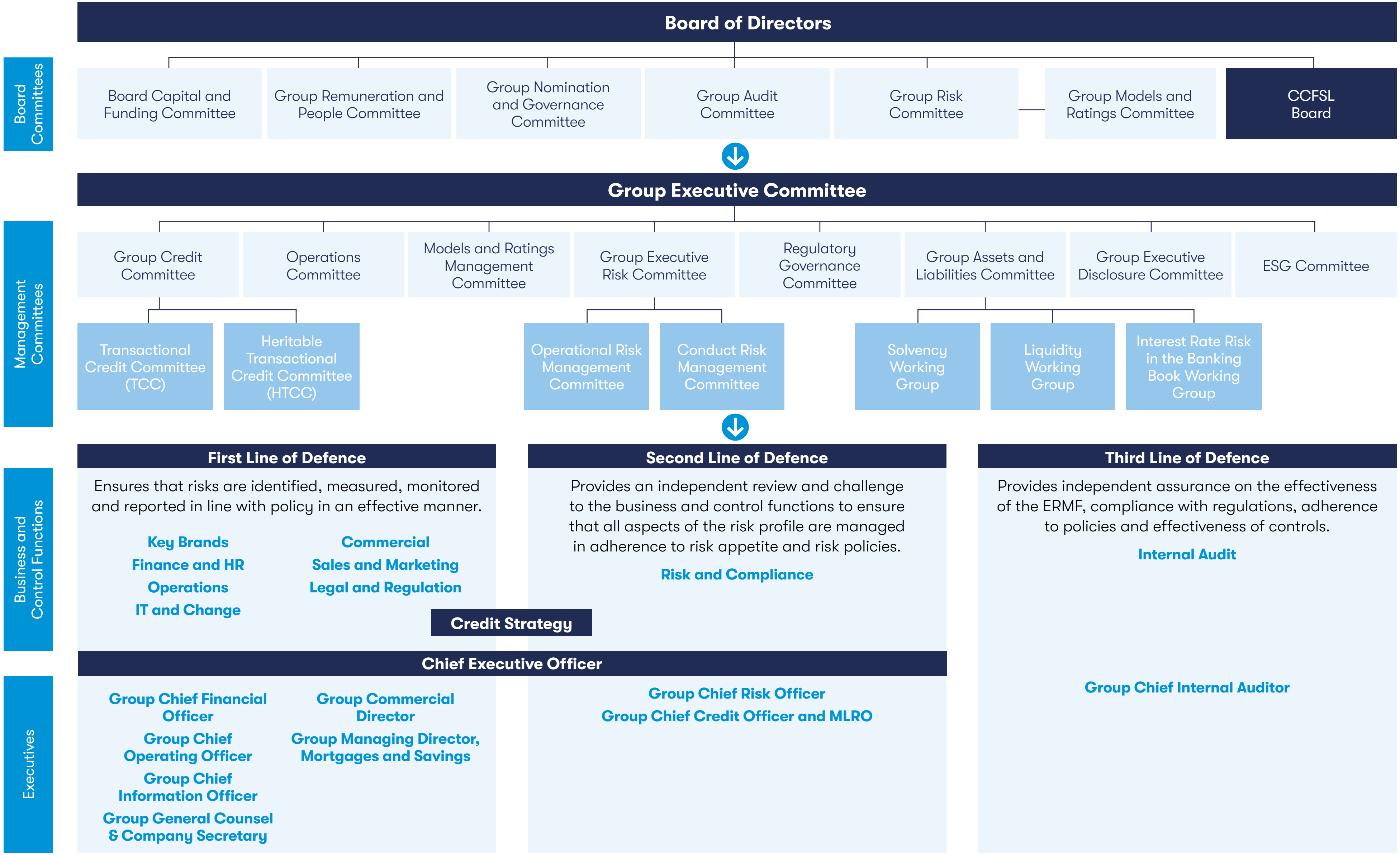
The risk appetite is calibrated to reflect the Group's strategic objectives, business operating plans, as well as external economic, business and regulatory constraints. In particular, the risk appetite is calibrated to ensure that the Group continues to deliver against its strategic objectives and operates with sufficient financial buffers, even when subjected to extreme but plausible stress scenarios. The objective of the Board's risk appetite is to ensure that the strategy and business operating model is sufficiently resilient.

The Group's risk appetite is calibrated using statistical analysis and stress testing to inform the process for setting management triggers and limits against key risk indicators. The calibration process is designed to ensure that timely and appropriate actions are taken to maintain the risk profile within approved thresholds. The Board and senior management actively monitor actual performance against approved management triggers and limits. Currently, there are two regulated banking entities within the Group. Risk appetite metrics and thresholds are set at both individual entity and Group levels.

The Group's risk appetite is subject to a full refresh annually across all principal risk types, and a mid-year review where any metrics can be assessed and updated as appropriate.

Risk review continued

Structure of the Group



The Group Executive Risk Committee has a small number of other risk forums which report into it, however to simplify the above schematic only the Operational and Conduct Risk Management Committees have been included.

Risk review continued

Management of climate change risk

The Group is exposed to the following climate related risks:

- **Physical risk –** relates to climate or weather-related events such as heatwaves, droughts, floods, storms, rising sea levels, coastal erosion and subsidence. These risks could result in financial losses with respect to the Group's own real estate and customer loan portfolios.
- **Transition risk –** arising from the effect of adjusting to a low-carbon economy and changes to appetite, strategy, policy or technology. These changes could result in a reassessment of property prices and increased credit exposures for banks and other lenders as the costs and opportunities arising from climate change become apparent. Reputational risk arises from a failure to meet changing and more demanding societal, investor and regulatory expectations.

Approach to analysing climate risk on the loan book

As part of the Internal Capital Adequacy Assessment Process (ICAAP), the Risk function engaged with a third party to provide detailed climate change assessments at a collateral level for the Group's loan portfolios. The data was in turn utilised to conduct profiling and financial risk assessments.

a) Climate scenarios considered

The standard metric for assessing climate change risk is the global greenhouse gas concentration as measured by Representative Concentration Pathway (RCP) levels. The four levels adopted by the Intergovernmental Panel for Climate Change for its fifth assessment report (AR5) in 2014 are:

Emissions scenario

Scenario	Change in temperature (°C) by 2100
RCP 2.6	1.6 (0.9–2.3)
RCP 4.5	2.4 (1.7–3.2)
RCP 6.0	2.8 (2.0–3.7)
RCP 8.5	4.3 (3.2–5.4)

Note: figures within the brackets above detail the range in temperatures. Single figures outside the brackets indicate the averages.

b) Climate risk perils considered

The following three physical perils of climate change were assessed:

- **Flood –** wetter winters and more concentrated rainfall events will increase flooding.
- **Subsidence –** drier summers will increase subsidence through the shrink or swell of clay.
- **Coastal erosion –** increased storm surge and rising sea levels will increase the rate of erosion.

For each of the physical perils and climate scenarios detailed above, a decade-by-decade prediction, from the current year to 2100, on the likelihood of each was provided.

For flood and subsidence, the likelihood took the form of a probability that a flood or subsidence event would occur over the next 10 years. For coastal erosion the distance of the property to the coastline is provided by scenario and decade.

Properties are located at a one-metre accuracy for the purpose of physical peril impact considerations. This resolution is essential because flood and subsidence risk factors can vary considerably between neighbouring properties.

In addition to the physical perils, the current Energy Performance Certificate (EPC) of each property was considered to allow for an assessment of transitional risk due to policy change. EPC ratings are based on a Standard Assessment Procedure calculation which uses a government methodology to determine the energy performance of properties by considering factors such as construction materials, heating systems, insulation and air leakage.

Both the OSB and CCFS portfolios were profiled against each of the perils detailed under the least severe (RCP 2.6) and most severe (RCP 8.5) climate scenarios.

- **Flood risk**
  By the 2030s, at the Group level, the percentage of properties predicted to experience a flood is expected to increase from 0.50% in the least severe scenario to 0.54% in the most severe scenario. Both scenarios represent a low proportion of the Group's loan portfolios.
- **Subsidence**
  In the 2030s, at the Group level, the percentage of properties predicted to experience subsidence is expected to increase from 0.41% in the least severe scenario to 0.46% in the most severe scenario. The outcome of both scenarios represents a low proportion of the Group's loan portfolios.
- **Coastal erosion**
  There are two elements to coastal erosion risk. The first relates to the proximity of the property to the coast. The second depends on whether the area in which the property is located is likely to experience coastal erosion in the future.

  Both Banks have over 92% of their portfolios more than 1,000 metres from the coastline, indicating a low coastal erosion risk across the Group.

  At a Group level there are 55 properties (OSB 32, CCFS 23) which are located within 100m of a coastline likely to experience erosion in the future.

Risk review continued

c) Energy Performance Certificate profile

The EPC profile of both Bank entities follows a similar trend to the national average. At the Group level, 0.3% of properties have an EPC of A, 14.6% have an EPC of B, 27.9% have an EPC of C, 44.7% have an EPC of D, there are 11.1% with an EPC of E and negligible percentages in F or G ratings. 93% of the properties supporting the Group's loan portfolios have the potential to have at least an EPC rating of C.

Value at Risk assessment

The Value at Risk to each Bank, measured through change to Expected Credit Loss (ECL) and Standardised and IRB Risk-Weighted Assets (RWAs), is assessed through the application of stress to collateral valuations as per the methodology outlined. Impacts are assessed against the latest year end position.

Climate change scenarios

To get the full range of impacts, the most and least severe climate change stress scenarios were considered.

The most severe, RCP 8.5, assumes there will be no concerted effort at a global level to reduce greenhouse gas emissions. Under this scenario, the predicted increase in global temperature is 3.2–5.4°C by 2100.

The least severe scenario, RCP 2.6, assumes early action is taken to limit future greenhouse gas emissions. Under this scenario, the predicted increase in global temperature is 0.9–2.3°C by 2100.

Methodology – physical risks

For the physical risks, updated valuations are produced to reflect the impact of a flood, subsidence and coastal erosion risk.

Methodology – transitional risks

The Group's expectation is that, under the early action scenario (RCP 2.6), the government will require all properties to achieve a minimum EPC grade of C where possible. We considered this risk for Buy-to-Let accounts only.

d) Analysis outcome

The physical risks currently present an immaterial ECL or capital risk to the Group. The sensitivity to transitional risk is larger than that of physical risk, although still very small. See note 20 Expected credit losses for more detail where a non material post-model adjustment was held as at 31 December 2024 for climate change risk.

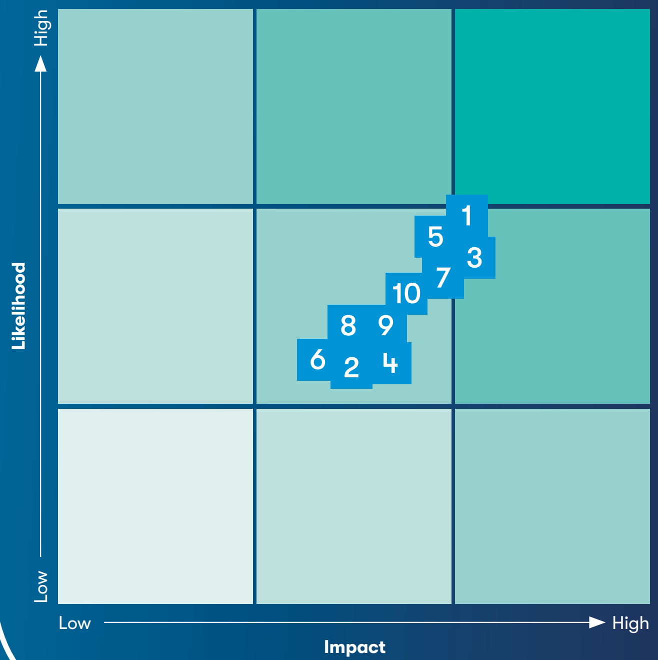
Principal risks and uncertainties

The Board carried out an assessment of the principal risks and uncertainties which may threaten the Group's operating model, strategic objectives, financial performance and regulatory compliance commitments.

The outcome of that assessment is summarised in the heat map below, with further details provided in each principal risk section.

1 Strategic and business risk
2 Reputational risk
3 Credit risk
4 Market risk
5 Liquidity and funding risk
6 Solvency risk
7 Operational risk
8 Conduct risk
9 Regulatory risk
10 Financial crime risk

Current assessment of principal risks



Key:

Risk increased
Risk decreased
Risk broadly stable

1 Strategic and business risk

The risk to the Group's earnings and profitability arising from its strategic decisions, change in business conditions, improper implementation of decisions or lack of responsiveness to industry and regulatory changes.

Risk appetite statement

The Group does not intend to undertake strategic actions which could put at risk the Group's vision of being a leading specialist lender in its chosen markets, supported by a strong and dependable savings franchise.

The Group aims to also maintain a resilient and sustainable business operating model under normal and stressed market conditions. In particular, the business operating model should be able to sustain an extreme but plausible stress of a 1 in 20 severity without breaching its key business performance indicators.

1.1 Performance against targets

Performance against strategic and business targets does not meet stakeholder expectations. This has the potential to damage the Group's franchise value and reputation.

Mitigation

Regular monitoring by the Board and the Group Executive Committee of business and financial performance against the strategic agenda and risk appetite. The financial plan is subject to regular reforecasts and assessed in the context of its impact on existing risk appetite. The Balanced Business Scorecard is the primary mechanism to support how the Board assesses management performance against key targets. Use of stress testing to flex core business planning assumptions to assess potential performance under stressed operating conditions.

Direction

The ongoing macroeconomic uncertainty and its potential impact on net interest income, affordability levels, house prices and expected credit losses continue to present risk to the Group's performance in 2025.

1.2 Economic environment

The economic environment in the UK is an important factor impacting the strategic and business risk profile. A macroeconomic downturn may impact the credit quality of the Group's existing loan portfolios and may influence future business strategy as the Group's new business proposition becomes less attractive due to lower returns.

Mitigation

The Group's business model as a secured lender helps limit potential credit risk losses and supports performance through the economic cycle. The Group continues to utilise and enhance its stress testing capabilities to assess and minimise potential areas of macroeconomic vulnerability.

Direction

Macroeconomic uncertainty will continue into 2025 with an ongoing risk to the Group's credit risk profile, including the possibility of rising unemployment rates and a continued period of elevated interest rates.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

1.3 Competition risk

Competition in the lending and savings markets intensifies leading to increased pressure on business margins and volumes.

Mitigation	Direction (Risk increased)
The Group continues to review and develop its strategy, products and services that meet the requirements of the markets in which it operates. The Group has a diversified suite of products and capabilities to utilise, together with significant financial resources, to support a response to changes in competition.	Continued intensity of competition within both the retail deposit and lending sectors. Larger banks may also look to move into the Group's key specialist lending sub-segments.

2 Reputational risk

The potential risk of the Group's reputation being affected due to factors such as unethical practices, adverse regulatory actions, customer or broker dissatisfaction and complaints or negative/adverse publicity. Reputational risk can arise from a variety of sources and is a second-order risk – the crystallisation of any principal risk can lead to a reputational risk impact.

Risk appetite statement
The Group has a very low appetite for actively assuming reputational risk in the course of conducting its business activities and meeting the expectations of its key stakeholders. The Group is fully cognisant of the main drivers (trust, integrity, ethics, confidence and relationships) of reputational risk and it being a consequence of other risks materialising, some of which are outside of its immediate control. The Group strives to protect and enhance its reputation at all times through appropriate governance and proactive risk management.

2.1 Deterioration of reputation

Potential loss of trust and confidence that our stakeholders place in us as a responsible and fair provider of financial services.

Mitigation	Direction (Risk broadly stable)
Culture and commitment to treating customers fairly and being open and transparent in communication with key stakeholders. Established processes in place to proactively identify and manage potential sources of reputational risk. Review of relevant Management Information including investor confidence (share price), credit rating agency outlook, regulatory engagement, complaint volumes, third party supplier practice, Net Promoter Scores, customer satisfaction results, press reports, social media, Trustpilot feedback, Glassdoor reviews, performance against ESG Group targets. The Group has an embedded Reputational Risk Management Framework which clearly defines roles and responsibilities for reputational risk management and oversight across the Group's three lines of defence.	The challenging yet more favourable macroeconomic environment in 2024 compared to 2023 continued across both the UK's lending and savings markets. Consequently, the need remains for all banks to become increasingly agile with products offered in order to ensure that all core financial targets are met. Operational efficiency challenges continue to influence the Group's reputational risk profile. Ongoing delivery of the Group's transformation programme is expected to deliver targeted operational benefits. Conduct risks remain elevated due to the requirements in continuing to meet Consumer Duty regulatory requirements and the challenges brought about by the cost of living.

3 Credit risk

Potential for loss due to the failure of a counterparty to meet its contractual obligation to repay a debt in accordance with the agreed terms.

Risk appetite statement
The Group seeks to maintain a high-quality lending portfolio that generates adequate returns, during both benign and stressed operating environments.

3.1 Individual borrower risk

Borrowers may encounter idiosyncratic problems in repaying their loans, for example loss of a job or execution problems with a development project. While in most cases of default the Group's lending is secured, some borrowers may fail to maintain the value of the security, which may result in a loss being incurred.

Mitigation	Direction (Risk increased)
Across both OSB and CCFS, a robust underwriting assessment is undertaken to ensure that a customer has the ability and propensity to repay, and sufficient security is available to support the new loan requested. At CCFS, an automated scorecard approach is taken, whilst OSB utilises a bespoke manual underwriting approach, supplemented by bespoke application scorecards to inform the lending decision. Should there be problems with a loan, the Financial Support function works with customers who are unable to meet their loan service obligations to reach a satisfactory conclusion while adhering to the principle of treating customers fairly. Our strategic focus on lending to professional landlords means that properties are likely to be well-managed, with income from a diversified portfolio mitigating the impact of rental voids or maintenance costs. Lending to owner-occupiers is subject to a detailed affordability assessment, including the borrower's ability to continue payments if interest rates increase. Lending on commercial property is based more on security and is scrutinised by the Group's independent Real Estate team as well as by external valuers. Development finance lending is extended only after a deep investigation of the borrower's track record and stress testing the economics of the specific project.	The drivers of borrower default risk began to shift in 2024 with inflation and interest rates on a downward trajectory however affordability for accounts continues to impact the risk of borrower default.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

3.2 Macroeconomic downturn

A broad deterioration in the UK economy would adversely impact both the ability of borrowers to repay loans and the value of the Group's security. Credit losses would impact the Group's lending portfolios, even if individual impacts were to be small, the aggregate impact on the Group could be significant.

Mitigation

The Group works within portfolio limits on LTV, affordability, name, sector, and geographic concentration that are approved by the Group Risk Committee and the Board. These are reviewed on a semi-annual basis. In addition, stress testing is performed to ensure that the Group maintains sufficient capital to absorb losses in an economic downturn and continues to meet its regulatory requirements.

Direction (Risk broadly stable)

The economic outlook and the ongoing geopolitical risk continues to look uncertain although slightly more stable and improved compared to the previous year. Inflation and interest rates have fallen, driving lower impairment levels, and increasing residential and commercial collateral values.

3.3 Wholesale credit risk

The Group has wholesale exposures both through call accounts used for transactional and liquidity purposes and through derivative exposures used for hedging.

Mitigation

The Group transacts only with high-quality wholesale counterparties. Derivative exposures include collateral agreements to mitigate credit exposures.

Direction (Risk broadly stable)

The Group's wholesale credit risk exposure remains limited to high-quality counterparties, overnight exposures to clearing banks and swap counterparties.

4 Market risk

Potential loss due to changes in market prices or values.

Risk appetite statement

The Group actively manages market risk arising from structural interest rate and foreign exchange rate exposures. The Group does not take a significant interest rate position or a directional view on rates and limits its mismatched and basis risk exposures by dynamic hedging. The Board requirement is to maintain balance sheet and hedge positions sufficient to survive a range of severe but plausible stress scenarios for interest rate risk and basis risk. Historical data is used to calibrate the severity of the stress scenarios against the Group's overall Risk Appetite.

4.1 Interest rate risk

The risk of loss from adverse movement in the overall level of interest rates. It arises from mismatches in the timing of repricing of assets and liabilities, both on and off-balance sheet. It includes the risks arising from imperfect hedging of exposures and the risk of customer behaviour driven by interest rates, e.g. early redemption.

Mitigation

The Group's Treasury function actively hedges to match the timing of cash flows from assets and liabilities.

Direction (Risk broadly stable)

Interest rate risk in 2024 was influenced by the downward interest rate environment, inverted yield curve and the potential for changing customer behaviour. The macroeconomic outlook remains uncertain.

A continued area of focus relates to the risks arising from downward movements in interest rates. Falling interest rates may create a risk to net interest income based on timing mismatches between issuance of long-term mortgages versus shorter-term savings products. In addition, this could result in early repayment charge income not offsetting early swap breakage costs. The Group has implemented a Structural Hedge to reduce the volatility of NIM.

4.2 Basis risk

The risk of loss from an adverse divergence in interest rates. It arises where assets and liabilities reprice from different variable rate indices. These indices may be market, administered, other discretionary variable rates, or that received on call accounts with other banks.

Mitigation

The Group did not require active management of basis risk in 2024 due to its balance sheet structure.

Direction (Risk broadly stable)

The Group continues to carefully monitor and manage basis risk. The Group's exposures are broadly SONIA-linked assets (post swap) funded by SONIA linked term deposits (post swap) and administered and Bank of England base rate linked liabilities.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

5 Liquidity and funding risk

The risk that the Group, although solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due.

Risk appetite statement

The Group will maintain sufficient liquidity to meet its liabilities as they fall due under normal and stressed business conditions; this will be achieved by maintaining strong retail savings franchises, supported by high-quality liquid asset portfolios comprised of cash and readily monetisable assets, and through access to pre-arranged secured funding facilities. The Board requirement to maintain balance sheet resources sufficient to survive a range of severe but plausible stress scenarios is interpreted in terms of the liquidity coverage ratio and the Internal Liquidity Adequacy Assessment Process (ILAAP) stress scenarios.

5.1 Retail funding stress

As the Group is primarily funded by retail deposits, a retail run could put it in a position where it could not meet its financial obligations. Increased competition for retail savings driving up funding costs, adversely impacting retention levels and profitability.

Mitigation

The Group's funding strategy is focused on a highly stable retail deposit franchise. The Group's large number of depositors provides diversification, where a high proportion of balances are covered by the FSCS protection scheme, largely mitigating the risk of a retail run.

In addition, the Group performs in-depth liquidity stress testing and maintains a liquid asset portfolio sufficient to meet obligations under stress. The Group holds prudential liquidity buffers to manage funding requirements under normal and stressed conditions.

The Group has diversified its retail channels by the use of deposit aggregators.

The Group proactively manages its savings proposition through both the Liquidity Working Group and the Group Assets and Liabilities Committee. The Group has pre-positioned mortgage collateral and securitised notes with the Bank of England, which allows it to consider alternative funding sources in addition to funding via retail savings deposits. The Group also has a mature Retail Mortgage-Backed Security (RMBS) programme.

Direction (Risk increased)

The Group's funding levels and mix remained strong throughout the year, however, retail deposit markets may see increased competition as banks look to repay outstanding TFSME, resulting in an increase in the cost of future funding for the Group.

Markets have also seen a trend in savings customers preferring easy access products over term products due to the downward sloping yield curve meaning headline rates for easy access are higher than term products, this results in a higher proportion of the book being withdrawable on demand. Liquidity buffers are held to account for this increased risk.

5.2 Wholesale funding stress

A market-wide stress could close securitisation markets or make issuance costs unattractive for the Group.

Mitigation

The Group continuously monitors wholesale funding markets and is experienced in taking proactive management actions where required.

The Group completed three securitisation deals and a Hold-Co issuance in 2024 and has a range of wholesale funding options, including Bank of England facilities, for which collateral has been pre-positioned.

Direction (Risk broadly stable)

The Group continues to liaise with the Bank of England and external ratings agencies as required and maintained investment grade ratings during 2024. Demand for OSB issuances remains high, with trades issued in 2024 performing well in primary and secondary markets. The Group continues to monitor access to debt markets and the cost for future MREL issuance through ongoing contact with the debt capital markets teams in several investment banks.

5.3 Refinancing of TFSME

Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) borrowing by the Group reduced to £1.4bn at the end of 2024 from £3.3bn in 2023. The Group has a refinancing concentration scheduled for October 2025.

Mitigation

The Group has other wholesale options available to it, including securitisation programmes and repo or sale of held notes, as well as retail funding through its strong franchises, to replace the TFSME borrowing gradually over the next six months ahead of the maturity of this funding.

Direction (Risk decreased)

TFSME borrowing decreased during the year; however, the current funding plan to refinance TFSME requires increased savings inflows and intragroup transfer of funding. The PRA have approved a Core UK Group waiver in January 2025, which allows excess funding at one entity to be used by the other entity to repay TFSME.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

6 Solvency risk

The potential inability of the Group to ensure that it maintains sufficient capital levels for its business strategy and risk profile under both the base and stress case financial forecasts.

Risk appetite statement
The Group seeks to ensure that it retains a sufficient level and quality of capital to satisfy its minimum regulatory requirements to cover its prudential risks and support its growth objectives. The Group's solvency risk appetite is constrained within the leverage ratio.

6.1 Deterioration of capital ratios

Key risks to solvency arise from balance sheet growth and unexpected losses which can result in the Group's capital requirements increasing, capital resources being depleted, or changes in regulatory standards such that it no longer meets the capital requirements mandated by the PRA and Board risk appetite.

The Group has successfully met its interim MREL requirements which became binding in July 2024 and is on track to meet its end-state requirements in July 2026. The Group considers its total loss-absorbing capacity requirements in addition to its existing capital requirements.

The regulatory capital regime is subject to change and could lead to increases in the level and quality of capital that the Group needs to hold to meet regulatory requirements. The near final Basel 3.1 standards were published in September 2024 which is likely to result in an increase to the Group's capital requirements following the anticipated implementation date in January 2027.

Mitigation

The Group operates from a strong capital position and has a consistent record of profitability.

The Group actively monitors its capital and MREL requirements and resources against financial forecasts that account for the anticipated Basel 3.1 changes, and undertakes stress testing analysis to subject its solvency ratios to extreme but plausible scenarios.

The Group holds prudent levels of capital buffers based on CRD IV requirements and expected balance sheet growth.

The Group engages actively with regulators, industry bodies and advisers to keep abreast of potential changes and provides feedback through the consultation process.

Direction

Ongoing profitability means that the Group's capital resources remain strong.

Risks remain around adverse credit profile performance resulting from higher inflation and higher interest rates.

7 Operational risk

The risk of loss or a negative impact on the Group resulting from inadequate or failed internal processes, people or systems, or from external events.

Risk appetite statement
The Group and its regulated entities define their operational risk appetite in the context of the operating model, external factors impacting the risk profile and the underlying nature and characteristics of operational risk in the pursuit of strategic objectives.

The Group and its regulated entities accept that total elimination of operational risk is not possible or cost effective in all cases, therefore a certain level of tolerance for operational risk exists in the context of the factors outlined above. However, the Group and its regulated entities have limited tolerance for operational risks and inadequacy of underlying systems and controls which put at risk the wider financial performance, reputation and the well-being of its customers, employees, and anyone to whom the organisation owns a duty of care at risk.

Operational risks must be managed so that residual risk exposure remains acceptable* Where an operational risk may pose a material residual risk of medium-high or high to the business, an adequate plan(s) or approved risk acceptance must be in place.

* Residual risk exposure is assessed as medium or low.

Direction

The Group and its regulated entities undertake regular assessment of the operational risk drivers and supporting systems and controls, review realised risk events, key operational risks and emerging risks by performing scenario analysis to quantify the operational risk loss profile. The Group and entity Boards have determined that on an ongoing basis the Group and its regulated entities should not experience operational losses over a 12-month rolling period which exceed a 1 in 7 severity on the aggregated operational risk loss profile.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

7.1 IT security (including cyber risk)

The risks resulting from a failure to protect the Group's systems and the data within them. This includes both internal and external threats.

Risk appetite statement

The Group views its data and IT architecture as an integral asset and enabler to achieving its purpose, vision and strategic objectives. The Group is fully aware of the dependencies between the security of its data and IT platforms and its core values. The Group is fully committed to protecting its core data and IT assets and ensuring that our customers and employee's personal data is managed with appropriate security, as well as providing safe and secure platforms for the delivery of the Group products and services. To that end the Group will ensure that all cyber security risks are subject to continuous monitoring and comprehensive and robust controls. Given the evolving nature of cyber security threats, the Group accepts that there may be periods where its controls need to further strengthen to reflect the changing nature of the cyber threats. However, the gap between threats and controls will be minimised through appropriate prioritisation and investment (upgrading of controls), as well as being subject to formal risk acceptance approval and reporting.

Mitigation

The Group operates with a suite of preventative and detective controls to ensure services between the business and its customers operate securely with potential threats identified and mitigated as part of its IT risk and control assessment. This is underpinned by established frameworks, policies and tested procedures intended to ensure the effective response to a security breach.

The Group's programme of IT and cyber risk management improvements continued with the aim of enhancing its protection against IT security threats, deploying a series of tools designed to identify and prevent network/system intrusions.

Direction (Risk broadly stable)

The Group has processes in place to allow it to operate effectively when employees work from home and manage the cyber risks related to working remotely.

Whilst IT security risks continue to evolve, work continues to enhance the level of maturity of the Group's controls and defences, supported by dedicated IT security experts.

The Group has an ongoing programme of penetration testing in place to drive enhancements by identifying potential areas of risk.

7.2 Data quality

The risk of inaccurate and/or incomplete data (including data processed by third-party suppliers) for management information to support business decisions and/or meet OSB Group plc requirements, customer requirements or regulatory requirements.

Risk appetite statement

The Group views its data as a critical corporate asset and seeks to ensure that appropriate systems and controls are established to ensure that data risk is minimised to a level which does not result in the Group's wider risk appetite objectives being placed at unacceptable level of threat.

Where the Group becomes aware that its data-based systems and controls are misaligned to the underlying data risk threat, commensurate remedial actions should be implemented and the unmitigated risk subject to formal notification and acceptance.

Mitigation

The Group operates within a suite of preventative and detective controls to ensure data is accurate, protected and readily available with potential threats identified and mitigated as part of its data risk and control assessment. This is underpinned by established frameworks, policies and procedures along with dedicated resources to ensure the quality of data is maintained at an appropriate standard.

Direction (Risk broadly stable)

Progress was made in 2024 to embed and further mature Group-wide governance frameworks and policies with further work planned for 2025 to move closer to the Group's target end state, including progressing towards establishing an enterprise-wide data quality framework through reducing the number of platforms, to be achieved as part of the Group's transformation programme.

7.3 Change management

The risk of ineffective design, execution or delivery of change or transformation initiatives (including programmes and projects) and not realising intended benefits and outcomes.

Risk appetite statement

The Group will ensure that all strategic and portfolio change Delivery is subject to the appropriate level of governance and oversight to enable effective delivery against the identified objectives and benefits as per plan and budget. The Group acknowledges that its wider risk profile may be impacted during certain phases of the strategic programmes such as transition from programme to BAU; however any impact will be minimised through the implementation of robust and appropriate systems and controls throughout and following the conclusion of the programme.

Mitigation

The Group recognises that implementing change introduces significant operational risk and has therefore implemented a series of control gateways designed to ensure that each stage of the change management process has the necessary level of oversight.

Direction (Risk increased)

The Group continued to adopt an ambitious change agenda, which was monitored and managed well in 2024.

The Group continued to make progress with its transformation programme, which will enable it to meet the future needs of customers, brokers and wider stakeholders, whilst delivering further operational efficiencies.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

7.4 IT failure

The risks resulting from a major IT application or infrastructure failure impacting access to the Group's IT systems.

Risk appetite statement

The Group views IT as a critical enabler to achieving its purpose, vision, and strategic objectives. The Group is fully committed to ensuring the adequacy, performance and resilience of the IT services and related assets that enable the delivery of the Group's core products, important business services and critical internal functions. To that end, the Group will ensure that all technology risks are appropriately managed and maintained at acceptable levels as articulated within the supporting sub-level statements.

Mitigation

The Group continues to maintain existing IT infrastructure, to ensure it remains fit for purpose and supports the Group's ongoing operating effectiveness. Investment continues to be made to improve core infrastructure, and simplify where possible, and has improved the management of technical change to strengthen resilience. The Group has identified its prioritised business services and the infrastructure that is required to support them. Tests are performed regularly in line with established frameworks, policies and procedures to validate the Group's ability to recover from an incident.

The Group has established a site in Hyderabad to ensure that, in the event of an operational incident in Bangalore, services can be maintained.

Direction

Whilst progress was made in reducing both the likelihood and impact of an IT failure, the risk remains, as the Group continues to make progress across its transformation programme.

8 Conduct risk

The risk that the Group's culture, organisation, behaviours and actions result in poor outcomes and detriment for customers and/or damage to consumer trust and integrity of the markets in which it operates.

Risk appetite statement

The Group has a very low appetite to assume risks which may result in either poor or unfair customer outcomes and/or cause disruptions in the market segments in which it operates. The Group aims to operate its businesses in such a way as to avoid causing detriment or harm to its customers, and with the highest standards of conduct. The Group will treat its customers, third-party partners, investors and regulators with respect, fairness and transparency. The Group will proactively look to identify where its products and services could lead to poor outcomes or harm to its customers and will take appropriate action to mitigate. Where customer harm occurs, the Group will ensure effective solutions are implemented to address the root cause and a fair outcome is achieved.

8.1 Conduct risk

The risk that the Group fails to meet its expectations with respect to conduct risk.

Mitigation

The Group's culture is clearly defined and monitored through its Purpose, Vision and Values driven behaviours.

The Group has a strategic commitment to provide simple, customer-centric products. In addition, a Product Governance framework is established to oversee that products are designed and maintained to deliver good customer outcomes throughout the product lifecycle.

The Group has an embedded Conduct Risk Management Framework which clearly defines roles and responsibilities for conduct risk management and oversight across the Group's three lines of defence.

Direction

During 2024, as a result of the cost of living and cost of borrowing crisis and changing customer and competitor behaviours, the Group's operations continued to experience high volumes of customer contact, although less than in 2023.

Throughout 2024, the Group continued to review and evolve its approach to supporting customers, particularly those that are vulnerable and experiencing financial difficulty, to ensure they continue to receive the level of tailored support needed to deliver good customer outcomes.

Conduct losses have remained low and stable during the last 12 months.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

9 Regulatory risk

The risk of regulatory sanctions, material financial loss, or loss to reputation the Group may suffer, as a result of its failure to comply with, regulations, rules, codes of conduct or guidance applicable to its operations, that are subject to authorisation and its regulatory permissions.

Risk appetite statement

The Group views ongoing conformance with regulatory rules and standards across all the jurisdictions in which it operates as a critical facet of its risk culture. The Group has minimal appetite to assume regulatory risk, which could result in poor customer outcomes, customer detriment, regulatory sanctions, financial loss or damage to its reputation. The Group will proactively monitor for, and will not tolerate any systemic failure to comply with applicable laws, regulations or codes of conduct relevant to its business.

The Group acknowledges that regulatory rules and standards are subject to interpretation and subsequent translation into internal policies and procedures. The Group interprets requirements to ensure adherence with the intended purpose and spirit of the regulation whilst being cognisant of commercial considerations and good customer outcomes. To minimise regulatory risk, the Group proactively engages with its regulators in a transparent manner, participates in industry forums and seeks external advice to validate its interpretations where appropriate.

The Group is committed to maintaining high levels of regulatory compliance across all aspects of its business. The Group maintains robust risk management systems and controls to enable adherence to, and monitoring of, conformance to regulatory requirements and industry standards. The Group will respond in an appropriate manner to any changes in the regulatory environment.

The Group is committed to embedding a robust compliance culture throughout the organisation with all staff having the responsibility of understanding and upholding regulatory obligations.

9.1 Prudential regulatory changes

The Group continues to see a high volume of key compliance regulatory changes that impact its business activities. These include incoming Basel 3.1 capital requirements and increased Resolvability Assessment Framework requirements.

Mitigation

The Group has an effective horizon scanning process to identify regulatory change.

All significant regulatory initiatives are managed by structured programmes overseen by the Project Management team and sponsored at Executive level.

The Group has proactively sought external expert opinions to support interpretation of the requirements and validation of its response, where required.

Direction (Risk decreased)

The Group continued to have a high level of interaction with the Bank of England and Prudential Regulation Authority and continues to identify and respond effectively to all regulatory changes and engagements. Clarity on Basel 3.1 rules has reduced a regulatory risk factor for the Group, and has provided greater certainty of the Group's go forward requirements.

9.2 Conduct regulation

Regulatory changes focused on the conduct of business could force changes in the way the Group carries out business and impose substantial compliance costs.

This includes the risk that product design, pricing, underwriting, arrears and forbearance and vulnerable customer policies are misaligned to regulatory expectations which result in customer harm, particularly those experiencing financial hardship or vulnerable customers, with the potential for reputational damage, redress and other regulatory actions.

Mitigation

The Group has a programme of regulatory horizon scanning linking into a formal regulatory change management programme. In addition, the focus on simple products and customer-oriented culture means that current practice may not have to change significantly to meet any new conduct regulations.

All Group entities utilise underwriting, arrears and forbearance and vulnerable customer policies, which are designed to comply with regulatory principles, rules and expectations. These policies articulate the Group's commitment to ensuring that all customers, including those who are vulnerable or experiencing financial hardship, are treated fairly, consistently and in a way that considers their individual needs and circumstances.

The Group does not tolerate any systematic failure to deliver fair customer outcomes. On an isolated basis, incidents can result in customer harm due to human and/or operational failures. Where such incidents occur, they are thoroughly investigated, and the appropriate remedial actions are taken to address any customer harm and prevent recurrence.

Direction (Risk broadly stable)

The retail banking sector continues to be subject to heightened levels of regulatory focus and change, particularly in relation to conduct and customer outcomes. The Group actively assesses its approach and exposure to meeting current and emerging regulatory frameworks and remains cognisant of the potential risk of legacy decisions being subject to future supervisory focus and attention.

The Group continues to proactively interact with regulatory bodies to take part in thematic reviews and information requests, as required.

Identifying, monitoring and supporting vulnerable customers continues to be a key area of focus.

The Group continues to review its approach to supporting customers experiencing financial difficulty to ensure they continue to receive the level of tailored support needed to deliver good customer outcomes.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

10 Financial crime risk

The risk of financial or reputational loss resulting from inadequate systems and controls to mitigate the risks from financial crime.

Risk appetite statement
To minimise financial crime risk, the Group will design and maintain robust systems and controls to identify, assess, manage and report any activity (internal or external in nature) which exposes the Group to financial crime risk in the form of money laundering, human trafficking, terrorist financing, sanctions breaches, bribery, corruption and fraud. The Group recognises the need to continuously review its systems and controls to ensure that they are aligned to the nature and scale of financial crime risk it is exposed to on a current and forward-looking basis.

10.1 Financial crime risk

The risk of financial or reputational loss resulting from a failure to implement systems and controls to manage the risk from money laundering, terrorist financing, sanctions, bribery, corruption and cyber-crime.

Mitigation

The Group operates in a low-risk environment providing relatively simple products to UK domiciled customers serviced through UK registered bank accounts. The Group has an established screening programme that is deployed at the point of origination and on a regular basis throughout the customer lifecycle. Where applicable, enhanced due diligence is applied to ensure that any increase in risk is appropriately managed and any activity remains within risk appetite.

The Group has a horizon scanning programme that identifies changes to money laundering regulations and any other financial crime related legislation to ensure that we comply with all regulatory obligations.

The Group screens its customers on a regular basis against sanctions listings acting swiftly to react to any updates released in relation to the financial sanctions regime. Given the Group's customer target market, it has negligible exposure to any of the affected jurisdictions and no exposure to any specific individual or entity contained within revised sanctions listings.

The Group's programme of cyber improvements continued with the aim of enhancing its protection against IT security threats, deploying a series of tools designed to identify and prevent network/system intrusions.

Direction (Risk broadly stable)

The Group continues to focus primarily on the UK market with accounts serviced from UK bank accounts.

IT security risks continue to evolve and the level of maturity of the Group's controls and defences continues to be enhanced whilst being supported by dedicated IT security experts.

10.2 Fraud risk

The risk of financial loss resulting from fraudulent action by a person either internal or external.

Mitigation

The Group continues to invest in a range of systems and controls that are deployed across its product range to detect and prevent exposure to fraud throughout the customer lifecycle. At the point of origination, all new applications are subject to a range of controls to identify and mitigate the risk of fraud. Customer behavioural and transactional activity is closely monitored to identify potential suspicious behaviours or trends that may be indicative of fraud.

All controls are supported by documented fraud related policies and procedures that are managed by experienced employees in a dedicated Financial Crime function.

The Group continually monitors its detection capability with periodic reviews of the rules and parameters within its systems and control framework to ensure that these remain fit for purpose and aligned to mitigate any emerging risks.

Direction (Risk increased)

The risk of the Group experiencing future fraud losses remains elevated as a result of external market factors, such as the ongoing elevated costs of borrowing and living, the geopolitical outlook and the impact that UK government policies may have on future UK macroeconomic performance. To date the Group continues to observe a low level of actual fraud losses, but remains cognisant of the external fraud environment in which it operates and, in particular, the rise in the number of customers falling victims to elaborate scams. Whilst the Group's product functionality restricts the level of direct exposure to these types of events, the Group continues to look at options where it can educate and support its customers and help prevent them from becoming victims of this growing threat.

Emerging risks

The Group proactively scans for emerging risks which may have an impact on its ongoing operations and strategy and considers its top emerging risks to be:

Political and macroeconomic uncertainty

Description

The Group's lending activity is predominantly focused in the United Kingdom (with a legacy book of mortgages in the Channel Islands) and, as such, will be impacted by any risks emerging from changes in the UK's macroeconomic environment which itself is influenced by geopolitical movements. High inflation and changing interest rates pose risks to the Group's loan portfolio performance.

Mitigation

The Group has mature and robust monitoring processes and through various stress testing activities (i.e. ad hoc, risk appetite and ICAAP) understands how the Group performs over a variety of macroeconomic stress scenarios and has developed a suite of early warning indicators, which are closely monitored to identify changes in the economic environment. The Board and management review detailed portfolio reports to identify any changes in the Group's risk profile.

Principal risks and uncertainties continued

Key:
Risk increased
Risk decreased
Risk broadly stable

Climate change

Description	Mitigation
Regulatory expectations and industry best practices continue to evolve and further work is required to enhance the Group's approach to managing climate risk. Climate change risks include: • Physical risks which relate to specific weather events, such as storms and flooding, or to longer-term shifts in the climate, such as rising sea levels. These risks could include adverse movements in the value of certain properties that are in coastal and low-lying areas or located in areas prone to increased subsidence and heave. • Transitional risks may arise from the adjustment towards a low-carbon economy, such as tightening energy efficiency standards for domestic and commercial buildings. These risks could include a potential adverse movement in the value of properties requiring substantial updates to meet future energy performance requirements. • Reputational risk arising from a failure to meet changing societal, investor or regulatory demands.	During 2024, the Group continued to closely monitor its climate risk profile, whilst conducting scenario and stress testing analysis to ensure climate risks remain in line with appetite. The Group's Chief Risk Officer has designated senior management responsibility for the management of climate change risk.

Regulatory change

Description	Mitigation
The Group remains subject to high levels of regulatory oversight and an extensive and broad-ranging regulatory change agenda, including meeting the requirements of Basel 3.1 regulation. The Group is therefore required to respond to prudential and conduct-related regulatory changes, fulfilling information requests and taking part in thematic reviews, as required.	The Group has established horizon scanning capabilities, coupled with dedicated prudential and conduct regulatory experts in place to ensure the Group manages future regulatory changes effectively. The Group also has strong relationships with regulatory bodies and, through membership of UK Finance, inputs into upcoming regulatory consultations.

Artificial Intelligence

Description	Mitigation
Artificial Intelligence (AI), including generative AI is rapidly advancing and since its creation is being utilised more widely across the financial services industry. OSB Group is in the early stages of its journey in adopting the use of AI across the organisation. The Group will continue to embrace this new technology, but in a controlled manner applying robust risk management arrangements to ensure risks continue to be identified, monitored and mitigated. Potential future risks including (i) external threats including cyber criminals use of AI technology, market competition dynamics changing based on the varying levels of success firms have in leveraging this technology to drive enhancements in business performance. Potential use of AI by external fraudsters (ii) internal risks relating to uncontrolled or inappropriate use of AI capabilities across the Group.	OSB Group has established a responsible AI policy, which controls the use and deployment of AI technology across the Group. Internal subject matter experts are in place and the Group will liaise with external third-party advisers as required. Close monitoring of developments in AI technology is undertaken by the Group's IT function, where a suite of planned initiatives are underway to enable the Group to benefit (where appropriate) from the use of AI technology, whilst mitigating any future risks which may occur.

Risk profile performance overview

Credit risk

During 2024 the Bank of England base rate remained elevated, although some modest reductions were observed in the second half of the year. These elevated borrowing costs resulted in subdued property purchase activity and consequent loan demand. Unemployment rates remained low, whilst modest house price inflation was observed. The Group's prudent risk appetite and disciplined approach to credit risk management supported robust credit profile performance during the year.

The Group observed strong demand for its loan products and delivered organic originations of £4.0bn during the year (2023: £4.7bn), despite subdued demand in the wider mortgage market. Strong levels of lending were observed across the Group's core Buy-to-Let and residential first charge products, with the Group's renewed focus on bridging, semi commercial and commercial mortgage lending resulting in higher origination levels versus 2023.

The Group actively manages three key credit risk pillars including i) the customer's propensity to repay and (ii) the customer or tenant's ability to maintain payments and (iii) the underlying collateral or security provided to support lending and its ability to absorb adverse movements in values, providing loss protection should a repayment default event occur.

The credit score profile of new lending remained broadly stable throughout the year, indicating that onboarded customers had strong ability and propensity to make payments in the future.

Buy-to-Let interest coverage ratios for new lending improved compared to 2023 and remained strong at 186% for OSB and 160% for CCFS (2023: 176% and 154%, respectively), demonstrating a healthy surplus in rental income versus the required monthly repayment amount.

Strong origination and customer retention performance resulted in the statutory net loan book totalling £25.1bn (31 December 2023: £25.8bn), including the impact of the derecognition from the balance sheet of £1.25bn of performing Precise Buy-to-Let mortgages. The underlying loan book would have increased by 2.5% since 31 December 2023 excluding the impact of the transaction.

Credit scoring metrics for existing loan balances remained robust, with modest increases in future probability of default and affordability scores observed as more customers migrated into arrears and customers' credit profiles continued to be impacted by the increased costs of living and borrowing.

The Group remains a fully secured lender with prudent lending policies and criteria coupled with property value appreciation in 2024. Weighted average LTV levels increased to 64% for OSB from 63% in 2023 and reduced slightly for CCFS to 64% from 65% in 2023. The weighted average LTV profile remained prudent for the Group at 64%, stable from 2023.

During 2024 the Group observed an increase in arrears levels with balances over three months in arrears increasing to 1.7% of the loan book as at 31 December 2024 (31 December 2023: 1.4%), as customers experienced loan affordability challenges post reverting onto a higher prevailing interest rates, or landlords experienced challenges in receiving rental payments. Across the OSB entity, arrears levels increased to 1.8% from 1.6% at the end of 2023 whilst for CCFS arrears increased to 1.5% from 1.2% at the end of 2023.

The OSB entity includes a number of legacy closed acquired first and second charge mortgage portfolios, which have a higher risk profile versus organically originated lending and therefore are a material contributor to the segment level arrears profile. As at 31 December 2024 the acquired portfolios equated to 1.6% of the OSB entity level net loans and advances to customers, whilst contributing 17.2% of total segment level arrears. The arrears ratio of the acquired segment increased to 19.5% as at 31 December 2024 versus 15.9% as at 31 December 2023 as performing balances rolled off and underlying arrears levels increased, as a result of the challenging macro economic backdrop and the ongoing elevated cost of borrowing.

In December 2024, the Group completed a £1.25bn securitisation and derecognition transaction of CCFS Buy-to-Let mortgages which impacted the segment level arrears ratio; on an underlying basis arrears levels would have been 1.3% as at 31 December 2024 (versus the post-transaction position of 1.5%) had the transaction not taken place.

Segment level arrears ratios

		31 December 2024	31 December 2023
Group	**Sub segment**	**1.7%**	**1.4%**
OSB	Total	1.8%	1.6%
	Organic	1.5%	1.3%
	Acquired	19.5%	15.9%
CCFS	Total (post-securitisation)	1.5%	1.2%
	Total (pre-securitisation)	1.3%	1.2%

In line with modelled expectations the Group has observed a stabilisation of arrears trends within the last three months of 2024. A suite of initiatives are progressing to drive further improvements to arrears trends in the near term, with oversight being provided by the Board.

The timelines for repossessing and selling properties continued to be impacted by ongoing delays in the court hearing process.

The Group actively monitors performance against a set of internal risk appetite and early warning indicators together with wider benchmarked external data provided by third parties, including UK Finance. During 2024 the Group's arrears performance operated inside of forecasted estimates, and prudent IFRS 9 provision coverage levels continued to be held to cover for forecasted future losses.

Risk profile performance overview continued

During 2024 the Group observed a marked increase in the number of forbearance measures requested by customers experiencing financial difficulty, with 3,013 requests supported during 2024, versus 2,054 in the prior year, again fuelled by macroeconomic headwinds. The balance of these forbearance measures granted as of 31 December 2024 totalled £348.2m versus £261.1m as of 31 December 2023.

The most common solutions provided were interest rate reduction, switch to interest only and payment deferral. The largest provision of forbearance was to residential first charge mortgage holders.

Expected credit losses (ECL)

Balance sheet expected credit losses decreased from £145.8m to £126.9m as at 31 December 2024. The full year statutory impairment credit of £11.7m represented a loan loss ratio of -5bps (2023: £48.8m charge, 20bps loan loss ratio, respectively).

A summary of the key impairment charge drivers for 2024 included:

a) **Macroeconomic outlook** – the Group regularly updates the collateral values of properties which act as security against the loans extended to customers and, in 2024, the Group observed an improvement in property values that outperformed forecast expectations during 2024. The Group continued to receive regular macroeconomic scenario updates from its advisers, which were reviewed and discussed by management and the Board, along with the probability weightings applied to each scenario. As a result, the cumulative impact of updated collateral values and revised scenarios was a release of £36.2m.

b) **Model and staging enhancements** – enhancements were made to the Group's models to ensure that estimates continued to reflect actual credit performance. Prior to each reporting period the Group's Significant Increase in Credit Risk (SICR) logic which determines whether accounts not in arrears should be moved to Stage 2 is reviewed. These model adjustments made to reflect recent behaviour had a cumulative release of £2.8m.

c) **Post-model adjustments** – the Group continued to utilise post-model adjustments (PMAs) to ensure risks not captured by the Group's models were assessed and appropriate provisions continued to be held. PMAs are primarily designed to capture the risk arising from elongated sale times observed within the possession process, as well as the heightened cost of borrowing, by moving some accounts into Stage 2 even when the account is performing. PMA adjustments made within the reporting period resulted in an impairment release of £5.1m driven by the removal of the cost of living PMA as wage growth aligned with inflation levels, and updated cost of borrowing impact analysis supported a reduction in provision levels required.

d) **Arrears flow** – growth in Stage 3 balances resulted in a charge of £10.8m with the majority of the charge recognised at the half year 2024 (£7.5m). The charge in part was driven by (i) accounts waiting to clear the 12-month probation period (ii) cross contingent defaults, where a borrower has multiple facilities and, once a minimum proportion of exposure in default has been exceeded, all accounts are brought into default and (iii) late-stage arrears levels continuing to be elevated due to ongoing challenges with the process of repossessing and selling properties.

e) **Changes in risk profile** – as the Group's loan book continued to grow, provisions were raised against the incremental Stage 1 balances resulting in a £3.3m impairment charge. Other changes to the Group's credit profile, including new accounts entering stage 2, resulted in a further charge of £8.4m.

f) **Individually assessed provisions** – the Group's specialist real estate management and financial support teams maintain watchlists of loans where objective evidence of impairment exists over a given exposure. For these specific loans, a detailed assessment of the collateral and circumstances of the arrears are assessed.

When required, an individual impairment provision will be raised using this updated information which replaces any modelled provisions held. During 2024, the Group raised a number of additional individual provisions against a small number of counterparties which in aggregate resulted in an impairment charge of £2.7m.

g) **Write-offs and recoveries** – as per the Group's policy, following the successful sale of the security should there be a shortfall. Write-offs did not form part of the impairment charge for the year, as they were expensed to the profit and loss in the periods when the provisions were raised.

Coverage ratios table

Impairment coverage levels reduced compared to 31 December 2023, driven by the improving outlook of future property values and the stabilisation of arrears observed in the second half of 2024. The Group's Risk function conducted top-down analysis, assessing portfolio-specific risks, which confirmed the appropriateness of provision levels.

As at 31 December 2024	Gross carrying amount £m	Expected credit losses £m	Coverage ratio %
Stage 1	**19,877.1**	**13.7**	**0.07%**
Stage 2	**4,352.9**	**39.3**	**0.90%**
Stage 3 (+ POCI)	**1,010.3**	**73.9**	**7.31%**
Total	**25,240.3**	**126.9**	**0.50%**

As at 31 December 2023	Gross carrying amount £m	Expected credit losses £m	Coverage ratio %
Stage 1	20,576.8	22.4	0.11%
Stage 2	4,537.9	54.3	1.20%
Stage 3 (+ POCI)	782.4	69.1	8.83%
Total	25,897.1	145.8	0.56%

Risk profile performance overview continued

Macroeconomic scenarios

The measurement of ECL under the IFRS 9 approach is complex and requires a high level of judgement. The approach includes the estimation of probability of default (PD), loss-given default (LGD) and likely exposure at default (EAD). An assessment of the maximum contractual period over which the Group is exposed to the credit risk of the asset is also undertaken.

IFRS 9 requires firms to calculate ECL provisions simulating the effect of a range of possible economic outcomes, calculated on a probability-weighted basis. This requires firms to formulate forward-looking macroeconomic forecasts and incorporate them into their ECL calculations.

i. How macroeconomic variables and scenarios are selected

As part of the IFRS 9 modelling process, the relationship between macroeconomic drivers and arrears, default rates and collateral values is established. The Group adopted an approach which utilises four macroeconomic scenarios. These scenarios are provided by an industry-leading economics advisory firm, that advises management and the Board.

A base case forecast is provided, together with a plausible upside scenario. Two downside scenarios are also provided (downside and a severe downside).

ii. How macroeconomic scenarios are utilised within ECL calculations

Probability of default estimates are either scaled up or down based on the macroeconomic scenarios utilised.

Loss given default estimates are principally impacted by property price forecasts, which are utilised within loss estimates should an account be possessed and sold.

Exposure at default estimates are not impacted by the macroeconomic scenarios utilised.

Each of the above components are then directly utilised within the ECL calculation process.

iii. Macroeconomic scenario governance

The Group has a robust governance process to oversee macroeconomic scenarios and probability weightings used within ECL calculations.

On a periodic basis, the Group's Risk function and economic adviser provide the Group Risk and Audit Committees with an overview of recent economic performance, together with updated base, upside and two downside scenarios. The Risk function conducts a review of the scenarios comparing them to other economic forecasts, which results in a proposed course of action which, once approved, is implemented.

Forecast macroeconomic variables over a five-year period

			Scenario %				
Scenario	Probability weighting (%)	Economic measure	Year end 2024	Year end 2025	Year end 2026	Year end 2027	Year end 2028
		GDP	0.7	1.4	1.7	1.8	1.7
		Unemployment	4.3	4.4	4.3	4.1	4.0
		House price growth	1.2	1.1	1.7	2.8	4.2
		CPI	2.6	2.9	2.2	2.1	2.1
Base case	40	Bank Base Rate	4.8	3.8	3.1	2.6	2.5
		GDP	0.7	3.9	3.1	2.5	2.0
		Unemployment	4.3	3.7	3.6	3.6	3.6
		House price growth	1.2	3.2	4.4	5.9	4.5
		CPI	2.6	4.2	3.0	2.5	2.1
Upside	30	Bank Base Rate	4.8	5.4	4.4	3.4	3.0
		GDP	0.7	-2.3	0.4	1.4	1.7
		Unemployment	4.3	5.5	6.3	6.9	6.6
		House price growth	1.2	-7.4	-3.1	-1.9	5.1
		CPI	2.6	1.3	1.1	1.9	1.9
Downside	20	Bank Base Rate	4.8	3.0	1.8	1.8	1.8
		GDP	0.7	-4.2	-0.5	1.0	1.6
		Unemployment	4.3	5.8	6.8	7.3	7.0
		House price growth	1.2	-11.3	-6.0	-5.1	5.3
		CPI	2.6	0.5	0.6	1.6	1.9
Severe downside	10	Bank Base Rate	4.8	2.4	1.0	1.0	1.0

Note: GDP, CPI, and HPI are all measured on an annual change basis. Bank Base Rate and Unemployment metrics are end of year forecasted positions.

Risk profile performance overview continued

iv. Changes made during 2024
Throughout 2024, the scenario suite was monitored and updated as UK political and geopolitical developments occurred.

The Group's Risk and Audit Committees focused on assessing whether specific risks had been captured within externally provided forward-looking forecasts. Of particular focus were the risks relating to the cost of borrowing, unemployment, inflation and interest rates and changes in house prices. The Group undertook detailed analysis to assess whether specific sub-cohort risks were adequately accounted for by the Group's IFRS 9 models, which identified a small number of areas requiring post model adjustments (PMA) to be made. During the year the cost of living PMA was removed, as wage growth aligned with inflation rates, with the cost of borrowing PMA refreshed taking account of the latest interest rate outlook.

Furthermore, models were calibrated to the latest observed credit performance whilst ensuring unemployment rates were adequately accounted for.

The Board reflected on the ongoing appropriateness of probabilities attached to the suite of IFRS 9 scenarios as the macroeconomic outlook evolved throughout the year. Scenarios remain symmetrical, where the upside and downside scenarios carry equal weightings, and the base case has the highest probability.

Forbearance

Where a borrower experiences financial difficulty which impacts their ability to service their financial commitments under the loan agreement, forbearance may be used to achieve an outcome which is mutually beneficial for both the borrower and the Group.

Borrowers who are experiencing financial difficulties, either pre-arrears or in arrears, enter a consultative process to ascertain the underlying reasons and to establish the best course of action to enable the borrower to develop credible repayment plans to see them through the period of financial stress.

The specific tools available to assist customers vary by product and the customers' circumstances. The various options considered for customers are as follows:

- **temporary switch to interest only:** a temporary account change to assist customers through periods of financial difficulty where the contractual monthly payment is reduced to the amount of interest owed in the month for the duration of the account change. Any arrears existing at the commencement of the arrangement are retained
- **interest rate reduction:** the Group may, in certain circumstances, where the borrower meets the required eligibility criteria, transfer the mortgage to a lower contractual rate. Where this is a formal contractual change, the borrower will be requested to obtain independent financial advice as part of the process
- **loan-term extension:** a permanent account change for customers in financial distress where the overall term of the mortgage is extended, resulting in a lower contractual monthly payment
- **payment holiday:** a temporary account change to assist customers through periods of financial difficulty where capital and interest accruals during the payment holiday period are repaid from the end of the payment holiday over the remaining term. Any arrears existing at the commencement of the arrangement are retained
- **voluntary-assisted sale:** a period of time is given to allow borrowers to sell the property and arrears accrue based on the contractual monthly payment
- **reduced monthly payments:** a temporary arrangement for customers in financial distress. For example, a short-term arrangement to pay less than the contractual monthly payment. Arrears continue to accrue based on the contractual monthly payment
- **capitalisation of interest:** arrears are added to the loan balance and are repaid over the remaining term of the facility or at maturity for interest only products. A new payment is calculated, which will be higher than the previous payment
- **full or partial debt forgiveness:** where appropriate, the Group will consider writing off part of the debt. This may occur where the borrower has an agreed sale and there is a shortfall in the amount required to redeem the Group's charge, in which case repayment of the shortfall may be agreed over a period of time, subject to an affordability assessment; or where possession has been taken by the Group, and on the subsequent sale there has been a shortfall loss
- **arrangement to pay:** where an arrangement is made with the borrower to repay an amount above the contractual monthly payment, which will repay arrears over a period of time
- **promise to pay:** where an arrangement is made with the borrower to defer payment or pay a lump sum at a later date
- **bridging loans which are more than 30 days past their maturity date:** Repayment is rescheduled to receive a balloon or bullet payment at the end of the term extension, where the institution can duly demonstrate future cash-flow availability

The Group aims to proactively identify and manage forborne accounts, utilising external credit reference bureau information to analyse probability of default and customer indebtedness trends over time, feeding pre-arrears watch-list reports. Watch-list cases are in turn carefully monitored and managed as appropriate.

Risk profile performance overview continued

Fair value of collateral methodology

The Group ensures that security valuations are reviewed on an ongoing basis for accuracy and appropriateness. Commercial properties are subject to quarterly indexing using Commercial Real Estate data. Residential properties are indexed at least quarterly, using House Price Index data.

Solvency risk

The Group maintains an appropriate level and quality of capital to support its prudential requirements with sufficient contingency to withstand a severe but plausible stress scenario. The solvency risk appetite is based on a stacking approach, whereby the various capital requirements (Pillar 1, Pillar 2A, CRD IV buffers, Board and management buffers) are incrementally aggregated as a percentage of risk-weighted assets.

The Group's interim MREL requirements became binding in July 2024 and total loss-absorbing capacity is subject to Board approved risk appetite limits. All solvency planning and reporting consider the total loss -absorbing capacity requirement along with the Group's existing capital requirements.

Solvency risk is a function of balance sheet growth, profitability, access to capital markets and regulatory changes. The Group actively monitors all key drivers of solvency risk and takes prompt action to maintain its solvency ratios at acceptable levels.

The Board and management also assess solvency when reviewing the Group's business plans and inorganic growth opportunities. The Group's CET1 and total capital ratios increased to 16.3% and 19.7%, respectively as at 31 December 2024 (31 December 2023: 16.1% and 19.5%, respectively) remaining significantly above risk appetite. The Group's leverage ratio was 7.7% as at 31 December 2024 (31 December 2023: 7.5%).

Liquidity and funding risk

The Group has a prudent approach to liquidity management through maintaining sufficient liquidity resources to cover cash-flow imbalances and fluctuations in funding, under both normal and stressed conditions, arising from market-wide and bank-specific events. OSB's and CCFS' liquidity risk appetites have been calibrated to ensure that both Banks always operate above the minimum prudential requirements with sufficient contingency for unexpected stresses, whilst actively minimising the risk of holding excessive liquidity, which would adversely impact the financial efficiency of the business model.

The Group continues to attract new retail savers and has high retention levels with existing customers. In addition, the Group is able to access a wide range of wholesale funding options, including securitisation issuances and the use of retained notes from both Banks as collateral for Bank of England facilities, and repurchase agreements with third parties.

In 2024, both Banks actively managed their respective liquidity and funding profiles within the confines of their risk appetites as set out in the Group's ILAAP.

Retail funding rates decreased throughout the year due to reductions in the Bank of England base rate, however savings rates have not fully decreased in line with base rate, putting pressure on cost of funds. Rates on the variable books have been actively managed to ensure a stable deposit base at an attractive cost of funds.

Swap rate decreases in 2024 also led to the Group repaying a large proportion of the variation margin collateral on the Group's interest rate swaps received during rate increases in 2023. The Group managed internal buffers to ensure that sufficient funds were held at the Bank of England to meet any swap margin calls as rates reduced.

Each Bank's risk appetite is based on internal stress tests that cover a range of scenarios and time periods and therefore are a more severe measure of resilience to a liquidity event than the standalone liquidity coverage ratio (LCR). As at 31 December 2024, OSB had a liquidity coverage ratio of 183% (2023: 208%) and CCFS 231% (2023: 139%), and the Group LCR was 217% (2023: 168%), all significantly above regulatory requirements.

Market risk

The Group is exposed to adverse movements in interest rates, foreign exchange rates and counterparty exposures. The Group accepts interest rate risk and basis risk as a consequence of structural mismatches between fixed rate mortgage lending, sight and fixed-term savings and the maintenance of a portfolio of high-quality liquid assets. Interest rate exposure is mitigated on a continuous basis via asset and liability management, the Group's structural hedge and the use of financial derivatives, within limits set by the Group ALCO and approved by the Board. The Group's balance sheet is predominantly GBP denominated. The Group has some minor foreign exchange risk from funding its OSBI subsidiary. This is minimised by pre-funding a number of months in advance and regularly monitoring GBP/INR rates. Wholesale counterparty risk is measured on a daily basis and constrained by counterparty risk limits.

Operational risk

The operational risk management framework has been designed to ensure a robust approach to the identification, measurement and mitigation of operational risks, utilising a combination of both qualitative and quantitative evaluations. The Group's operational processes, systems and controls are designed to minimise disruption to customers, damage to the Group's reputation and any detrimental impact on financial performance. Where risks continue to exist, there are established processes to provide the appropriate levels of governance and oversight, together with an alignment to the level of risk appetite stated by the Board.

Risk profile performance overview continued

A strong culture of transparency and escalation was cultivated throughout the organisation, with the Operational Risk function having a Group-wide remit, ensuring a risk management model that is well-embedded and consistently applied. In addition, a community of Risk Champions representing each business line and location has been identified, together with dedicated first line risk and controls teams in some key areas of the business. Both the dedicated first line risk and control teams and the Risk Champions ensure that operational risk identification and assessment processes are established across the Group in a consistent manner.

A hybrid working model has been adopted across the Group, with the exception being front-line customer-facing colleagues. With a high number of employees working and accessing systems from home, the risk of a cyber attack has heightened. Whilst IT security risks continue to evolve, work continues to enhance the level of maturity of the Group's controls and defences, supported by dedicated IT security experts. The Group's ongoing penetration testing continues to drive enhancements by identifying potential areas of risk.

Regulatory and compliance risk

The Group is committed to the highest standards of regulatory conduct and aims to minimise breaches, financial costs and reputational damage associated with non-compliance.

The Group has an established Compliance function which actively identifies, assesses and monitors adherence with current regulation and the impact of emerging regulation.

In order to minimise regulatory risk, the Group maintains a proactive relationship with key regulators, engages with industry bodies such as UK Finance and seeks external expert advice. The Group also assesses the impact of forthcoming regulation on itself and the markets in which it operates and undertakes robust assurance assessments from within the Risk and Compliance functions.

Conduct risk

The Group considers its culture and behaviour in ensuring the fair treatment of customers, and in maintaining the integrity of the market sub-segments in which it operates, to be a fundamental part of its strategy and a key driver to sustainable profitability and growth. The Group does not tolerate any systemic failure to deliver good customer outcomes.

On an isolated basis, incidents can result in customer harm due to human or operational failures. Where such incidents occur, they are thoroughly investigated, and the appropriate remedial actions are taken to address any customer harm and to prevent recurrence.

The Group considers effective conduct risk management to be a product of the positive behaviour of all employees, influenced by a customer-centric culture throughout the organisation and therefore continues to promote a strong sense of awareness and accountability.

Throughout 2024, the Group continued to review and evolve its approach to supporting customers, particularly those that are vulnerable and experiencing financial difficulty, to ensure they continue to receive the level of tailored support needed to deliver good customer outcomes. The Group implemented the FCA's Consumer Duty requirements within the required timelines.

Conduct losses have remained stable with no breaches of risk appetite reported during the last 12 months.

Financial crime risk

The Group provides relatively simple products to UK-domiciled customers serviced through a UK-registered bank account. The Group has an established screening programme that is deployed at the point of origination and on a regular basis throughout the customer lifecycle. The Group continues to invest in a range of systems and controls that are deployed across its product range in order to detect and prevent the exposure to fraud through the customer lifecycle. All new-to-business applications are subject to a range of controls to identify and mitigate fraud. Customer activity is monitored in order to detect suspicious activity or behaviour that may be indicative of fraud.

Strategic and business risk

The Board has clearly articulated the Group's strategic vision and business objectives supported by performance targets. The Group does not intend to undertake any medium-to long-term strategic actions, which would put the Group's strategic or financial objectives at risk.

To deliver against its strategic objectives and business plan, the Group has adopted a sustainable business model based on a focused approach to core niche market sub-segments where its experience and capabilities give it a clear competitive advantage.

The Group remains focused on delivering against its core strategic and financial objectives, against a highly competitive and uncertain backdrop.

Reputational risk

Reputational risk can arise from a variety of sources and is a second-order risk. The crystallisation of another principal risk can lead to a reputational risk impact. The Group monitors reputational risk through tracking media coverage, customer satisfaction scores, the Group's share price and Net Promoter Scores.

Viability statement

This statement is made to comply with Provision 31 of the 2018 UK Corporate Governance Code which requires the Board to assess the viability of the Group over a stated time horizon.

The Group's long-term direction is informed by business and strategic plans which are set on an annual basis and are reviewed and refreshed quarterly. The operating and financial plans consider, among other matters, the Board's risk appetite, the macroeconomic outlook, market opportunity, the competitive landscape, and sensitivity of the financial plans to volumes, margin pressures and any changes in capital requirements.

In making the assessment, the Board has considered all principal and emerging risks, including climate risk where the risk is likely to emerge outside of the viability assessment horizon. The impacts of climate risk have been assessed as part of the Internal Capital Adequacy Assessment Process (ICAAP), which concluded that at present the associated financial risks are not material for the Group.

The Group prepares financial forecasts over a five-year time horizon, with the Board and management focusing on the projections over the first three years. Key events which will impact the Group's capital adequacy such as the introduction of Basel 3.1, the impact of the end state implementation of the Group's Minimum Requirements for Own Funds and Eligible Liabilities (MREL) and the impact of the peak stress point of macroeconomic forecasts all fall within a three-year time horizon. Post consideration of these factors, the Board considers a viability assessment horizon of three years to remain appropriate.

The Banks within the Group are authorised by the PRA and regulated by the FCA and the PRA. The Group has a robust set of policies, procedures and systems to undertake a comprehensive assessment of all the principal risks and uncertainties to which it is exposed, on a current and forward-looking basis.

The Group identifies, assesses, manages and monitors its risk profile based on the disciplines outlined within the Group Enterprise Risk Management Framework, in particular through leveraging its risk appetite framework (as described in the Risk review). Potential changes in the aggregated risk profile are assessed across the business-planning horizon by subjecting the operating and financial plans to severe but plausible macroeconomic and idiosyncratic stress scenarios.

The viability of the Group is assessed at both the Group and the underlying regulated bank levels, through leveraging the risk management frameworks and stress testing capabilities of both regulated banks.

Stress testing is an integral risk management discipline, used to assess the financial and operational resilience of the Group. The Group has developed bespoke stress testing capabilities to assess the impact of extreme but plausible scenarios in the context of its principal risks impacting the primary strategic, financial and regulatory objectives. Stress test scenarios are identified in the context of the Group's operating model, identified risks, and the business and economic outlook. The Group actively engages external experts to inform the process by which it develops business and economic stress scenarios.

A broad range of stress scenarios are analysed considering the potential impacts to changes in HPI, unemployment, inflation and interest rates over a range of severities. Stresses are applied to lending volumes, capital requirements, liquidity and funding mix, interest margins and credit and operational losses. Stress testing also supports key regulatory submissions such as the ICAAP, ILAAP and the Group Recovery and Restructuring Plan. ICAAP stress testing assesses capital resources and requirements over a five-year period.

The Group has identified a broad suite of credible management actions, which can be implemented to manage and mitigate the impact of stress scenarios. These management actions are assessed under a range of scenarios varying in severity and duration. Management actions are evaluated based on speed of implementation, second order consequences and dependency on market conditions and counterparties.

Management actions are used to inform capital, liquidity and recovery planning under stress conditions.

During the year the Group continued to deliver against its planned MREL issuance schedule and met its interim requirements which came into effect during July 2024. The Group is well positioned to meet its end-state requirements in due course including regulatory buffers.

In addition, the Group identifies a range of catastrophic scenarios, which could result in the failure of its current business model. Business model failure scenarios (Reverse Stress Tests or RSTs) are primarily used to inform the Board of the outer limits of the Group's risk profile. RSTs play an important role in helping the Board and Executives to assess the available recovery options to revive a failing business model.

The Group has established a comprehensive operational resilience framework to actively assess the vulnerabilities and recoverability of its critical services. The Group also conducts regular business continuity and disaster recovery exercises.

The ongoing monitoring of all principal risks and uncertainties that could impact the operating and financial plan, together with the use of stress testing to ensure that the Group could survive a severe but plausible stress, enables the Board to assess the viability of the business model over a three-year period.

The Group has maintained strong capital and funding profiles with a view to ensuring continued financial resilience. However, the Group remains fully cognisant of the uncertain macroeconomic environment and ensures that stress testing activities consider a range of potential scenarios.

Viability statement continued

The Board has also considered the potential implications of the current macroeconomic uncertainty in its assessment of the financial and operational viability of the Group and has a reasonable belief that the Group retains adequate levels of financial resources (capital and liquidity) and operational contingency.

In line with prior years, in the viability assessment process the Board considered the latest macroeconomic forward-looking scenarios utilised for business planning and the Group's IFRS 9 calculations which consider macroeconomic risks such as rising levels of unemployment, inflation, interest rate rises and movements in house prices. Utilising analysis which identifies scenarios which would result in the Group becoming unviable, the Board considered the plausibility of these scenarios materialising. Forecasts and capital stress tests considered the impact of go-forward MREL requirements phasing in, whilst incorporating the Group's simulation of the impact of Basel 3.1 implementation.

The potential impact of the macroeconomic environment on the Group's operations is subject to continuous monitoring through the Group's management committees, capital and liquidity, operational resilience and business continuity planning working groups, with appropriate escalation to the Board and supervisory authorities.

The Group has progressively enhanced its approach to assessing the viability of its strategy and business operating model. In particular the Group has enhanced its capabilities by:

- further leveraging the Group-wide stress testing tool to simulate the performance of the loan book through macroeconomic stresses including impacts on balances, income, losses and RWAs.
- increasing the diversification of its funding profile, supported by an enhanced assessment of funding and liquidity risk profiles.
- enhancing the assessment of operational resilience through the ongoing review of priority business functions, including supporting infrastructure and dependencies through a simulated business continuity exercise.

The current financial forecasts, risk profile characteristics and stress test analysis, coupled with the Group's capital, funding and operational capabilities support the Directors' assessment that they have a reasonable expectation that the Group will remain viable over the three-year horizon and will be able to continue to operate and meet its liabilities as they fall due over this period.

Sustainability Report

Doing the right thing for our customers, colleagues, communities and the planet.

PAGES
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Just Transition

We are committed to environmental stewardship, supporting the transition to a low carbon economy, and achieving net zero across our value chain by 2050[1].

PAGES
86-94

People

We are committed to having a positive human and social impact on the lives of the customers, colleagues and communities we work with.

PAGES
95-99

Stewardship

We are committed to operating responsibly, ethically and transparently, delivering sustainable value to all our stakeholders.

For further information see supporting ESG disclosures on our website.

Climate Transition Plan 2024
Net Zero Banking Alliance – intermediate targets
Scope 1, 2 and 3 Basis of Reporting
Modern Slavery Act Statement
Gender Pay Gap Report

1. Ambition includes Scope 1 and 2 emissions, relevant Scope 3 categories including category 15 – investments.

Sustainability Report continued

Introduction

We furthered our commitment to helping customers, colleagues and communities prosper through deeper integration of ESG into our business operations.

As a specialist mortgage lender focused on the UK Private Rented Sector (PRS), we recognise the vital role we play in supporting landlords to prosper and, through the homes they provide to tenants, to fulfil the needs of a dynamic and evolving society. Supporting landlords to improve housing standards, empowering tenants through better living conditions, and driving sustainable practices across the sector reflects our understanding that long-term success depends on balancing economic growth, social responsibility, and environmental stewardship. The OSB Group Landlord Leaders Community continues to unite those with influence to help drive positive change and deliver collective progress see page 75.

In April, we published our inaugural Climate Transition Plan, outlining our ambitions, targets, and the steps we are taking to address the challenges of climate change.

We made progress in reducing direct emissions[1] by 41% versus 2023, achieved through investment and proactive estate management. Reducing financed emissions remains a challenge, with progress dependant on government policy, customer appetite, and technological advancements, although an improvement was seen in the number of properties with an EPC of C or better. Despite these hurdles, we focused on data quality and information availability to support our strategy to help customers transition to energy-efficient, low-emissions buildings.

The Group continued to establish itself as a great place to work by fostering a culture of diversity, equity, and inclusion. We launched initiatives to enhance education and awareness on DE&I topics, extended career development programmes for women to include entry-level management and introduced supplementary policies such as our Sexual Harassment policy. Employee wellbeing was a key focus, with the introduction of enhanced benefits, including menopause support. These efforts contributed to improvements in employee engagement survey results. Notably, the proportion of female colleagues in senior roles increased to 36% (2023: 33%).

Our Employee Engagement Networks (Our Diversity, Our Planet and Our Community) continued to deliver colleague and community engagement and capacity building opportunities and impact across the Group in areas important to our diverse workforce in both the UK and India.

This Sustainability Report outlines how we progressed in 2024 embedding environmental, social, and governance (ESG) principles into our business.

1. Defined as Scope 1 and Scope 2 emissions calculated using market-based methodology.

Just Transition

42.8%
EPC rating of C or better
2023: 41%

41%
reduction in direct emissions (Scope 1 and 2)
2023: 12% increase

100%
of electricity from renewable sources (UK)
2023: 99%

People

60%
of UK employees engaged in community activities
2023: 46%

£394k
total benefit to charities and community organisations
2023: £288k

8th
consecutive year OSB India confirmed as a Great Place to Work

Stewardship

36%
of women in senior management
2023: 33%

45th
of top 100 large companies in Best Companies Survey
2023: 60th

7,038
volunteering hours undertaken
2023: 4,998

Greenhouse gas emissions

101.83 tCO_2e
Scope 1
2023: 171.44

0.00 tCO_2e
Scope 2 (market-based)
2023: 1.39

294,137 tCO_2e
Scope 3 Financed emissions
2023: 314,413

Sustainability Report continued

ESG Strategic Pillars

Through our annual materiality assessment we identify, assess and respond to the ESG topics most important to our stakeholders.

The topics that matter most are embodied in our strategic pillars and commitments. In 2024, our assessment included a mapping of our ambitions, commitments and targets to the United Nations Sustainable Development Goals (SDGs) as an important reference point for our activities and impact.[1]

ESG Strategic Pillars

Just Transition	People	Stewardship
Establish our ambitions		
A fair and equitable transition to a low-carbon economy	Delivering on the needs of people now and into the future	Acting responsibly to deliver sustainable value

Identified UN SDGs

Supported by our Strategic Commitments

Customers
The Group's approach will be appropriately inclusive for our customer base, ensuring that the social mobility of our customer base is not compromised through our products or decisions. Thought leadership, education, awareness and products that enable, incentivise and reward our customers to embrace the transition to a low-carbon housing economy will be provided.

Colleagues
We will retain, recruit and train the best talent, enabling all employees to maximise their ambition and seek to embed a diverse, inclusive and equitable culture the Group is proud of; ensuring appropriate ongoing internal communications which drive enthusiasm in proactively supporting the ESG agenda and helping the Group achieve its Purpose and Vision.

Communities
A strategic and coordinated programme will be defined and delivered, supporting our communities and wider social economic environment, through collaboration, partnerships and volunteering. With focus on the United Kingdom and India housing projects, propositions that play a vital role in the lending and savings activities of the Group, including supporting a strong PRS and education of the owner-occupier sector, will be developed.

Net zero
The Group's environmental ambitions and transition plan will align to the Paris Accord on climate change, achieving carbon net zero across our operational emissions by 2030 and our total emissions by 2050.

Supply chain
We will encourage and support our value and supply chain with their transition to an ESG strategy that aligns to the Group's ambitions.

1. The Sustainable Development Goals (SDGs) are a set of 17 non-legally binding global goals established by the UN for countries and governments. Mapping was based on UN Global Compact – Blueprint for Business Leadership on the SDGs. References included are indicative only and OSB Group make no representation, warranty or assurance of any kind, express or implied, or takes no responsibility or liability as to whether the areas of focus further the objective or achieves the purpose of the SDGs.

Sustainability Report continued

Landlord Leaders

At OSB Group, our dedication to sustainability extends beyond financing homes; it encompasses a deep understanding of tenants' needs, behaviours, and aspirations. Thought leadership has been a cornerstone of the Group's approach since 2022, driving research and dialogue to address a pivotal question: what actionable steps can we take to foster a truly sustainable and functional PRS?

In 2023, we launched the Landlord Leaders Community – a membership network uniting individuals and organisations committed to creating a fairer and more sustainable PRS. This initiative serves as a platform for collaboration, enabling stakeholders to share insights, exchange ideas, and drive positive change. The findings from our thought leadership initiatives aim to guide those dedicated to shaping a better future for the sector.

To complement our existing proprietary research initiatives, including Landlord Leaders and the Future Tenant Standard, the Community published its latest thought leadership report in late 2024 'Bricks to Belonging: The Psychology of Home Ownership'. This report explored the factors influencing individual's aspirations for home ownership. Notably, it identified renters' perceptions of their landlords as the fourth most significant predictor of their decision to move. To support landlords in navigating these dynamics, the Community developed the Bricks to Belonging playbook, which distils key findings, offers practical advice, and provides actionable recommendations.

Each year, the Community captures fresh insights through its Landlord Leaders questionnaire, surveying 1,000 UK landlords. The 2024 survey explored critical topics, including challenges landlords face, strategies for success, rising operational costs and the importance of relationships within the PRS value chain. Potential changes to the Minimum Energy Efficiency Standards for the PRS energy efficiency and EPC reform, topics key to both the improvement of UK housing stock and the Group's climate transition strategy, were included. These insights shape the priorities for future research, content, and events, ensuring the Community continues to deliver value while advancing its mission.

In 2024, the Community prioritised broadening representation to reflect the sector's diversity, expanding its reach through new research, digital content, and events. By year-end, membership had grown to 111 members, with over 8,500 visits to the Community's website. Responding to a dynamic landscape, the Community shared timely content on topics such as the General Election, the Budget, and the Renter's Reform Bill. It also hosted four events, including round tables and panel discussions, fostering dialogue on critical issues.

Through these initiatives, OSB Group reaffirms its commitment to supporting a sustainable PRS, contributing to a resilient and inclusive housing market for all.

Find out more on our website /
https://landlordleaders.osb.co.uk

Sustainability Report continued

Strategic Pillar – Just Transition

Climate Transition Plan

The Group published its inaugural Climate Transition Plan (the Plan) in 2024, reinforcing our ongoing commitment to addressing climate change within the sector. The Plan prioritises areas where we can deliver tangible value to our stakeholders, leveraging our influence, while seeking cross- sector collaboration. We remain committed to embedding climate change considerations across our business processes, ensuring a just transition that balances environmental stewardship with shared prosperity for our customers, colleagues and communities.

The five pillars of action outlined in the Plan represent a responsible and proportionate strategy, focusing on real economy decarbonisation, footprint reduction, and climate risk management. Our strategy recognises the scale and complexity of the challenge, and our dependence on external stakeholders such as customers and government.

We acknowledge further work is needed to align disclosures with guidance from the Transition Plan Taskforce. We intend to release an updated version of the Plan in 2027, following a comprehensive review of our targets. Material updates will be shared in future Annual Reports until then.

Progress summary

Since the Plan's launch in April 2024, we have made progress in advancing the priority actions that contribute towards our emissions reduction targets for direct operations (see page 77) and financed emissions (see page 78). Our approach to managing the Plan has matured with the introduction of a Climate Transition Dashboard and a gap analysis against Transition Plan Taskforce guidelines.

Our objectives

- **We have an ambition to reduce the carbon intensity of our mortgage lending by 25% by 2030 from a 2022 baseline**
- **We plan to achieve net zero emissions in Scope 1 and Scope 2 by 2030[1]**
- **We plan to reduce our financed emissions to net zero by 2050**

Our pillars for action

Thought leadership, education and awareness
Through research we provide thought leadership, aiming to start a conversation towards creating a fair sector for all, offering education and raising awareness of the issues faced in creating a sustainable sector

Connecting our customers
Seeking ways to connect customers to the information and services they want and need, creating a positive environment for change

Transition-friendly products and services
Our approach to transition products and services places priority on delivering on our customers' needs, aligned to increasing energy efficiency and reducing emissions from UK housing

Greening our offices and branches
We accept responsibility for ensuring our buildings deliver on our net zero ambition and recognise that we can achieve this earlier than the emissions we finance

Continuing to embed climate thinking
Further embedding climate thinking into our management processes, ensuring we have expertise where it is needed to manage risk and deliver on opportunities

1. Scope 2 calculated using Market-based methodology.

Sustainability Report continued

Strategic Pillar – Just Transition continued

Pillars of action

Below and on the following page are summaries of activities completed towards the priority actions identified in the Plan.

Reducing the emissions from our operations (Scope 1 and 2) Expected impacts are full year estimates of impact, not just those realised in 2024.

Action	Progress	Expected impact on emissions
Removal of gas from our office buildings and branches		
Fit-out of new office location in Wolverhampton and replacement of gas heating system with electric solution	Complete	-34tCO_2e
Removal of gas heating from a KRBS branch	Complete	-1.5tCO_2e
Removal of diesel generator from an office location	Complete	Unknown
Rationalisation of corporate real estate		
Fit-out of new office location in Wolverhampton with consolidation of two existing locations	Complete	-14.45tCO_2e
Potential exit of existing location in Chatham	Pending	
Replacement of fluorinated gases with lower Global Warming Potential (GWP) alternatives		
Continued maintenance of existing assets to limit risk of release	Ongoing	
Fit-our new office location in Wolverhampton with modern cooling technology and lower GWP	Complete	-28tCO_2e (potential avoided)
Continue to purchase electricity from renewable sources		
Continue to purchase electricity from REGO-backed tariffs	Complete	-387tCO_2e
Increased energy efficiency through employee engagement and property management		
Property services implementation of energy savings measures, following energy modelling exercises	Ongoing	Not yet calculated
Our planet – Employee network focus on energy efficiency and raising awareness	Ongoing	n/a
Developing a series of voluntary climate change training modules for employees to access	Ongoing	n/a

Sustainability Report continued

Strategic Pillar – Just Transition continued

Reduce emissions from mortgage lending (Scope 3 – category 15)

Action	2024 Priorities	Progress
Transition-friendly products and services		
Providing products and services that contribute to greater energy efficiency and/or decarbonisation – existing products	See below	See below
Providing products and services that contribute to greater energy efficiency and/or decarbonisation – new product development	Development and launch of a suite of products aligned to the Group's transition priorities	A range of product concepts supported by market research were designed in 2024 and presented to the Customer and Product Committee. Progress paused as resource was prioritised towards alternative activities in the second half of the year. The transformation programme will enable the development and implementation of transition products in the future.
Connecting our customers		
Providing accurate, reliable and actionable information to support retrofit decision-making and action	Continuing to explore solutions that provide information that customers will value and trust Continue to consider data and information requirements in new process design	Internal stakeholders met with several potential solution providers during the year maintaining awareness of market maturity and product capabilities. Additional property criteria (e.g. EPC ratings), have been considered in the requirements of the transformation programme.
Improving data – access and quality, to support the product strategy and customer journey	Continue working with third-party provider to develop solution	Transition risk project completed with a third-party data provider to benchmark transition risk and identify potential steps towards net zero. Key outcomes included: property-level insight into actions to improve energy efficiency and the costs of retrofit; data on drivers for energy efficiency; EPC profile of the OSB Group lending book versus national average by segment (e.g. Buy-to-Let, Owner-occupier); modelling of macroeconomic factors such as grid decarbonisation on the lending book.
Connecting customers to the retrofit supply-chain	Continue working with third-party provider to develop solution	Workshops took place to understand the capabilities of potential solutions with a set of OSB Group-specific use cases developed to support a proof of concept in 2025 for one potential solution.
Thought leadership, education and awareness		
Landlord Leaders Community – focused on creating a fairer and more sustainable Private Rented Sector	The community defined its mission statement in 2023, and in 2024 will look to make progress under four pillars: 1) Communication 2) Education and training 3) Collaboration 4) Positive industry perception	The Community continued to deliver member-led educational content relevant to the Private Rented Sector, placing content in the places people are looking. Topics included the psychology of home ownership, a political pulse event in advance of the General Election and the annual Landlord Leaders questionnaire.
Thought leadership – commissioned research to inform the work of the Landlord Leaders Community	Quarterly meetings were planned for 2024 including refreshed research findings to further inform the focus and work of the community	Four events took place in 2024 as planned, comprising three round table events and one panel discussion. Bricks to Belonging – The Psychology of Home Ownership was commissioned to understand what influences people's thinking when they talk about wanting to buy a home compared to wanting or needing to rent, and to understand what drives their decision-making.

Sustainability Report continued

Strategic Pillar – Just Transition continued

Thought leadership, education and awareness

The Landlord Leaders Community, convened by OSB Group, continued its growth in 2024, reaching 111 members. The Community engaged on a variety of issues, including home ownership psychology, policy landscape changes, and updated research on the evolving PRS from an ESG perspective. Our findings suggested that while landlords and tenants were increasingly interested in energy efficiency and heating decarbonisation, these were not yet prioritised.

Connecting our customers

In 2024, we explored solutions to connect customers to the retrofit journey, including workshops with internal and external technology solution stakeholders. These sessions, alongside insights gained during the year into the energy efficiency of our mortgage lending book, will help inform future product and technology offerings aimed at supporting customers in their transition.

Providing customers with transition-friendly products

We continued to offer products to support energy efficiency in property refurbishments for our Buy-to-Let customers under the Precise brand, however, uptake remained limited. Through our InterBay brand, we offered reduced rates for properties with an Energy Performance Certificate (EPC) rating of C or higher.

The Product Team developed new product concepts in 2024 to help customers navigate a number of the reported barriers to retrofit such as the initial cost of work, awareness of energy efficiency and benefits, and ongoing affordability. Looking ahead, our transformation programme will allow us to offer more tailored energy efficiency products. The Group recognise the importance of providing customers with supportive financing options for energy-efficiency and retrofit works in order to deliver progress towards our 2030 interim target.

Greening our offices and branches

Significant progress was made in 2024. Two main office locations and two KRBS branches transitioned to electric heating, which is expected to result in a Scope 1 emissions reduction of 63.3tCO_2e versus 2023. Our net zero targets were considered as part of refurbishment works and we continued sourcing 100% renewable electricity from REGO-backed tariffs, ensuring zero market-based emissions from purchased electricity.

Continue to embed climate thinking

We strengthened our Climate Risk team to further our climate strategy and evolved the Climate Risk Appetite to align with our net zero target trajectory and expected Minimum Energy Efficiency Regulations for the Private Rented Sector. The Climate Transition Working Group met five times in 2024, overseeing progress and planning. A Climate Transition Dashboard was also developed to track progress against our targets, key performance indicators and priority actions.

Sustainability Report continued

Strategic Pillar – Just Transition continued

Emissions reduction targets

Our 2030 emissions reduction targets, established in 2023, align with our commitment to the Net Zero Banking Alliance (NZBA). We continue to await clarification on the SBTi Financial Institutions Net Zero Standard to ensure interoperability with our NZBA commitments.

Approximately 96% of our total emissions stem from financed emissions, which arise from the properties we finance. These emissions are a key focus of our climate strategy. While our direct emissions are smaller, they remain critical to achieving our 2030 net zero target for Scope 1 and Scope 2 emissions.

Financed emissions – reduce the emissions intensity ($kgCO_2e/m^2$) of our mortgage lending by 25% by 2030 from a 2022 baseline.

Operations – reduce Scope 1 and Scope 2 emissions to net zero by 2030 from a 2022 baseline.

Renewable electricity – Source 100% of electricity from renewable sources where OSB Group have operational control.

For further information on our targets, see Net Zero Banking Alliance Intermediate Targets – Basis of Preparation – Basis of Preparation.

Both emissions reduction targets use 2022 as a baseline from which reduction trajectories were calculated and progress is reported. Progress against the baseline (2022) and against the previous year (2023) are reported here to demonstrate performance over time.

Reducing the emissions from our mortgage lending – financed emissions

Over 97% of the Group's 2024 lending was secured against residential, Buy-to-Let, semi-commercial and commercial properties. Our financed emissions (see page 85) are calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology, and we track progress through emissions intensity per square metre ($kgCO_2e/m^2$).

In 2024, we saw a 19% reduction in financed emissions (tCO_2e) and a 18% reduction in emissions intensity ($kgCO_2e/m^2$) compared to the 2022 baseline. This was primarily due to improved data quality and the exclusion of erroneous data included in the initial baseline.

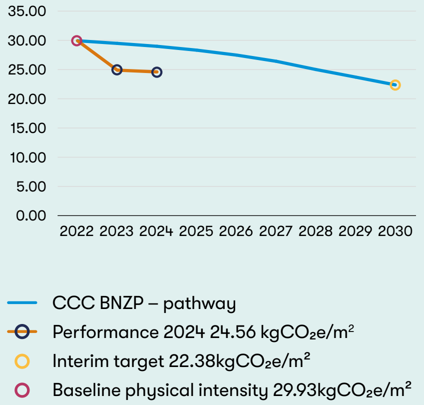
As of 2025, we will review our targets to ensure they remain relevant, incorporating insights from the Climate Change Committee's Seventh Carbon Budget and the Beyond Net Zero Pathway which was used to set the existing target. This review will allow the Group to assess progress towards its ambition and interim target, beyond the gains made through data improvements.

Estimates of financed emissions continue to rely on external data sources, primarily Energy Performance Certificates (EPCs), which assess and estimate the emissions of properties. In 2024, 83% of properties (2023: 83%) were matched to a valid EPC, while 16% (2023: 17%) were either modelled or estimated using postcode or national averages. The remaining properties, representing less than 1% (by number), were assigned a D rating.

The Group identified a number of external dependencies that impact our progress, including energy grid decarbonisation, pace of retrofitting, heat pump roll-out, government policy, education and cost. More information can be found in the Climate Transition Plan.

Mortgages – financed emissions

Physical intensity ($kgCO_2e/m^2$)



Financed emissions intensity

-18% vs 2022

2024: 24.56 $kgCO_2e/m2$
2023: 24.89 $kgCO_2e/m2$
2022: 29.88 $kgCO_2e/m2$

PCAF data quality score

3.14

2023: 3.15

Scale is 1–5 with 1 being the highest quality

Sustainability Report continued

Strategic Pillar – Just Transition continued

There are inherent limitations in using EPCs for calculating financed emissions. These include delays in updating external data sources, the age of certificates which may be up to ten years old, and the fact that EPCs do not prioritise carbon-neutral technologies over fossil fuel-based alternatives. For further details on our calculation methodologies, please refer to our Basis of Reporting. In 2024, the Group engaged a third-party environmental data specialist to assess the Group's mortgage portfolio and identify potential actions customers could take to improve energy efficiency and reduce emissions. This data will inform our future customer engagement strategies, ongoing product development and the consideration of technology solutions.

Despite the challenges and dependencies outlined in our Climate Transition Plan which remain relevant, internal analysis revealed that 66% of properties have the potential to achieve an EPC rating of B, and 96% have the potential for an EPC rating of C or better. Less than 4% of properties would not be able to achieve an EPC rating of C. The project also quantified the costs associated with retrofit activity to achieve an EPC C for each property the Group provides finance for.

The UK Government has committed to further consultation on Minimum Energy Efficiency Standards for the Private and Social Rented Sectors, which may require rental properties to meet a minimum EPC rating of C by 2030. While many details remain to be clarified, we will continue to monitor these developments to ensure our climate strategy remains aligned with emerging requirements.

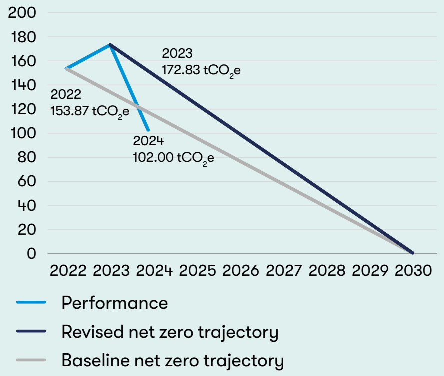
Greening our offices and branches – direct operational emissions

Our transition to net zero emissions by 2030 continues with tangible progress in Scope 1 and Scope 2 emissions. In 2024, we reduced operational emissions by 41% compared to 2023 and 34% from the baseline of 2022.

Notable achievements include the new Wolverhampton office design and fit-out, which integrates energy-efficient technologies powered by renewable electricity, that contain lower Global Warming Potential fluorinated gases in cooling systems than the previous systems, LED lighting throughout, and sustainable materials such as carpets made from 75% recycled materials. Four additional locations also moved to electric heating solutions, eliminating old gas boilers.

While direct emissions are a smaller element of our total inventory, we continue to seek reductions in this area.

Operational emissions Scope 1 and Scope 2 (Market-based) tCO_2e



Additional Scope 3 emissions

Given the complexity of Scope 3 emissions (categories 1-14) we continue to refine our understanding and actions. 75% of the top 20 vendors (Categories 1 and 2) by spend have set net zero targets of some kind. These categories contribute over 10,000tCO_2e per year to our inventory, so we have expanded our Scope 3 reporting to include them, showing our ongoing commitment to transparency and accuracy in emissions measurement.

Engagement

The Group continued to collaborate with organisations and initiatives to advance our climate goals, enhance knowledge, and benefit from shared insights. We contributed to activities through UK Finance such as a net zero homes policy paper which accompanied a welcome letter sent from UK Finance to Ed Miliband – Secretary of State for Energy Security and Net Zero. The policy paper outlined the opportunity of upgrading the UK's most energy-inefficient homes, four requests to unlock potential and the role UK banks can play in the transition.

Organisations we belong to and associations that support our climate work include:

- UN Environment Finance Initiative – Net Zero Banking Alliance (Member)
- Science Based Targets Initiative (Committed)
- United Nations Global Compact (Signatory)
- UN Finance Sustainability Committee (Participant)
- Partnership for Carbon Accounting Financials (Member)

Raising awareness and developing climate competence among our colleagues is a vital part of embedding climate thinking throughout the business. In 2024, this was supported by the following initiatives:

- ESG Roadshows across offices and branches, focusing on the Climate Transition Plan
- Our Planet Employee Engagement Network, which included articles, office events, and 'lunch and learn' sessions
- The development of a series of employee e-learning modules on climate change, set to launch in 2025.

Operational emissions

-34% vs 2022

2024: 101.83 tCO_2e
2023: 172.83 tCO_2e
2022: 153.87 tCO_2e

Sustainability Report continued

Strategic Pillar – Just Transition continued

Environmental and energy management

The Group has established comprehensive environmental policies to ensure compliance with all relevant environmental obligations and to mitigate negative impacts on the environment. Our Environmental Management System (EMS), is ISO 14001:2015 certified and covers 100% of our UK corporate real estate, including the KRBS branch network.

In 2024, we achieved a reduction in energy consumption (purchased electricity and natural gas) of 15% compared to 2023. These reductions were realised through the successful implementation of our Energy Policy focusing on continuous improvements in energy management practices. The policy is aligned with our commitment to reach operational net zero by 2030, with a strong emphasis on emission reductions, energy efficiency, responsible consumption, and minimising environmental impact during refurbishment of buildings.

To meet Energy Saving Opportunity Scheme (ESOS) legislation, we conducted energy audits that provided valuable insights into our energy consumption. This helped us identify opportunities for reducing unnecessary energy use by improving control within our building management systems. Our office buildings now have optimised temperature set-point controls, which help to ensure energy is not wasted when buildings are unoccupied. We estimate these measures could reduce energy usage by 90,765kWh.

Transitioning to net zero emissions will not result in consistent year-on-year reductions. Some actions require time before their full benefits are realised. For example, in October 2023, we replaced end-of-life boilers at one of our office buildings with energy-efficient electric alternatives. The energy savings from this initiative became evident throughout 2024, resulting in an annual natural gas saving of approximately 123,950.73 kWh. We expect further reductions in emissions in 2025 due to continued investment and action taken in 2024.

Electricity and gas

In 2024, the Group reduced its natural gas consumption by 386,634kWh (-45%) compared to 2023. This was primarily due to the replacement of gas heating at Exchange Court and the KRBS Chatham branch, as well as the move of KRBS Gravesend to a new location, which is exclusively heated and cooled by renewable electricity.

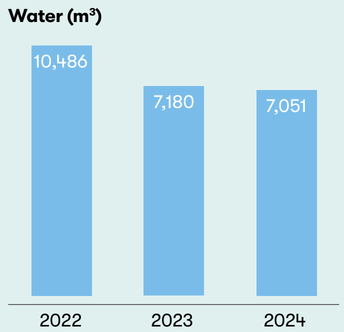
We maintained our commitment to purchasing 100% renewable electricity. As a result, 2024 Scope 2 emissions using the market-based methodology were zero tCO_2e, reflecting that all electricity purchased for our offices and branches within our operational boundary came from renewable sources. Emissions from purchased electricity reported using the location-based methodology were 386.91 tCO_2e (2023: 396.95 tCO_2e).

We will continue to seek greater energy efficiency through enhanced energy management and by replacing outdated equipment with more energy-efficient alternatives. While future energy savings are expected to be smaller incremental gains, our Our Planet Employee Engagement Network implemented several initiatives in 2024, including lunch and learn sessions, sharing case studies on reducing carbon footprints, and conducting office audits.

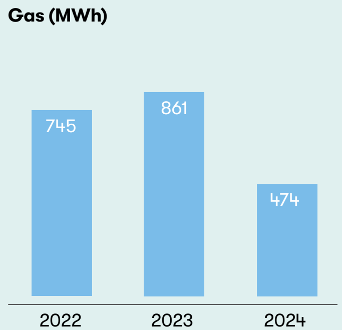
Both absolute and intensity metrics (tCO_2e per m^2 and per FTE) are used to track and report our progress against our 2030 target for Scope 1 and Scope 2 emissions (see page 80).

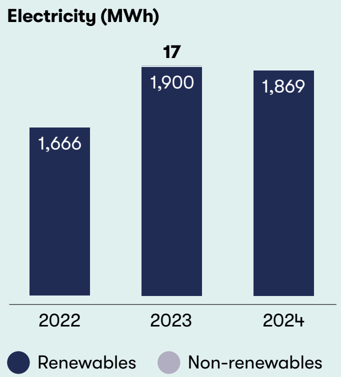
Water

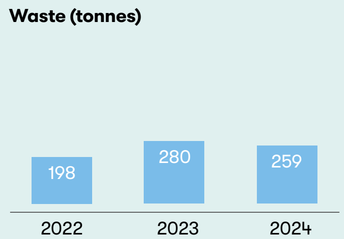
Water is used responsibly with 7051m^3 used in 2024 (2023: 7180m^3). This consumption is for hygiene and drinking purposes only. All water used is potable.



Consumption data is based on estimates taken from invoices







Sustainability Report continued

Strategic Pillar – Just Transition continued

Waste

In the UK, the Group manages waste contracts at certain locations, ensuring that waste is diverted from landfill in accordance with the waste hierarchy and legislation. Non-recyclable materials are sent to an energy-from-waste facility.

In 2024, we generated 259 tonnes of waste (2023: 280 tonnes). Recycling and waste segregation (recyclables and food waste) stations are available at all our offices and branch locations.

Our operational processes do not generate hazardous waste or pollutants beyond those typically found in an office environment. All hazardous waste, such as batteries and electrical equipment, is stored and disposed of in accordance with UK regulations.

Carbon mitigation

To offset emissions directly associated with our business activities in 2024, the Group purchased and retired 3800 tonnes of carbon credits. These credits were selected based on the principles outlined in our offsetting strategy, which adopts a structured, proportionate, and adaptable approach to carbon offsetting, following the Oxford Principles for Net Zero-Aligned Carbon Offsetting. All offsetting projects are verified and certified under reputable standards such as the Gold Standard or Verified Carbon Standard. The projects supported are a combination of avoidance, reduction, and removal efforts. The use of carbon credits do not contribute towards the Group's emissions reduction targets.

Nature

The Group is in the early stages of understanding the UK Government's approach to the voluntary Taskforce on Nature-Related Financial Disclosures. We are evaluating how these systems will evolve and assessing the extent to which our activities impact nature and biodiversity. We will continue to monitor developments in this area as they emerge.

Greenhouse gas emissions

The Group follows the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard for all GHG accounting across Scopes 1, 2 and 3. By obtaining a comprehensive view of our greenhouse gas emissions (GHG) inventory we can have greater control of (or over) emissions.

We have reported on all emissions sources in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 – also known as Streamlined Energy and Carbon Reporting. As part of these regulations, we provide annual reports on greenhouse gas emissions from Scope 1 and 2, covering electricity, gas and transport. All emissions are reported in tonnes of carbon dioxide equivalent (CO_2e).

The Group's 2024 Greenhouse Gas emissions basis for reporting are publicly available on our corporate website: https://www.osb.co.uk/sustainability/our-environment/

Verification and assurance

Deloitte LLP provided independent limited assurance over the following metrics and ESG information for the year ending 31 December 2024 ◆ [1]:

Greenhouse gas (GHG) emissions

- Total direct (Scope 1) emissions – tCO_2e
- Total indirect (Scope 2) emissions – market-based – tCO_2e
- Total indirect (Scope 2) emissions – location-based – tCO_2e

GHG intensity

- Scope 1 and 2 metric tonnes of CO_2e per full-time employee (FTE)
- Scope 1 and 2 metric tonnes of CO_2e per £m turnover

TCFD

- The description of activities undertaken to meet the recommendations of the TCFD

Deloitte's assurance statement can be found on page 268.

In accordance with ISO 14064-1:2018 requirements, Categories 3, 5, 6, 7, and 8 within Scope 3 were verified to a limited level of assurance by Interface-NRM, an ISO 14064-1 accredited verification and certification body. The third-party verification was conducted in compliance with ISO 14064-3:2019 standard.

1. Under the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)) and the International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE 3410).

Sustainability Report continued

Greenhouse gas emissions continued

Greenhouse gas (GHG) emissions

Direct and indirect GHG emissions (Scopes 1, 2 and 3)	Further description	Specific fuels where applicable	2022	2023	2024
Amounts in metric tonnes CO_2 equivalent					
Scope 1					
Stationary combustion	Combustion of fuel on-site	On-site: natural gas, diesel for generators	138.22	157.10	86.86
Fugitive emissions	Fugitive emissions	Leaks and other irregular releases of gases or vapours from a pressurised containment: air-conditioning units	15.65	14.34	14.97
Total Scope 1 direct emissions			**153.87**	**171.44**	**101.83** ◆
Scope 2					
Purchased electricity					
Total Scope 2 location-based		Electricity – location-based	**322.13**	**396.95**	**386.91** ◆
Total Scope 2 market-based		Electricity – market-based	**0.00**	**1.39**	**0.00** ◆
Total Scope 1 and 2 direct emissions	Combustion of fuel on-site, fugitive emissions, electricity – market-based		**153.87**	**172.83**	**101.83**
Scope 3					
Purchased goods and services	Products and services purchased		–[2]	–[2]	8,582.04
Capital goods	Fixed assets, plant, property and equipment		–[2]	–[2]	2,651.86
Business travel	Unknown vehicle fuel, rail, bus, taxi, hotel stays	Unknown vehicle fuel	193.00	256.67	466.43
Employee commuting	Rail, bus, taxi, hotel stays, home working	Unknown vehicle fuel	–[1]	2,021.06	2139.71
Fuel and energy-related activities (not included in Scope 1 or 2)	Well-to-tank (WTT) emissions for fuel use, upstream emissions for non-renewable electricity generation, transmission and distribution losses in the electricity network		136.71	155.95	141.69
Water	Water use		0.78	1.27	1.08
Waste	Waste from operations		4.20	5.95	1.67
Leased assets	Combustion of fuel on-site, fugitive emissions, electricity – market-based		–	55.95	50.38
Total indirect Scope 3 emissions (Category 1, 2, 3, 5, 6, 7 and 8)		Unknown vehicle fuel, water, waste, home working, energy-related activities	**334.69**	**2,496.85**	**14,034.06**
Total operational emissions (location-based)			**810.69**	**3,065.24**	**14,552.80**

Sustainability Report continued

Greenhouse gas emissions continued

Direct and indirect GHG emissions (Scopes 1, 2 and 3)	Further description	Specific fuels where applicable	2022	2023	2024
Total operational emissions (market-based)			**488.56**	**2,669.68**	**14,135.89**
Total indirect Scope 3 – financed emissions (Category 15)	Category 15 Investments (financed emissions). Calculated by multiplying an attribution factor (outstanding amount of loan divided by the property value at origination) by the emissions associated with the property taken from EPC. Calculated for Buy-to-Let and residential lending	Gas & Electricity for heating, hot water and lighting only	**363,680.00**	**314,413.00**	**294,137.00**
Total GHG emissions (location-based)	All measured emissions for the year		**364,490.69**	**317,479.24**	**308,659.80**

GHG intensity

GHG intensity ratio	Description	2022	2023	2024
Full Time Equivalent (FTE) employees (UK)	full-time equivalent (FTE) is a unit of measurement equal to one full-time employee	1,237	1,427	1,530
Annual turnover	£million	775	658	667
Scope 1 and Scope 2 location-based	metric tonnes of CO_2 equivalent per full time equivalent	0.38	0.40	**0.32** ◆
Scope 1 and Scope 2 location-based	metric tonnes of CO_2 equivalent per £million total income	0.61	0.86	**0.73** ◆
Scope 3 financed emissions – physical emissions intensity	kgs of CO_2 equivalent per square metre*	29.9	24.9	**24.6**

Energy consumption

Energy usage kWh		2022	2023	2024
Electricity		1,665,812.80	1,916,950.94	1,868,449.85
Gas		744,504.18	860,512.00	473,877.66
Total kWh	Electricity; natural gas	**2,410,316.98**	**2,777,462.94**	**2,342,327.51**

N/M = not measured

1. 2023 was the first year of reporting emissions from employee commuting and leased assets.
2. 2024 is the first year of reporting Scope 3 category 1 and 2 emissions.

* Financed emissions physical intensity ratio is calculated by multiplying the total estimated attributable financed emissions in tCO_2e for 2024 (294,137 tCO_2e) by 1,000 to give kgC02e (294,137,000 $kgCO_2e$). This is divided by the total floor area in m^2 of the properties taken from the Energy Performance Certificate (11,974,297m). Estimated absolute financed emissions were 470,596 tCO_2e for 2024. Financed emissions estimates are for the mortgage portfolio as the largest asset class. It does not cover non-modelled book or securitised loans.

Sustainability Report continued

Strategic Pillar – People

Customers

Building meaningful connections for long-term success

The foundations of our business lie in the trust and satisfaction of our intermediaries and customers, which drive our success.

To achieve our Vision, we offer a comprehensive range of competitive propositions, strive for exceptional customer service, and provide the necessary support to customers who may face financial difficulties. Through our specialist brands we focus on continuous investment in customer-focused solutions that deliver the outcomes our customers want and we are positioned to meet the unique needs of our borrowers and savers.

Working with intermediaries, we help bridge the gap in housing demand across the UK, providing funding for first-time homebuyers, shared ownership, affordable housing developments, Buy-to-Let investments, and commercial properties. Our representatives actively participated in both physical and virtual events with brokers throughout 2024. This understanding has allowed us to continuously refine our customer propositions, with our efforts recognised in our broker Net Promoter Score (NPS) of +57 for OSB and +52 CCFS (2023: OSB and CCFS +57).

Our mortgages are distributed via intermediary partners across England, Wales, and Scotland, except for our Heritable brand, which operates directly with developers.

Our dedicated Client Management Team provides portfolio clients with specialised services. In recognition of our commitment to service excellence, the Group won the Mortgage Strategy Award for Best Specialist Lender and Commercial Lender of the Year at the Crystal Ball Awards.

We are committed to supporting vulnerable customers, and through our highly trained Financial Support Teams, we provide tailored assistance to those facing financial difficulties. As a Mortgage Charter signatory we ensure the right support is available for customers who are up-to-date with payments but concerned about their financial situation. In 2024, we enhanced our initiatives, focusing on developing a proactive, personalised approach, simplifying the customer experience, and signposting to trusted charitable partners for additional support.

We support savers through channels including online and telephone services, in addition to our nine KRBS branches in the South East.

Our savings products maintained strong retention rates, with 90% of customers with maturing fixed rate bonds and ISAs at Kent Reliance and 85% at Charter Savings Bank choosing to reinvest with the same brand (2024: 91% and 85% respectively). Our savings products were also recognised in the industry, with Charter Savings Bank being named Cash ISA Provider of the Year.

OX Living

Founded in 2016 by David Granat, OX Living is committed to developing high-quality co-living environments that embody the values of happiness, boldness, openness, and community. The organisation provides premium house shares designed for young professionals throughout Oxfordshire. The properties managed by OX Living are located in desirable areas where the aim is to transform the co-living sector by offering luxurious, sustainable, and innovative living solutions.

In 2024, OX Living expanded its portfolio, signifying another year of substantial growth. A key challenge encountered was the outdated perceptions regarding shared accommodations within the local community and among planning authorities. OX Living is dedicated to reshaping this narrative by offering properties that enhance the standards of shared living. Furthermore, the rising costs of utility bills for residents pose a significant challenge. To address this concern, they are improving the energy efficiency of their properties through enhanced insulation, the installation of triple glazing, the addition of solar panels, and the use of smart thermostats. This progress has been facilitated by strategic partnerships with Kent Reliance, whose competitive rates, outstanding service, and dependability have been crucial in supporting expansion.

Sustainability Report continued

Strategic Pillar – People continued

Colleagues

The skills, expertise and commitment of our colleagues have always been fundamental to the achievement of the Group's strategic goals.

In 2024, we continued to invest in training, development and engagement activities to ensure that the Group provides a compelling and attractive employee proposition both for our existing employees and for candidates considering joining the Group.

Retention and progression

We have a genuine desire to retain, support and develop our employees. During 2024, over 140 UK employees were promoted to a more senior grade along with 185 employees within OSB India.

We actively promote internal and career development opportunities for existing colleagues. In 2024, 27% of UK vacancies were filled by way of internal appointments with just over 7% of vacancies at OSB India being filled by existing employees.

At 7%, the 2024 UK regretted attrition rate was lower than the 2023 rate of 9%. The OSB India regretted attrition rate was broadly flat to 2023 at just 12% which compared favourably with rates within the local sector demonstrating a strong culture and compelling employee proposition.

A redundancy programme in late 2024 saw us apply a high level of focus on reducing staff costs that affected 139 colleagues across the Group. A robust UK collective consultation process was undertaken, with several employees being redeployed into alternative roles. However the UK non-regretted attrition rate increased from 2% in 2023 to 12% in 2024. A similar programme was undertaken within OSB India, with non-regretted attrition rate increasing to 16% from 6% in 2023.

Recruitment

Our Talent Acquisition teams provide bespoke support in attracting high quality candidates for vacant positions and, through robust and inclusive interview and selection processes, assist in making strong recruitment decisions.

During 2024, our teams filled almost 600 vacancies, resulting in the Group welcoming almost 250 new UK employees and almost 290 new employees in India. There were 2,498 Group employees as at the end of 2024 (2023: restated 2,506[1]).

A key focus for our Talent Acquisition team was the proactive identification of potential candidates directly and through improved use of our website and external job boards. In 2024, they filled almost 40% of UK vacancies on a direct recruitment basis, resulting in a saving of over £1.1m of agency recruitment fees. Within OSB India, over half of all the vacancies which closed in 2024 were because of direct recruitment activity, resulting in a further saving of over £300k of agency fees.

Remuneration and benefits

We believe in rewarding our employees fairly and transparently, enabling them to share in the success of the business. Details of the Group's remuneration policies can be found in the Remuneration Report on pages 154 to 179.

As an accredited Living Wage employer, we ensured that all UK employees and regularly contracted third-party staff earned more than published Real Living Wage rates and we continued to encourage our employees to hold shares in the Group, through our Sharesave Scheme, which is offered annually to all UK employees.

Group vacancies filled by the Talent Acquisition
c.600
2023: over 1,068

Employee promotions across UK and India
327
2023: 183

1. Restated due to change in calculation methodology.

Sustainability Report continued

Strategic Pillar – People continued

Colleagues continued

Just under 470 employees joined the 2024 Sharesave scheme and, including the schemes launched in previous years, over 800 UK employees were Sharesave Scheme members as at the end of 2024.

2024 saw the Group further enhance its UK employee benefit offering, providing colleagues and their partners with fully funded reproductive health support as well as funded access to advanced health assessments and in-house clinical services. In addition, we became a member of Employers for Carers and launched our Carer Leave Policy, providing colleagues with an entitlement of 35 hours of carers' leave, of which the first 14 hours are treated as paid leave.

Employee engagement and culture

Our 2024 Best Companies survey result saw us retain an overall '2 Star' rating, with Best Companies defining this as an outstanding level of employee engagement. This resulted in the Group moving up to 45th place on their 2024 Top 100 list of large companies (between 200 and 1,999 people). Colleagues within OSB India participated in a separate survey, run by the Great Place to Work Institute and following which OSB India were officially certified as a 'Great Place to Work' for the eighth consecutive year.

We continued to see strong feedback through Glassdoor, with the UK score at the end of 2024 sitting at 4.1 and the OSB India score slightly higher at 4.2. The scores were based on reviews submitted by current and former UK employees, reflecting the positive culture that exists throughout our teams.

Following the launch of the Group's People and Culture Strategy last year, significant progress was made regarding many of the initiatives that had been identified to support the wider achievement of business strategy, the transition to a modernised working environment and the achievement of our People Vision of becoming recognised as a genuine employer of choice.

To further support our cultural progression, 2024 saw us welcome both our Chief People Officer and our Group People Transformation and Skills Director, which enabled us to refine our ongoing areas of cultural focus and commence our journey towards becoming a skills-based organisation.

The Group's Workforce Advisory Forum (Our Voice) continued to meet regularly in 2024, including employee representatives from all geographical locations, including OSB India. The aim of the forum is to further enhance the level of engagement that the Group Executive Committee and the Board have with the wider workforce. To achieve this, in addition to employee representatives, the forum is attended by rotating Non-Executive Directors and Group Executive Committee members to ensure that they can hear directly from the employees and share feedback on important matters.

Employee recognition and awards

In 2024, the Group recognised the significant tenure of around 170 UK employees who reached a five, ten, 15 or 20 year milestone of employment through our Long Service Award programme. At the end of 2024 there were seven UK employees who had over 20 years' continuous service. In OSB India, over 50 employees reached a five or ten-year service anniversary and around 200 OSB India colleagues had five or more years' service, of which almost 50 were with OSB India for over ten years.

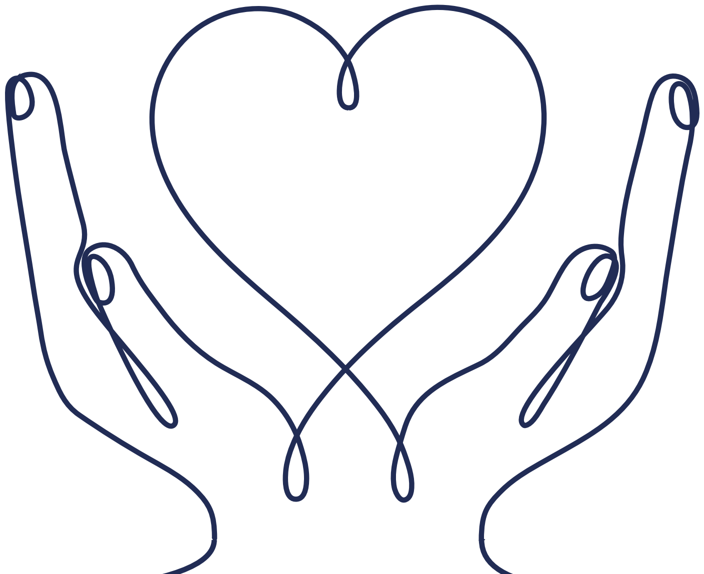
Each quarter, all employees are invited to nominate colleagues as part of our Galaxy Award Scheme. Nominations are sought for categories that link directly to each of our Values with individual winners and runners-up for each category.

For our 2024 awards, over 400 nominations were submitted, with the details of all nominees being shared internally, along with details of the quarterly award winners and their nomination rationale.

Training and development

Our People Transformation and Skills team, based in both the UK and India, concentrate on providing learning and development opportunities for all employees, using a mix of internal and externally sourced content, which are delivered through a range of media, including workshop and digital formats.

Throughout 2024, the team delivered almost 2,500 internal workshops, with the number of recorded training hours averaging over 4,500 hours per month, representing around 11 workshop training hours per UK employee and over 38 hours per OSB India employee.



Sustainability Report continued

Strategic Pillar – People continued

Colleagues continued

The team also worked in partnership with MGI Learning to become accredited to deliver a key programme in support of our Consumer Duty response, providing a methodology for front-line colleagues to utilise when dealing and communicating with our customers.

2024 saw a continued focus on leadership development with the team delivering three bespoke programmes to different levels of existing leadership and management employees. 30 employees joined our Future Supervisors and Managers Programme, 11 managers commenced the Essential Managers Programme and 16 managers completed the Essential Managers Apprenticeship.

We also continued our partnership with WDI Consulting to deliver the Group's Women in Leadership initiative, supporting 31 female managers and senior leaders with their individual progression pathways. In addition, 35 female future leaders commenced a Women in Leadership Apprenticeship Scheme, launched in partnership with Raise the Bar.

In 2024 we commenced our journey to become a skills-based organisation by joining the Financial Services Skills Commission and we continued to support the professional development of colleagues, with 26 UK employees receiving financial support to pursue their professional qualifications during the year.

Diversity, equity and inclusion

We recognise the benefits that diversity brings to the business, and we actively promote and encourage a culture and environment that values and celebrates our differences.

In 2024, we continued our journey to become a truly diverse and inclusive organisation which is committed to providing equal opportunities through the recruitment, training and development for all employees.

We continued to support mental health and wellbeing through the provision of advice and workshops for employees and line managers. We increased our UK network of trained UK Mental Health First Aiders to 50 and introduced a network of 21 trained Mental Health First Aiders within OSB India.

Our published 2024 Gender Pay Gap Report is available on the Group's website (www.osb.co.uk) and shows that OSB Group's mean gender pay gap as at the snapshot date of 5 April 2024 was 35.5%, reducing from the 2023 reported figure of 36.1%. Whilst it is pleasing to see continued progress, we are committed to reducing these gaps further. Fundamentally, the gaps relate to the structure of our workforce and reflect the fact that we have more men than women in senior roles and more female employees undertaking clerical roles.

We recognise the need to improve our gender balance and having achieved our previously published commitment as a signatory of HM Treasury's Women in Finance Charter (WIFC) of 33% of senior management positions within the UK undertaken by female employees by the end of 2023, we increased this to a commitment of achieving 40% by the end of 2026. At the end of 2024, further positive progress was made, with our WIFC percentage increasing considerably to 36.1%.

Sustainability Report continued

Strategic Pillar – People continued

Colleagues continued

The Group applied a continued focus in the year to enhancing ethnicity diversity, particularly in respect of the senior management population. The proportion of senior managers identifying as non-white increased to 15% at the end of 2024 from 14% in the prior year. In line with the Parker Review requirement applicable to all FTSE 350 companies, we will prioritise increasing ethnic diversity among Executive Committee members, with an aim of 14% by 2027, from 11% at the end of 2024.

We increased DE&I initiatives across the Group, including employee communication and events enhancing awareness and celebrating our differences. These were often aligned with the dates of national events such as Pride, Black History Month, National Inclusion Week and International Women's Day, with related activities being coordinated by the internal 'Our Diversity Network' made up of passionate volunteers.

Our internal Inclusivity Survey was completed by nearly 800 UK colleagues and over 600 OSB India employees, with the results showing an overall improvement across all categories compared to the 2023 results when the survey was first undertaken. This demonstrated a positive shift in how colleagues viewed our overarching approach to DE&I and provided insights as to where additional focus can be applied to further enhance inclusivity throughout the Group.

We continue to capture diversity data from our UK employees and at the end of 2024, over 80% of colleagues submitted some or all of their data. We introduced this within OSB India in September 2024 with around 19% of colleagues having submitted data.

At the end of 2024, around 56% of our UK workforce was female similarly almost 54% of employees who joined us in 2024 were female. Within OSB India, females constitute 40% of all employees, with over 46% of 2024 starters being female. In addition, 27% of our Group Executive Committee were female as were 44% of the OSB Group Board.

The Group achieved all required targets in respect of Board diversity of which two females hold the senior Board positions of CFO and Senior Independent Director. Additionally, two members of the Board were from a minority ethnic background.

For the CEO and the CFO, gender and ethnicity data is collated within the Group's HR System, in a manner consistent with all UK employees. Both Board members who confirmed their ethnically diverse status have self-reported this to the Group HR Director within responses required by the Parker Review (FTSE 350 Ethnic Diversity Submission for 2024).

Sustainability Report continued

Strategic Pillar – People continued

Colleagues continued

	Male	Female
Number of Board Directors (OSB Group)	5	4
Number of Directors of subsidiaries	16	0
Number of senior managers (not Directors)[1]	157	92
All other employees[1]	1,074	1,150

1. Includes all UK and OSB India colleagues. Senior managers are employees within the Grade A to E population.

Board diversity

Gender	Number	Minority ethnic background
Men	5	1
Women	4	1

Safety and welfare

The Group operates to all applicable Health and Safety regulations, with access to competent advisors, and processes in place to assess risks and monitor compliance with internal policies, procedures and controls. Training is provided to employees who perform in the roles of fire marshals, first- aiders and mental health first-aiders.

In 2024, there was one incident classified as a lost-time incident (2023: one) resulting in five lost working days. The incident did not meet the criteria for reporting under the Reporting of Incidents, Disease and Dangerous Occurrences Regulations 2013. The total injury rate was 8.452 (2023: 5.054).

OSB India

OSB India, which is a wholly owned subsidiary of the Group, is based in Bangalore and Hyderabad, and at the end of 2024 had 949 employees. OSB India supports the Group across various functions including Support Services, Operations, IT, E-Labs and Finance. OSB India is a holder of ISO 27001: 2013 certification, demonstrating high standards of information security.

To help support our ongoing growth, our new office in central Hyderabad became operational in 2024. It aided in attracting new employees and supporting the retention of existing colleagues given that for the vast majority, the new location significantly reduced commuting time. As at the end of 2024, our Hyderabad employee base grew to almost 260.

In compliance with the Modern Slavery Act, OSB India does not support excessive overtime and all employees in India are encouraged to work in accordance with local legislation. Employees are based in our modern Bangalore and Hyderabad offices and are provided with a range of benefits which include 22 days of annual leave, 12 days' sick leave and cafeteria services.

Sustainability Report continued

Strategic Pillar – People continued

Communities

Our employees have sparked positive change in our communities.

2024 was a year marked by significant change and challenge for many, with low social mobility remaining a persistent issue, disproportionately affecting underserved elements of communities.

We believe that everyone, regardless of background or origin, deserves opportunities to thrive, and as a business we have a responsibility to contribute to a fairer society by sharing our skills and resources.

Our employees are passionate about making a difference and throughout 2024 they actively supported many community organisations, helping to create a lasting impact and build stronger, more equitable communities, wherever they live and work.

Through volunteering, raising funds through charity events, and providing small grants to local community groups that are important to our colleagues, we made a distinct impact across our local and national communities.

Our approach to making an impact on our communities is about making informed decisions to improve the wellbeing and outcomes for our customers, our people, and the communities we serve. Through strong partnerships, we combine financial support, business skills, and the power of our voices to create a truly meaningful difference.

Our Purpose – to help customers, colleagues, and communities prosper – guides our commitment to wellbeing, the environment, education, and the arts, and is purpose-built upon the strength of our 'connection and collaboration' foundations. These building blocks enhance the quality of life for those who use our products, work with us, and support our vision of becoming the UK's leading specialist bank.

Depaul benefitted by:

£55,145

Demelza benefitted by:

£69,177

Total benefit to all charities/organisations:

over £394k

2023: over £288k

Connection and collaboration: Depaul UK and Demelza Children's Hospice – pop-up shop

In September we partnered with Demelza Children's Hospice and Depaul UK, two of our corporate charity partners, and delivered a combined clothing pop-up shop and recruitment advice session for Depaul's young homeless clients.

Prior to the event, Depaul's clients created mood boards to give an idea of the kind of clothing they wanted to see at the event, and we encouraged our employees to search their wardrobes and donate anything they no longer needed.

We received some wonderful donations across all of our UK office locations, which were collected by Demelza's warehouse team and taken to be sorted prior to the event.

The outfits chosen for the event were based on the mood boards, ensuring we delivered items in the style and sizing requested. Demelza has 31 charity shops in Kent and the South East and was the perfect logistical partner for this event.

The young people were able to walk around the racks of donated clothing, choosing outfits they would feel confident wearing within (and outside) a work environment. The Group volunteer Grace Sawyer was on hand to help them sort through the donated clothing and find items they were excited about.

I really liked meeting the young people, talking to them and hearing their career aspirations, and it felt wonderful putting an outfit together for them.

Grace Sawyer,
Our Community Employee Network Representative

Sustainability Report continued

Strategic Pillar – People continued

Communities continued

We strive to do more than just improve financial wellbeing. We aim to empower individuals to flourish, thrive, and achieve their personal and professional goals.

To achieve this, we prioritise people and the planet. We recognise that community impact isn't a by-product but a core responsibility of our business.

Understanding the unique needs of diverse communities, we collaborate with local and national organisations and charities to effectively allocate resources and maximise our reach. This ensures that our collective efforts, underpinned by robust collaborative partnerships, foster a supportive environment where partners can mutually benefit and amplify each other's efforts.

By measuring and learning from outcomes, we ensure our actions create a lasting positive impact. With the Group amplifying the combined impact, we leverage our collective strengths to achieve our common goals.

Overall benefit

When combining monetary support from initiatives including the Good Causes Fund, fundraising and match-funding, EV car park charging, and Pennies from Heaven, as well as the value of donations in kind including preloved office furniture and equipment, multiple charities and community organisations benefitted by a combined total of over £394k (2023: £288k) in 2024.

Total volunteer hours:
7,038
41% increase on 2023

Donations to good causes:
£64,484
60% increase on 2023

Total fundraising & matching:
£112,393

OSB India

Our colleagues in OSB India delivered support to vulnerable people and causes in their local communities or where needs are greatest. Across the business, our colleagues volunteered their time across a range of local community partners, spending 500 hours helping those in need.

Our teams have supported many community initiatives from providing education to orphanages and government schools, and healthcare equipment to hospitals in economically disadvantaged communities, providing funding for healthcare for those who can't afford it.

In a key collaboration, a team of 20 volunteers, joined by our UK Group Underwriting Director, dedicated over 100 hours to connect with and support the incredible work happening at SOS Children's Villages of India. Our teams had the privilege to meet the inspiring mothers and children who form the heart of this unique initiative focused on family support, where children without parental care or at the risk of losing it, receive quality care services that goes beyond childcare alone, ensuring comprehensive child development.

We also have a close relationship with HBS Hospital which provides medical services to individuals who are living below the poverty line within the community in and around the vicinity of Shivajinagar, located in central Bengaluru.

HBS's mission is to provide accessible, affordable, high quality, curative and preventive healthcare to the less fortunate, by bringing together strengths and contributions of healthcare professionals, staff, volunteers, and community.

OSB India has focused on supporting the crucial dialysis services, providing care for 335 patients, with 1,704 sessions of sponsored dialysis care – which translates to almost 7,000 hours of life-saving dialysis given in the last year.

Donations to HBS Hospital:
£11,200
(GBP equivalent)

Total hours volunteered:
500

Sustainability Report continued

Strategic Pillar – People continued

Communities continued

Charity partners

Partnering for impact: Our long-term partnerships with charities and community organisations are crucial to our community impact strategy. By collaborating with these important organisations, we can address local needs beyond our core business.

Depaul UK: We support Depaul UK's vital work with young people experiencing, or at risk of, homelessness. Our contributions extend beyond financial assistance to include skills development, such as coaching Board members, advising on energy efficiency, and providing HR support to help young people secure employment and a home of their own.

Demelza Children's Hospice: We've partnered with the hospice since 2017 to offer the Demelza Children's Savings Account. By encouraging young people to save, even small amounts, we instil valuable financial habits. Additionally, we match a portion of the total annual average balances in these accounts to support Demelza's essential services for children and their families. This is on top of the valuable volunteering and fundraising we support alongside the donations raised through the savings account.

Partnership with Coventry Rugby Foundation:

Number of underprivileged children supported:

1,700

Number of nutritional food parcels supplied:

1,350

Sponsorship

The Group operates partnerships, supplying charities and organisations with more than monetary donations – we share skills and experience too, and encourage each partner to support one another so they can increase the power and reach of the messaging. And we do this by working together, amplifying the impact across our separate channels.

Volunteering

We're committed to being better neighbours – and we recognise that we can achieve this, not only through the donation of money, but through the donation of our time, skills, and expertise across a broad spectrum of organisations. To demonstrate this commitment, all Group employees are entitled to 14 hours volunteering time per year and are actively encouraged to use the full allocation to give something back to our communities.

Community organisations supported:

144

Good Causes Fund

Our Good Causes Fund is designed to financially support projects and causes that are close to our employee's hearts.

All UK employees can apply on behalf of a registered charity, school, club, community group, animal sanctuary, or voluntary organisation.

Grants of up to £500 are available to help local charities and organisations make a positive difference in our communities.

Community organisations supported:

131

Match-funding

Every year, we engage in a variety of fundraising events to raise money for important organisations focused on helping the sick and disadvantaged. We positively encourage individuals, teams, and departments to think about the different ways they can raise money in a fun and inclusive way. We know that every penny makes a huge difference to our communities, and that's why we're proud to offer match-funding to all UK colleagues.

Community organisations supported:

52

Donations in kind

OSB provides financial support, specific business skills and training sessions, as well as support through our volunteering programme.

Where possible we also donate office furniture and equipment that is no longer needed, or has been replaced, to local organisations who can make use of it.

During the year, office desks, chairs, computer display screens and other items were donated to Coventry Rugby Foundation, Wolves Play Cafe, and Icknield Primary School.

Sustainability Report continued

Strategic Pillar – Stewardship

ESG Governance

At OSB Group, we embrace our role as responsible stewards, underlining our commitment to conducting operations ethically, transparently, and sustainably, while delivering lasting value to our stakeholders.

The Board-approved ESG Strategy is vital in managing ESG risks while enabling the pursuit of strategic opportunities that benefit our stakeholders. In 2024, the Board oversaw the development, evaluation, endorsement and progress of key governance initiatives, including:

- **ESG Operating Framework:** Establishing clear processes and responsibilities.
- **Materiality Assessment** (non-financial).
- **ESG Scorecard:** Measuring performance against ESG objectives and targets and strategic opportunities.
- **ESG Strategy:** Analysis of progress against the Group's ambitions, commitments, targets and ratings and Diversity, Equity and Inclusion, Community Impact, and People and Culture strategies.

To ensure accountability and drive progress, the Group links ESG performance to executive and senior management compensation through the Performance Share Plan, for further details see page 173.

In 2024, the Group made its first submission as a member of United Nations Global Compact, demonstrating our commitment to aligning our operations with recognised principles in the areas of human rights, labour, environment, and anti-corruption. As a new participant, we have begun integrating the ten principles of the Global Compact into our strategies and operations reinforcing our dedication to transparency, responsible business practices, and long-term sustainability, while supporting the UN Sustainable Development Goals. We look forward to building on this partnership and strengthening our ESG commitments.

In 2024, the Group's existing Employee Engagement Networks (EENs) were further enriched with the launch of the OSB India Network. Together, these networks promote awareness, encourage participation, and foster collaboration on sustainable initiatives across the organisation.

By continuously reviewing and enhancing our governance structures and processes, the Group reaffirms its commitment to creating a positive, lasting impact and ensuring that ESG principles are considered in our strategy and operations.

The Group's ESG Operating Framework works along the three lines of defence model. First-line reporting, risk management and coordination of strategic opportunities is executed by business functions, the EENs and the Climate Transition Working Group. Governance and oversight is provided by the ESG Committee, a dedicated management committee chaired by the Chief Sustainability Officer, that reports to the Group Executive Committee. The ESG Operating Framework identifies how ESG-related matters are communicated through the Group's existing governance committees.

In 2024, the Terms of Reference for the Group's ESG Committee were thoroughly reviewed to ensure their continued alignment with the Group's objectives. This review reinforced the Committee's role as a cross-functional body, providing strategic guidance on ESG and sustainability matters. The process also ensured the Committee had access to the necessary expertise to support informed and effective decision-making, further strengthening the Group's ability to address evolving ESG challenges and opportunities.

Sustainability Report continued

Strategic Pillar – Stewardship continued

Customers

Consumer Duty

The Group successfully completed the implementation of Consumer Duty for our closed book products in July 2024, in line with the regulatory deadline. The first annual assessment report regarding customer outcomes was presented to the Board and was approved. The FCA's guidance on good and poor practice allows us to ensure that our approach remains aligned with regulatory expectations.

Group policies

The policies that govern our customer interactions are detailed in the following section. Each policy document identifies where training is required.

Group Arrears Management and Forbearance policy

The policy emphasises equitable treatment of customers experiencing financial challenges, actively engaging individuals exhibiting indicators of possible distress. Arrears rates are monitored on a monthly basis by the Group Credit Committee, ensuring senior management is informed. Tailored assistance is provided to customers dealing with financial pressure.

Group Complaint Handling policy

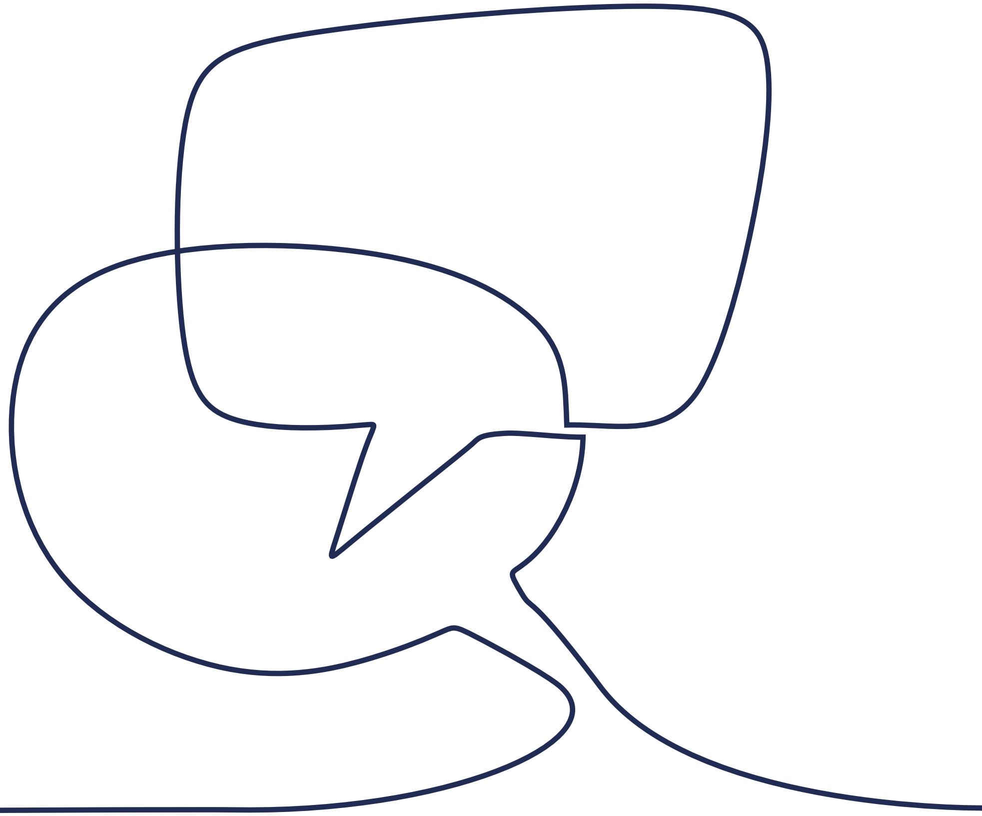
The policy is designed to meet regulatory standards while prioritising a customer-focused approach. Thorough and unbiased investigations of complaints are conducted and facilitated by trained staff. Processes are accessible to all customers, including those in vulnerable situations. Management information is provided to Committees and the Board, aiding informed decision-making.

Group Lending policy

The policy defines responsible lending guidelines consistent with our credit risk appetite and established criteria. Assurance processes serve as a secondary line of defence, providing independent oversight across first line assurance. Control measures, such as system parameters and underwriting procedures are in place. Our approach to affordability considers recent fluctuations in the cost of borrowing, thereby ensuring a current evaluation of a customer's creditworthiness.

Group Customer Vulnerability policy

The policy establishes standards and the methodology for recognising and assisting vulnerable customers, ensuring equitable outcomes across the Group. The Vulnerable Customer Working Group conducts regular evaluations to provide a comprehensive assessment of the state of Vulnerable Customer service across the organisation. Our strategy aims to support colleagues to recognise challenges and obstacles faced by these customers, while providing appropriate tailored support and effective solutions.



Sustainability Report continued

Strategic Pillar – Stewardship continued

Ethical practices

In 2023, the Group became a signatory of the UN Global Compact and in 2024 provided its first submission. The ten principles serve as a reference for the evolution of our approach to stewardship supported by the following policies:

Modern Slavery Statement and Vendor Code of Ethics

The Group delivered a new statement that endorses the UN Declaration of Human Rights and supports the UN Guiding Principles of Business and Human Rights. The Group adheres to the International Labour Organisation Fundamental Conventions and does not tolerate child labour or forced labour. The Group also respects freedom of association and the rights of employees to be represented by trade unions or works councils.

The UK Vendor Code of Conduct and Ethics (UK VCCE) is provided at the initiation of any new partnership and is reviewed annually. OSB India maintains a Vendor Code of Conduct that is subject to external verification by qualified legal professionals in India.

To mitigate the most significant risks of modern slavery within our supply chain, Indian operations, and employment practices, our Vendor Management team conducts evaluations of essential controls. Breach reporting protocols are in place and there were no reportable incidents in 2024.

Group Vendor Management and Outsourcing policy

The outsourcing policy establishes the requirements for effectively managing and overseeing third-party relationships and complying with regulatory standards. The policy establishes a framework for the identification and onboarding of new third-party providers and the oversight and performance monitoring during the life of a contract.

During 2024, the policy was enhanced to place a greater emphasis on ESG matters, and consideration through the key lifecycle stages including ESG questions within selection criteria during on-boarding due diligence, a confirmed commitment to OSB Vendor Code of Conduct and Ethics (or equivalent), in defining contract requirements and during periodic reviews.

We monitor third party compliance with our standards to meet our obligations to stakeholders.

Group Whistleblowing policy

The policy aims to promote a workplace where all employees and concerned individuals feel empowered to report any serious misconduct promptly. Whistleblowing cases are treated with fairness and consistency, with a focus on protecting the whistleblower's identity. The Group Audit Committee has, as a standing agenda item, Whistleblowing Reports, where updates are noted and an Annual Whistleblowing Report is delivered to the Board. A Non-Executive Director has been appointed as the whistleblowing champion.

Conflicts of Interest policy

The policy is focused on identifying and managing conflicts, and commits to preventing them whenever possible. It is incorporated into the mandatory financial crime training for all employees and into the Vendor Management and Outsourcing policy, ensuring an integrated approach. The Group Compliance function supervises the conflicts of interest register, which is evaluated quarterly by the Group Conduct Risk Management Committee and annually by the Group Nomination and Governance Committee for Executives and Directors.

Sustainability Report continued

Strategic Pillar – Stewardship continued

Ethical practices continued

Group Financial Crime policy

The policies concerning Sanctions, Anti-Money Laundering, Anti-Bribery, and Fraud have been integrated into a unified Group Financial Crime policy through ongoing improvement initiatives. The policy is a vital component of our Group Financial Crime Risk Management Framework and is reviewed and approved annually by the Group Audit Committee.

The Group's approach to financial crime is to ensure compliance with legal standards and implementing effective systems and controls to reduce the risk of the Group and its products being used for the furtherance of financial crime; the approach promotes a zero-tolerance policy towards financial crime, while also recognising the inherent risks associated with business activities. The Groups strategy on Anti-Money Laundering and Counter Terrorist Financing articulates the roles and responsibilities of key responsibility holders and all employees. It establishes a strict zero-tolerance stance towards any violations of anti-money laundering or counter terrorist financing laws. The Anti-Bribery and Corruption stance reflects our commitment to conducting business ethically and with honesty, and a zero-tolerance policy. This policy applies to employees, contractors, and third-party service providers to uphold ethical practices in accordance with local laws in all jurisdictions where we operate.

All employees participate in mandatory Financial Crime awareness training on an annual basis to foster a culture of vigilance and responsibility. A specialised Group Financial Crime Team investigates any suspected financial crime-related incidents and initiates recovery actions when necessary. Multiple committees are engaged in monitoring and evaluation to ensure effective oversight and response. Senior management conducts regular reviews of key risk and performance indicators. This process generates management information that enhances visibility into our exposure to financial crime, to enable informed decision-making and effective risk management strategies.

Group Health and Safety policy

The policy outlines our approach to identifying and meeting legal obligations, identifying and managing risks and creating a safe environment for employees, customers, and other stakeholders. Risks are assessed across the Group on an annual basis. Training is provided for all employees. We routinely evaluate our controls to verify their effectiveness. An accountable Executive is responsible for the Health and Safety policy, which undergoes an annual review prior to Operational Risk Management Committee approval. Management information is provided to Committees and the Board.

Group Operational Resilience policy

The policy reflects our commitment to enhancing operational resilience in order to meet the needs of our customers alongside our financial and legal obligations. This policy is intended to ensure that the Group complies with the supervisory regulator requirements. The policy establishes the operational resilience framework which incorporates a range of activities to prepare for, prevent, detect, respond to, recover from, and learn from disruptions. Regular review and testing takes place to support our resilience strategies so the Group can adapt to new threats, regulatory changes, and business evolution.

Group Data Retention policy

The policy and underlying procedures set out measures to protect the personal data of our customers, employees and third parties and ensure adherence to the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018. We view effective privacy practices as vital to our corporate governance and accountability framework. The Group Data Protection Officer provides reports to both the Group Executive Committee and the Board.

Sexual Harassment policy

In 2024, the Group introduced a sexual harassment policy that plays a vital role in ensuring a secure and respectful working environment. This policy is relevant to all employees and contracted staff in the UK connected to the Group. Additionally, it complements the OSB India Prevention of Sexual Harassment policy, which addresses obligations in India. The policy articulates a clear definition of sexual harassment, describes the reporting mechanisms, and specifies the potential disciplinary actions for any violations.

Trans Inclusion and Gender Identity policy

The Group is dedicated to fostering equal employment opportunities and creating a supportive and inclusive workplace, irrespective of gender identity. In alignment with the Gender Recognition Act 2004 and the Equality Act 2010, the Group has implemented a policy focused on trans inclusion and gender identity, which safeguards the rights and dignity of transgender and non-binary individuals. The policy is relevant to all employees and contracted staff and outlines the procedures for reporting incidents and shares the possible disciplinary measures that may be imposed for any infractions; supporting the Group's commitment of ensuring inclusivity, respect, and the protection of individuals from discrimination based on their gender identity.

Sustainability Report continued

Strategic Pillar – Stewardship continued

Ethical practices continued

Tax

OSB Group recognises that its tax contributions make an important social and economic impact, benefitting the communities we operate in by delivering valuable public services and building infrastructure that allows communities to thrive.

	2024		2023	
Taxes paid	**£m**	**£m**	**£m**	**£m**
Corporation tax	109.6		92.6	
Bank surcharge	8.9		10.2	
Irrecoverable VAT	23.3		22.1	
Employer's NIC	11.8		10.8	
Other	1.8		2.3	
Total taxes paid		**155.4**		138.0
Taxes collected				
Income tax	25.6		23.2	
Employee's NIC	4.3		5.3	
VAT	3.6		3.8	
Total taxes collected		**33.5**		32.3
Total tax contributions		**188.9**		170.3

The Group is proud to make a significant UK tax contribution each year. During the 2024 period our contribution was £188.9m (2023: £170.3m).

The Group believes it is important to pay the right amount of tax, in the right place, at the right time. All of the Group's subsidiaries (including those incorporated in Guernsey and Jersey) are tax resident in the UK, with the exception of OSB India Private Limited (OSBi) which is tax resident in India and pays all appropriate taxes in India. We do not use tax havens for tax avoidance purposes.

The Group is open and honest in all dealings with tax authorities in both the UK and India. In the UK we have signed up to the Banking Code of Conduct and always follow the spirit and the letter of tax law. Our strategy can be found at https://www.osb.co.uk/sustainability/tax-strategy.

Cyber security

The Group's cyber resilience programme is founded on recognised frameworks for cyber risk and controls, including those from the National Institute of Standards and Technology, the Microsoft Cloud Security benchmark, and the Centre for Internet Security. Oversight is provided across the conventional three lines of defence, with reporting structures established for governance committees and the Group Board. The framework not only facilitates effective reporting but also continuous improvement to our cyber security posture and in addressing potential vulnerabilities. The cyber programme aims to deliver robust counter-measures, effective monitoring, and a responsive approach to incidents in the face of both existing and evolving threats.

The Group conducts regular security testing and engages independent reviews from specialised CBEST-accredited third parties to evaluate the effectiveness of its operational and technical capabilities in cyber resilience, which are necessary for regulated financial services organisations.

Artificial Intelligence Responsible Use policy

The policy provides guidelines on how to interact and utilise AI tools and applications. Additionally, the Group is currently progressing with several controlled Proof of Concepts in supporting business functions with a view to understanding the risks, accuracy, ethics and reliability. Given the maturing nature of AI technology and its usage, the Group takes a proactive but cautious approach to the adoption of AI.

Task Force on Climate-Related Financial Disclosures

Listing Rule 9.8.6R (8) requires that the Group provides climate-related financial disclosures consistent with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD).

The Board confirms that it has disclosed sufficient information to comply with TCFD and Companies Act 2006 requirements as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. The Group will continue to enhance these disclosures over time in line with regulatory expectations and emerging best practice.

The Group remains committed to addressing climate change and achieving our ambition of net zero emissions across our broader business activities by 2050.

Through the Group's membership and involvement in several initiatives including the Net Zero Banking Alliance (NZBA), we continued to support the wider efforts of the financial services industry to minimise the impact it has on climate change.

Throughout the year, the Group focused on reducing the environmental impact of our own operational footprint and how we can support the decarbonisation of the UK housing stock we finance, publishing our first Climate Transition Plan.

The Board is conscious that regulatory expectations and industry best practices continue to evolve and further work is required to enhance our climate risk operating model.

The disclosures below were drafted to be consistent with TCFD recommendations aligned to the UK legislation on The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 – and provide transparent reporting to assist our stakeholders in understanding the impact of climate change on the Group. The current assessment indicates a low climate risk impact to the business, however we remain cognisant that climate risks may evolve over time.

In the table overleaf, we describe the progress made against each TCFD pillar during 2024 and where relevant ongoing considerations for 2025 and beyond.

Task Force on Climate-Related Financial Disclosures continued

1. Governance

Approach	Looking Ahead	Further details
1a) Board oversight of climate-related risks and opportunities:		
• All Committee and Board papers continued to include an assessment in relation to the Group's environmental commitments to allow the Directors to consider any climate-related risk impacts or implications to the Group's stated climate ambitions. Climate risk and Environmental, Social and Governance (ESG) matters are key considerations to the Group's strategy for which the Board assumes responsibility. • In addition to its direct oversight, the Board delegates responsibility for the Group's climate-related risk appetite, risk monitoring, provisioning and capital and liquidity management to the Group Risk Committee. The setting of climate risk appetite limits is a key tool utilised to ensure that the Group's risk profile continues to be managed to an acceptable level, whilst the inclusion of a climate risk assessment in the Internal Capital Adequacy Assessment Process (ICAAP) ensures that the Group continues to hold sufficient capital to address climate specific risks to which it may be exposed. • Kal Atwal (Non-Executive Director) maintains responsibility for championing ESG matters on behalf of the Board. • The Board considers and approves emission reduction goals and targets in line with the Group's net zero by 2050 commitment and receives monthly performance updates. • The Group Executive Committee meet on a periodic basis, receiving emissions performance information and updates on ESG opportunities. Additional papers from the ESG Committee are submitted where approvals and escalations are required. • The Group Audit Committee continues to monitor the Group's compliance with TCFD requirements. • The Group Risk Committee is a Board level committee which oversees the Group's climate risk management and provides advice to the Board on climate risk exposures and metrics relative to the climate risk appetite. • During 2024, the Group's Executive Risk Committee which oversees other Principal Risks for the Group (e.g. Operational risk) was appointed to oversee and approve the Group's Climate Risk Management Framework on an annual basis (previously approved at the Group Risk Committee), aligning the oversight approach followed by other sub-level frameworks. • The Group Remuneration and People Committee integrated greenhouse gas (GHG) emission reduction targets into the Performance Share Plan with performance against these targets presented to the Board. • For further details on how climate-related risks and opportunities are linked to Executives and Senior Management's remuneration, see Directors' Remuneration Report on pages 154-179.	• Ongoing enhancement to ensure effective oversight of climate-related risks and opportunities • Ongoing monitoring and assessment of performance targets aligned to the Group's climate risk strategy • Ongoing review of the Group's climate risk appetite in accordance with the Group's Risk Appetite framework • Educate and create awareness via workshops, internal training and external gatherings to support the Group's Climate Transition Plan and to improve internal expertise	Directors' Remuneration Report – pages 154-179

Task Force on Climate-Related Financial Disclosures continued

1. Governance continued

Approach	Looking Ahead	Further details
1b) Management's role in assessing and managing climate-related risks and opportunities:		
• The ESG Committee is a Management Committee which reports into the Group Executive Committee. During 2024, the Committee met on a periodic basis, ensuring effective identification and management of climate-related risks and goals. The Committee's output is summarised and shared annually with the Board for consideration. Management information and analysis on climate-related topics are presented to the ESG Committee and subsequent committees relating to greenhouse gas (GHG) emission reductions and climate risk appetite limits. • Senior management level responsibility is held by Non-Executive Director on the Board, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Chief Sustainability Officer (CSO) who are part of the relevant committees overseeing climate-related issues to review and guide the Group's strategy. • The Chief Sustainability Officer is responsible for ensuring the Group's strategy is aligned and consistent with the various climate-related initiatives across the Group as well as ensuring that the Group is well positioned to meet its ESG reporting requirements. • The Climate Transition Working Group acts as the forum that oversees the implementation of the Group's Climate Transition Plan, whilst providing regular updates to the ESG Committee. • Climate risk is recognised as an Environmental, Social, Governance Risk and forms part of the Group's Business & Strategic principal risk under the Group's Enterprise Risk register. The Group Climate Risk Management Framework articulates how the Group identifies, monitors, and manages climate risks. The Framework, implemented in 2020, is subject to annual review and has been further enhanced in 2024. • A review of existing risk management frameworks across principal risk areas were conducted to ensure climate risk is appropriately embedded and monitored in line with existing risk tools and frameworks. Any changes or updates to the Group's suite of Risk Management Frameworks are approved at the Group Risk Management Committee. • During 2024, cross-functional workshops were established internally and externally (provided by external third parties) to educate and increase the Group's awareness on climate-related risks and opportunities. As an example, analytical insights driven by data to support the Group's Transition Plan. • Between 2023 and 2024, the Group increased its headcount to strengthen climate-related expertise within the risk and finance function. As a result, enhanced specialist knowledge has provided support to management in monitoring climate-related issues, provide horizon scanning on regulatory outlooks, and enhancing the Climate Risk Management Framework.	• Consider further embedding of climate-related risks within the Group's other sub-risk management frameworks, where required. • Continue to monitor and manage performance against emissions reduction targets for financed (mortgages) and direct emissions.	

Task Force on Climate-Related Financial Disclosures continued

2. Strategy

Approach	Looking Ahead	Further details
2a) Climate-related risks and opportunities identified over the short, medium, and long-term: The Group determined the following as relevant and/or material risks to be reviewed annually: Time periods considered are defined as short term 0-5 years, medium term 5-10 years and long term greater than 10 years. The short-term time horizon aligns to the Group's planning and ICAAP stress testing assessment periods. The long-term time horizon has been utilised within scenario analysis to assess climate risks which may occur over a longer time frame. The medium-term horizon therefore, relates to risks and opportunities which are inside our long-term assessment horizon, but sit outside of our short-term assessment period. The Group's lending is to individuals and small and medium enterprises in the UK, where the specific climate risks and opportunities are assessed. The Group's operational sites in both the UK and India (OSBI) are exposed to physical and transition risk. Currently, the Group does not deem it necessary to describe risks and opportunities by geography. The Group provides lending in the UK primarily against residential and commercial properties, with low exposure to non-property collateral backed funding lines or asset finance lending which is typically secured against hard assets, and therefore does not have significant credit exposure to carbon-related assets. For further details on time horizons related to the Group's Principal Risks (financial and non-financial), please refer to the Risk Management section of the TCFD Report page 109. Each of the following risks and opportunities (actual/potential) identified includes a time-horizon associated with it. Represented with: S Short-term M Medium-term L Long-term **Identified risks – Lending** **Physical risk** L ***Changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and rising sea levels*** The Group primarily lends on residential assets, either for owner occupation or for investment by professional landlords. The Group undertook the annual scenario analysis of its portfolio using best-case and worse-case scenarios to determine the level of exposure to climate-related risks. The key physical risks used for scenario analysis are flooding, subsidence and coastal erosion in the long-term (> 10 years), which considers the behavioural and contractual life of the Group's primary lending types. **Transition risk** S ***Policy and legal – mandates on and regulation of existing products and services*** Energy Performance Certificate (EPC) rating requirements are considered a key transitional risk in the short term (0-5 years). The Group's current exposure to transition risk as a proportion of the total lending is relatively small. ***Uncertainty in market proposition*** Commissioned research indicated varying levels of awareness amongst borrowers around climate change, mitigation, support available and understanding of EPC ratings. There is a potential risk that landlords might be leaving or not entering the market if climate risks make investment less attractive. **Policy and legal** – exposure to litigation relating to greenwashing and also failing to comply with evolving regulations or standards that would impact the mortgage market. The uncertainty on governmental policies proves as a risk to the Group which will impact uncertainty in the market within the short-term time horizon. **Reputational** – increased concern or negative feedback from the Group's stakeholders based on financed emissions and failure to meet the Group's emission reduction targets.	• Continue to seek opportunities relating to climate-friendly products, whilst being cognisant of any governmental changes and any conduct risks • Consider climate financial risks within the Group's planning processes subject to governmental and regulatory changes (e.g. MEES – Minimum Energy Efficiency Standard) • Enhance analytical approaches to assess climate change in conjunction with the Group's Principal Risk types	TCFD Report (Risk Management) – page 109 Sustainability Report – page 83

Task Force on Climate-Related Financial Disclosures continued

2. Strategy continued

Approach	Looking Ahead	Further details

2a) Climate-related risks and opportunities identified over the short, medium, and long-term continued

Identified risks – Operations

Physical risk L

Increased severity of extreme weather events such as cyclones and floods. The Group's operations in the UK and OSBI could be impacted by an increased number or severity of extreme weather events. Increased costs may be incurred during the period in which operational processes are recovered.

Transition risk L

Increased pricing of GHG emissions, enhanced emissions-reporting obligations. The Group offsets some emissions on an annual basis, whilst it aims to reduce total emissions. It is expected that the cost of offsets from the voluntary carbon market will increase significantly towards 2030. In addition, it is reasonable to anticipate that the government may introduce policy mechanisms to penalise fossil fuel use in support of the government's net zero ambitions.

Policy and legal

Increase of emerging and evolving frameworks. The Group's operations, business strategy and risk management will be impacted if there are insufficient controls in place (e.g. horizon scanning) to identify the requirement(s) the Group may be obliged to comply with.

Reputational – increased concern or negative feedback from the Group's stakeholders based on direct emissions and supply chain emissions as well as failure to meet the Group's emission reduction targets.

Identified opportunities – Lending

Products and services S

Increased revenue through demand for lower emissions products and services.

Improved competitive position to reflect shifting consumer preferences, resulting in increased revenues.

Green financing and lending products have the ability to finance retrofit and new-build projects that increase carbon efficiency or reduce the carbon footprint of investments contributing to real economy decarbonisation, and the Group's ambitions and commitments.

The Group continues to focus its lending opportunities via market research as part of the Group's business strategy. This ensures the Group fully understands broker and customer perceptions, attitudes and knowledge within the mortgage market and identifies any risks related to product development. Government and regulatory change remain as a challenge within the UK mortgage market (e.g. minimum EPC requirements and definitions of greenwashing), therefore, the Group will remain diligent via market insights to continue to identify climate-friendly products as an opportunity. Through the course of 2022 to 2024, various research had been conducted which has supported the Group's business strategy.

The Group identified a range of opportunities that would support in reducing the Group's financed emissions (via a commissioned third-party consultancy). As a result, the key focus relates to retrofitting and cost-effective ways that can support our brokers and borrowers in this area (e.g. marketing communication). The assessment was a key driver in the Group's thought leadership in educating and providing awareness to our brokers and borrowers.

Resilience S

Increased revenue through new products and services

Transition planning is a significant focus for regulators and continues to gain the attention of shareholders. Exploring revenue streams through new products and services supports the ongoing resilience of the Group as a specialist lender.

Task Force on Climate-Related Financial Disclosures continued

2. Strategy continued

Approach	Looking Ahead	Further details
2a) Climate-related risks and opportunities identified over the short, medium, and long-term continued **Identified opportunities – Operations** **Resource efficiency** S ***Reduced operating costs (e.g. through efficiency gains and cost reduction)*** Increasing the Group's energy efficiency is an opportunity that will reduce the ongoing operating costs of electricity and natural gas, which are the key drivers of Scope 1 and Scope 2 emissions. Increased efficiency also provides a level of protection against the current uncertainty of energy security and pricing. **Energy source** S ***Use of lower-emission sources of energy, use of supportive policy incentives*** The use of low or zero carbon technologies is likely to reduce operating costs associated with carbon intense energy sources for the future and the need to fund offsetting. The Group will also be afforded a level of protection from fossil fuel price increases. **Resilience** S ***Data*** Explore evolving data availability in the market to enhance the assessment of climate-related risks providing additional value to Senior Management to support informed business and risk decisions. This will include the accuracy, timeliness and frequency of the data received (e.g. latest EPC ratings).		

Task Force on Climate-Related Financial Disclosures continued

2. Strategy continued

Approach	Looking Ahead	Further details
2b) Impact of climate-related risks and opportunities on the Group's businesses, strategy, and financial planning:		
• Climate-related risks and opportunities are considered during a wider ESG risk and opportunity analysis where the impact assessment must be consistent with the Group's risk culture and risk policies. The opportunities are determined based upon a quantitative assessment, where data is available, or a qualitative assessment, based on factors such as the potential impact, importance of risks, growth or cost management and the degree of importance to stakeholders. • The Group continues to progress in managing risks and developing potential areas of opportunity with respect to products and services, supply/value chain mitigation activities and operations. The Group's current strategy and simple business model mean that risks and opportunities relating to investment in research and development, acquisitions and access to capital are deemed non-material and therefore were not areas of focus. • The Group's financial plans are set on an annual basis and are reviewed and refreshed periodically. They consider, among other matters, the Board's risk appetite, macroeconomic outlook, market opportunity, the competitive landscape and sensitivity of the financial plans to volumes, margin pressures and any changes in capital requirements. For the 2024 financial plans, the Board considered all principal and emerging risks including climate risk, where the risk is likely to emerge, outside of the viability assessment horizon. • In 2024, the Group developed its first Climate Transition Plan which sets out the roadmap and steps the firm intends to take in progressing towards its committed emission reduction targets. For further details, please refer to the Group's Climate Transition Plan and the Just Transition pillar of the Sustainability Report page 76. • The Group considers the UK Climate Change Committee (CCC)'s sectoral scenario analysis as a key factor in driving the ESG strategy, targets and commitments. This is supported by quantitative assessment based on the Group's financial planning and financial risk assessment driven by stress testing from Bank of England's Climate Biennial Exploratory Scenario (CBES), where macroeconomic indicators are considered and recalibrated for each annual review of the ICAAP. • In 2024, notwithstanding the Group's existing refurbishment products for Buy-To-Let (launched in 2023), the Group has further expanded into EPC-based products as part of our Commercial lending. The Group remains diligent in approaching new climate-friendly products and therefore continues to focus market research to ensure the Group complies with regulatory standards. • Data insights and third-party consultancy remained a strong focus in 2024. This ensures the Group is well informed internally and externally when conducting business and risk decisions as part of the Group's strategic and financial planning. Results from data provided by third-party consultancy indicate areas of improvement to reduce the Group's financed emissions as well as potential cost-efficient solutions that can contribute towards the Group's emission reduction targets. Findings are presented at relevant committees or working groups to ensure management is well informed to support business and risk decisions from a forward-looking perspective. • During 2024, the Group Risk Committee approved a number of enhancements to the Group Vendor Management and Outsourcing Policy. The improvements placed a greater emphasis and a confirmed commitment to ESG with key considerations through each of the Procurement and Supply Chain key stages including: (i) Mandatory ESG questionnaire and selection criteria during the Sourcing stage for new vendors/new services (ii) during on-boarding due diligence, a confirmed commitment to OSB Vendor Code of Conduct and Ethics (or equivalent), (iii) contractual agreement negotiations (iv) Periodic reviews during the life of the contract e.g. annual checks/ attestations. • The Group calculates its Scope 3 financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology in line with industry standards. The methodology supports the Group's progress in reducing emissions by benchmarking against its peers and comparison with market standards. The PCAF calculation covers the largest asset class within the Group which is mortgage portfolio. For further details, please see the Sustainability Report page 83.	• Increase awareness via internal and external market research to ensure impacts are appropriately assessed in line with the Group's business, strategy, and financial planning • Monitor and manage Scope 3 financed emissions against agreed targets • Ensure the Group's climate risk underwriting criteria complies with evolving governmental and regulatory standards • Ensure impacts related to changes in governmental and regulatory standards are considered as part of the Group's business, strategy, and financial planning • The Group remains optimistic in identifying new product opportunities resulting from the impacts delivered by the transformation programme.	Climate Transition Plan Sustainability Report – page 76 Sustainability Report – page 83

Task Force on Climate-Related Financial Disclosures continued

Portfolio profiling and scenario analysis insights (TCFD recommendations: Strategy 2a, 2c and Metrics and targets 4a)

OSB Group plc is a leading mortgage lender predominantly in the professional Buy-to-Let and specialist Residential market sub-segments secured against residential property. The Group also provides loans to limited companies and individuals secured against commercial and semi-commercial properties, residential development financing, funding lines to non-bank finance companies and asset finance lending.

At present the Group has identified the physical risks relating to flooding, subsidence and coastal erosion which could reduce the value of properties as well as the ability of borrowers to afford or refinance their mortgages, as the most material physical climate risks to be assessed and managed. The Group has also identified the transitional risks relating to changes in regulatory policy resulting in material levels of investment being required to ensure minimum EPC requirements are met. This spend, for example, may be required to ensure Buy-to-Let properties are eligible to let, loan-to-value levels are not adversely impacted, void periods and defaults do not materialise which would result in loan losses and higher capital requirements. As such, the Group considers the above risks as the most material and therefore focuses on their assessment, monitoring and management.

The climate risks relating to the Group's operational premises are considered less material than the physical and transitional risks to the properties which underpin the Group's loan portfolios.

Overview

The Group profiles the mortgage portfolio through both Physical and Transitional Risk measures, completing a full comparative analysis on an annual basis.

Physical risks

Exposure to flood, subsidence and coastal erosion are considered in the physical risk profiling.

Properties are geolocated within a one-metre accuracy for the purpose of physical peril impact considerations. This resolution is essential because flood and subsidence risk factors can vary considerably between neighbouring properties.

The Group's physical risk profile remained broadly stable during 2024, when compared to 2023.

Sensitivity analysis completed using Representative Concentration Pathway (RCP) scenarios on increases in global temperatures by 2100, compared the least severe scenario (RCP 2.6 – increase of 0.9°C to 2.3°C) to the most severe (RCP 8.5 – increase of 3.2°C to 5.4°C).

At a Group level, our flood analysis shows that the exposure to the probability of flood over the next decade increases by 0.04% (2023: 0.04%) from the best-case scenario to the worst-case scenario, only 0.44% (2023: 0.46%) of the Group's portfolio is in an area with a flood risk currently greater than 20%.

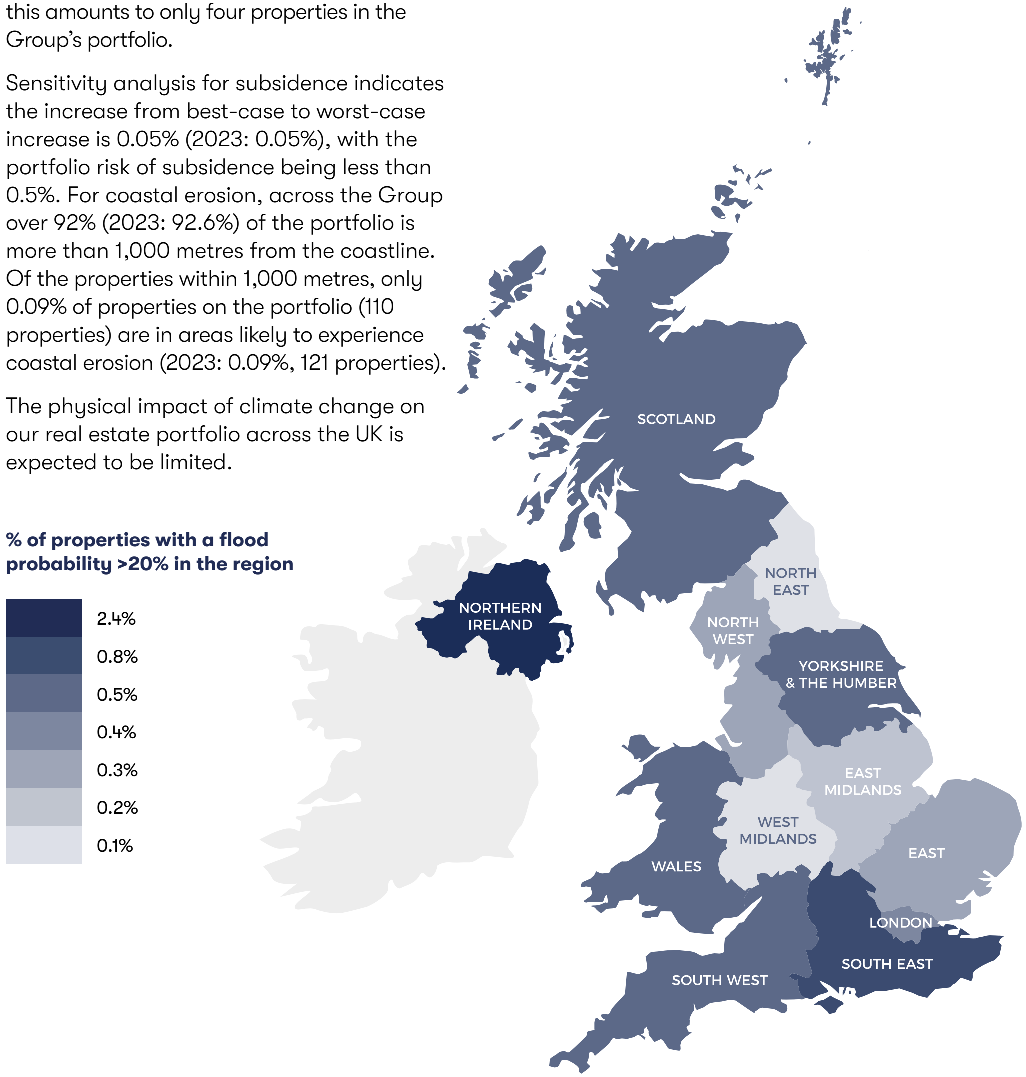
Regional mapping analysis (see diagram to the right) shows the proportion of the Group's mortgage portfolio that is exposed to a flood probability greater than 20% within each UK region. The highest regional concentration is to the South East, representing 20.4% of the Group's mortgage portfolio.

Only 0.8% of properties (219 properties) in this region are exposed to a flood risk currently greater than 20%. Northern Ireland has the highest proportion of properties with a flood probability of greater than 20%, however this amounts to only four properties in the Group's portfolio.

Sensitivity analysis for subsidence indicates the increase from best-case to worst-case increase is 0.05% (2023: 0.05%), with the portfolio risk of subsidence being less than 0.5%. For coastal erosion, across the Group over 92% (2023: 92.6%) of the portfolio is more than 1,000 metres from the coastline. Of the properties within 1,000 metres, only 0.09% of properties on the portfolio (110 properties) are in areas likely to experience coastal erosion (2023: 0.09%, 121 properties).

The physical impact of climate change on our real estate portfolio across the UK is expected to be limited.

% of properties with a flood probability >20% in the region



Task Force on Climate-Related Financial Disclosures continued

Transitional risks
Exposure by Energy Performance Certificate (EPC) rating is considered in the Transition Risk profiling.

For transitional risk, EPC ratings are based on a Standard Assessment Procedure calculation which uses a government methodology to determine the energy performance of properties by considering factors such as construction materials, heating systems, insulation and air leakage.

The Group observed marginal improvements in EPC ratings for existing stock assessed in both 2024 and 2023. In addition, enhancements in the climate data processes improved insight into the transitional risk profile.

At a Group level, c.42.8% of properties (2023: 40.8%) have an EPC rating of C or better, c.44.7% (2023: 45.7%) have an EPC rating of D, c.11.1% (2023: 12.1%) an EPC rating of E and c.1% (2023: 1.1%) have an EPC rating of F or G. Of the properties with an EPC rating of D or worse, c.92.7% (2023: 92.4%) have the potential to reach at least an EPC rating of C.

Adverse movements in the EPC rating distribution of the Group's loan portfolios and any potential change in government policy have the potential to result in larger future financial impact for the Group. To mitigate this risk, the Group actively monitors and assesses the possible financial risks associated with the EPC rating distribution of the Group's loan portfolios and horizon scans for any changes in regulatory or governmental policy.

Embedding scenario analysis
The Group's ICAAP assessment includes the financial impact of climate-related risks including flood, subsidence, coastal erosion and minimum EPC ratings. As part of the stress testing, the Group's ICAAP considers a range of scenarios aligned to the PRA's CBES (where the 2050 global temperature range is from 1.8°C to a 3.3°C) within the five-year financial planning and the 2024 ICAAP indicated that the Group has a low risk to climate change, and its strategy and business model performs resiliently across a number of climate scenarios.

97% of the Group's total lending is related to carbon-related assets (i.e. mortgages) excluding Development Finance, Funding Lines and Asset Finance portfolios and contributes to the Group's total emissions (indirect emissions, Scope 3 Category 15 – Financed Emissions). Details of the Group's strategic approach in transitioning into a low-carbon economy consistent with a 2°C or lower climate scenario is outlined in the Group's Climate Transition Plan and refer to the Sustainability Report – Just Transition page 76.

Governmental policies are key drivers impacting the Group's risk strategy and risk decisions to address climate-related risks and opportunities. The current UK governmental outlook remains uncertain for the mortgage market and how the changes will impact the Minimum Energy Efficiency Standard (MEES) Regulations which the Group's current lending policies comply with. Therefore, risk monitoring and analysis are established to monitor the EPC distribution of our lending portfolio aligned to the Group's Financed Emissions reduction targets (aligned to a 2°C or lower climate scenario).

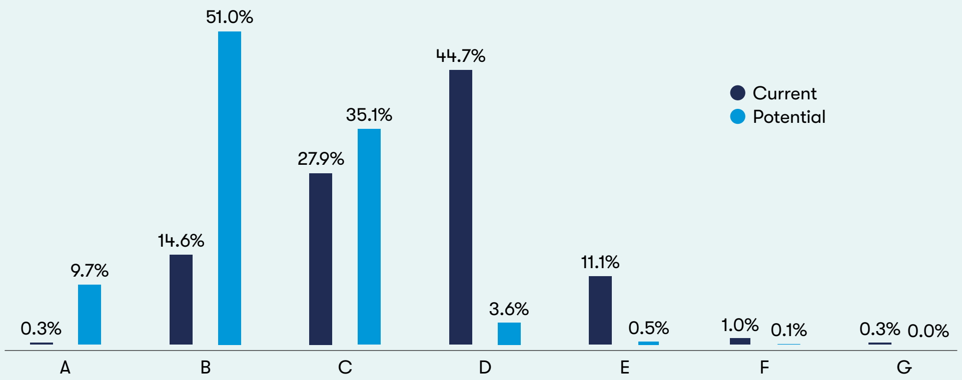
The Group's climate risk management covers a wide range of risk analysis including; climate risk appetite monitoring, conducting scenarios and assumptions for the Group's ICAAP assessment and other ad hoc data analysis in order to support the Group in assessing climate-related financial impacts. The Group's current risk appetite, IFRS 9 and ICAAP (as of year end 2023*) climate risk assessments have all indicated that the Group is currently exposed to a low climate-related financial risk, using the materiality assessment scale which supports other financial disclosures within the Group's Annual Report and Accounts.

Looking ahead
The Group will continue to ensure climate risk assessments (e.g. ICAAP assessment or risk-related analysis) support the Group's management of the climate risk profile.

* There is a timing difference between the Group's annual disclosure and ICAAP process, therefore, conclusion is based on the 2023 ICAAP assessment (conducted in 2024)

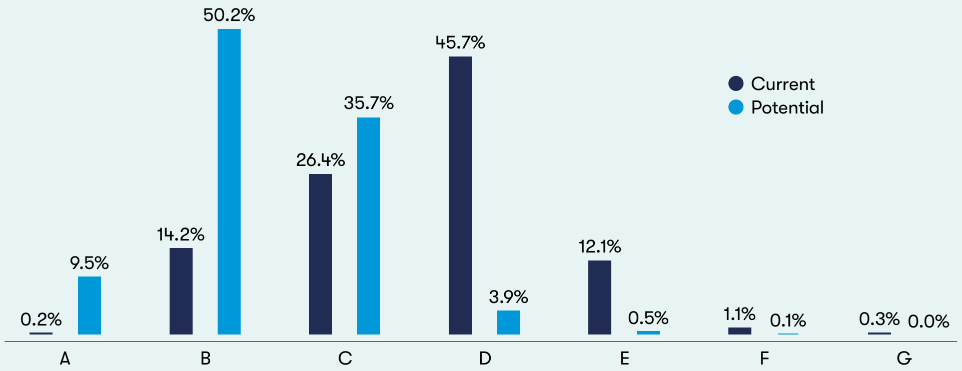
Task Force on Climate-Related Financial Disclosures continued

2024 Group EPC Distribution – Current vs Potential



2024 current proportion of EPC D to G which have a EPC Potential of C or above; D: 95.6%, E: 84.8%, F: 63.3%, G: 55.9%

2023 Group EPC Distribution – Current vs Potential



2023 current proportion of EPC D to G which have a EPC Potential of C or above; D: 95.5%, E: 84.2%, F: 62.4%, G: 55.4%

Potential climate-related impacts on Group's principal risks (financial risks):

Following from the Strategy section of the Group's TCFD(2a), the below outlines the time horizon and potential risk associated with each principal risk type.

Principal risk type	Climate risk type	Description	Time Horizon	Potential Risk
Credit risk	Physical	Extreme weather events (such as heatwaves, floods, wildfires, and storms) that can lead to physical damage to the value of assets or collateral held	Long-term	Low
	Transition	Arise from the process of adjustment towards a low-carbon-economy which could impact the value of the assets and lead to stranded assets	Short-term	Low
Market risk	Physical	Adverse movements impacted by climate change impacting interest rates	Long-term	Low
	Transition		Medium-term	Low
Liquidity and funding	Physical and transition	Adverse movements impacted by climate change impacting foreign exchange volatility	Short-term	Low
Solvency	Physical and transition	Climate-related risks which would require the Group to hold additional capital	Short-term	Low

Task Force on Climate-Related Financial Disclosures continued

3. Risk Management

Approach	Looking Ahead	Further details
3a) Processes for identifying and assessing climate-related risks:		
• Climate-related horizon scanning is in place to monitor regulatory or legislative changes which could impact the Group which feeds into the assessment of transition risks. • The Group's risk function continues to assess climate risks against its key principle (traditional banking) risks and considers credit risk as the key risk which could be adversely impacted by future climate change. • The enterprise risk register process allows the Group to consistently size, scope and reassess the relative significance of all risks including climate risk, considering the likelihood and potential impact of the risk emerging to provide an inherent risk rating. The risk terminology at an Enterprise Risk level remains consistent when applied to the Group's ESG Materiality Assessment related to impact assessment which includes Severe, Significant, Moderate and Minor. • The Group utilises Bank of England's Climate Biennial Exploratory Scenario (CBES), which includes the scenario narrative and corresponding climate and macro paths, which are then input into the Group's stress testing engine to assess the financial impact on the Group. • Scenario analysis is used as a valuable tool to understand and inform the potential impact of climate change on the Group's loan portfolios and contributes towards the Group's climate change portfolio analysis (covering both physical and transitional risks). The scenario analysis is fully embedded within the Group's Credit risk which supports the assessment on Solvency risk (i.e. ICAAP). Outside of the scenario analysis, the financial impact of climate change is considered within other principal risk types as outlined later in this section (Potential climate-related impacts on Group's principal risks), for non-financial principal risk types, the Group acknowledges the importance of climate change and the potential risk that may occur within the time horizons mentioned, however, further assessment will be required while processes and frameworks are maturing. • The outcome of the scenario analysis detailed within the Group's ICAAP provides an indication of the size and scope of climate-related risks. For further details on the scenario analysis outputs, please see page 108. • Climate risk is a key consideration in the Group's wider assessment of ESG risks and opportunities which uses the outputs of scenario analysis to support the assessment of material ESG risks and opportunities, which further informs the ESG strategy. Within the Group's ESG materiality assessment, climate-related topics are identified and the degree of importance to stakeholder groups are assessed. Collectively, the Group considers a wide range of global issues, industry, and sector-specific considerations (i.e. regulatory and disclosure requirements) to ensure consistency on the Group's values and risk culture (e.g. risk classifications) are reflected in the ESG Operating Framework and Climate Risk Management Framework.	• Support brokers/borrowers in educating and provide awareness of energy efficiency and their carbon footprint • Produce climate risk management information with trend analysis and alignment to the Group's scenario analysis selection	TCFD Report (Strategy) – page 108.

Task Force on Climate-Related Financial Disclosures continued

3. Risk Management continued

Approach	Looking Ahead	Further details
3a) Processes for identifying and assessing climate-related risks (continued): • During 2024, an ESG indicator was implemented within the Group's Operational Risk Management System as an added feature for the Group's Risk and Control Self-Assessments (RCSA) to support the ongoing visibility of ESG risks (including climate risk) and enhance the identification of ESG risk as part of the Group's business strategy, financial planning and risk management. • The Group's Market and Liquidity risk considers climate-related risks for both IRRBB (Interest Rate Risk in the Banking Book) and foreign exchange from funding its OSB India subsidiary and taking into consideration how the monsoon season in India will impact GBP/INR FX rates as part of the ILAAP process. • Third-party research and consultancy is a key factor in identifying and managing climate-related risks. Results from activity conducted in 2024 indicates two main factors; (i) uncertainty in the UK regulatory regime relating to the property sector and (ii) methods that can be implemented to reduce the Group's financed emissions. The Group will continue to present related findings at relevant committees to inform management of challenges and opportunities that aligns with the Group's ESG strategy.		
3b) Processes for managing climate-related risks: • The existing lending policies and criteria help to manage climate risk across the Group's loan portfolios i.e., setting out the EPC requirements for Buy-to-Let lending. Flood, subsidence, and coastal erosion risks are in part mitigated by independent property valuation, which forms part of the underwriting process. • Climate risk appetite statements and limits remain in place helping to inform the Group's ESG strategy and facilitate monitoring of the Group's climate risk profile. Monitoring and reporting of relevant climate risk appetite and climate risk profiles (such as EPC profile and new originations/existing lending stock) are presented to related committees on a quarterly basis (e.g. ESG Committee). • Outputs derived from analysis related to the climate risk appetite and related thresholds provides key information in assessing forward-looking potential risks. The process includes trend analysis and scenario analysis related to the Group's ESG targets and strategy to ensure clear visibility on potential future risks. The climate risk appetite statements and limits are reviewed bi-annually (via governance channels such as ESG Committee and Risk Committee) to ensure they are fit for purpose and fulfil the role that would drive ESG and climate risk strategies for the Group. • Non-Executive Directors' workshops are held as part of the review and approval process of climate risk appetite which keeps the Board informed and aware of the Group's approach to climate risk management.	• Monitor the EPC profile and related risk indicators that will support the Group in managing its climate-related risks • Identify enhancements to internal training that would support the Group in managing climate-related risks	

Task Force on Climate-Related Financial Disclosures continued

3. Risk Management continued

Approach	Looking Ahead	Further details
3b) Processes for managing climate-related risks (continued): • Since 2022, Group-wide training was established for ESG which incorporated environmental and climate change-related topics. In 2024, the Group further enhanced climate-related training by developing educational videos internally on climate change due to launch in 2025. The training and the Group's Employee Engagement network named Our Planet, raises the awareness and educates across all three lines of defence best practise in managing climate-related risks. • The Group is a UK entity and regulated by both the PRA and FCA. Therefore, the Group takes high priority on regulatory or legislative changes which feeds into physical and transition climate risk (e.g. policy and legal risk as per TCFD Recommendations). • The Group prioritises credit risk associated with the lending book as borrowers are subject to transitional and physical risk. The Climate Risk Management Framework and its principles are established for credit risk and acts as a guidance in supporting other risks in managing climate-related risks. • The Group's ESG Materiality assessment is an essential tool within the first line of defence to support in managing climate-related risks. Both first line and second line of defence establish a review and challenge relationship to ensure both ESG commitments and climate-related risks are in alignment. The process takes into consideration of best practices derived from international/regulatory standards where recommendations may or may not be relevant to the Group's business model. • As part of the Group's Operational Resilience arrangements, the risk is assessed by estimating the likelihood and impact on Important Business Services, locations and/or business-specific threats, this includes events caused by extreme weather. • On an annual basis, the Group conducts a complete review of its loan book from a climate perspective. This enables the Group to determine the potential impact of climate-related risks. Quarterly monitoring of the loan book is performed based on new loan business to assess the trend of the loan book throughout an annual cycle. • For physical risk, the Group aligned its scenario analysis processes with UKCP18 climate change predictions for the UK that were issued by the Met Office in collaboration with other agencies.	• Monitor the EPC profile and related risk indicators that will support the Group in managing its climate-related risks • Identify enhancements to internal training that would support the Group in managing climate-related risks	

Task Force on Climate-Related Financial Disclosures continued

4. Metric and targets

4a) Metrics used to assess climate-related risks and opportunities:
The Group utilises a variety of metrics to assess climate-related risks and opportunities which are outlined in both the Sustainability Report and the Risk Review section of the Strategic Report (please see the below table for mapping). Metrics also take consideration of cross-industry metrics, global standards (e.g. ISO14001) and related metrics that are utilised for the Group's Remuneration policy.

In 2024, the Group evolved in creating a Transition dashboard which included a suite of metrics and targets to support discussions and assess the current progression relating to the Group's emission targets. Metrics and targets include; historical trend analysis relating to emission targets, climate risk appetite, climate risk profiling based on current/historic loan portfolio and metrics related to transitional finance.

The Group continues to track its performance through discussions via channels such as the Climate Transition Working Group and the ESG Committee. Disclosures of progression related to emissions reduction targets will continue to be outlined within the Group's Climate Transition Plan. For further details, please refer to the Climate Transition Plan and updates under the Sustainability Report – Just Transition section page 76.

The metrics related to physical and transition risks previously mentioned are considered as part of the Group's risks and opportunities (please refer to the Strategy section of the Group's TCFD Report). This includes the following mapping:

Topic	Type	Description	Further details
Lending – physical	Risk	The Group considers risk exposures based on climate risk perils which includes flood, subsidence and coastal erosion. The risk exposures are modelled which will include data considerations such as; winter precipitation, shrink swell clay risk, summer precipitation, erosion sensitivity and height above sea level.	– **Metrics:** page 52 – **Targets:** N/A – **Trend analysis:** page 109
Lending – transition	Risk	The transitional risk metrics are based on the loan portfolio's EPC distribution and GHG emissions calculated using the GHG Protocol Corporate Standard.	– **Metrics (GHG Emissions):** Sustainability Report page 83 – **Targets:** Sustainability Report page 80 (To reduce emissions intensity of our mortgage lending by 25% by 2030 from a 2022 baseline) – **Trend Analysis:** Sustainability Report pages 84-85, **TCFD:** Insights from our Scenario analysis page 109
Uncertainty in market proposition	Risk	Analysis derived from the transitional risk metrics (i.e. EPC, GHG emissions) supports the Group's oversight of its mortgage portfolio which can be impacted by market propositions, fluctuations and policy changes.	– **Trend analysis:** page 109
Reputational	Risk	Transitional risk metrics (i.e. EPC, GHG emissions) are assessed to measure the progress against the Group's emission targets.	– **Targets:** Sustainability Report page 80
Operations – physical	Risk	The Group considers the location of its operations based on climate risk perils which includes flood, subsidence and coastal erosion. Exposure to the climate risk perils will mean disruption to the business. The perils factor data considerations would include; winter precipitation, shrink swell clay risk, summer precipitation, erosion sensitivity and height above sea level.	– **Metrics:** page 52
Operations – transition	Risk	Transitional risk metrics (i.e. EPC, GHG emissions) are assessed to monitor the Group's total emissions and mortgage portfolio which can be impacted by new governmental or policy changes.	– **Trend analysis:** Sustainability Report pages 84-85 **TCFD:** Insights from our Scenario Analysis page 109 – **Targets:** Sustainability Report page 80

Task Force on Climate-Related Financial Disclosures continued

Topic	Type	Description	Further details
Lending – transition	Opportunities	Transition risk metrics (i.e. EPC, GHG emissions) are utilised to assess the Group's portfolio. The outcome of the assessments help drive thought leadership relating to opportunities on the Group's products and services.	– **Metrics (GHG Emissions):** Sustainability Report page 83 – **Trend Analysis:** Sustainability Report pages 84-85 **TCFD:** Insights from our Scenario analysis page 109
Opportunities – resource efficiency	Opportunities	The GHG emissions (Scope 1 and Scope 2) are key metrics that would contribute to the Group's monitoring of its direct emissions. Therefore, increasing the Group's energy efficiency can help lower the Group's direct emissions and operating costs.	– **Metrics (GHG emissions):** Sustainability Report page 83
Opportunities – energy source	Opportunities	GHG emission metrics would be a measure in assessing low or zero carbon technologies.	– **Metrics (GHG emissions):** Sustainability Report page 83
Other			
Water, energy and waste management	Risk	Monitored via the Group's Environmental Management System (EMS) which is certified to ISO14001.	– **Metrics:** Sustainability Report page 82
Performance metrics incorporated into remuneration policies	Performance	Greenhouse gas (GHG) emission reduction targets is a performance measure which is considered as part of Executives' and Senior Management's remuneration.	– **Metrics:** Directors' Remuneration Report pages 173-174
Internal carbon prices, revenue from products and services designed for low-carbon economy	Performance	The revenue generated from the Group's energy efficiency products indicates low revenue generated due to a low number of completed applications. In 2024, the Group engaged with a third-party consultancy to establish a potential strategy on internal carbon price as a metric that would support the Group with its strategy and risk management.	

Looking ahead

- Utilise metrics and targets to support thought leadership and internal discussions via committees and working groups.
- Review the metrics and targets of physical and transitional risk to support in managing the Group's climate risk profile and risk appetite thresholds.
- Consider carbon pricing to support the implementation of the Transition Plan.

Task Force on Climate-Related Financial Disclosures continued

4b) Scope 1, 2 and 3 GHG emissions and the related risks/4c) Targets used to manage climate-related risks and opportunities:

Metric	Description	Reference	Targets	Reference
Scope 1	Scope 1, 2 and 3 emissions have been disclosed (where relevant and available for Scope 3), emissions are calculated in line with the GHG Protocol Corporate Standard. Criteria for reporting GHG emissions can be found on the Group's website.	Sustainability Report page 83	**Intensity based target**	Sustainability Report page 80 NZBA Intermediate Targets
Scope 2			**Base year target**	Sustainability Report page 80 NZBA Intermediate Targets
Scope 3			**Key Performance Indicators**	Sustainability Report page 79

Historical periods and trend analysis are utilised to monitor the performance/progress of all emissions reduction targets and management information is presented at relevant committees, management meetings and working groups for progression tracking (i.e. Energy Management meetings and at the Climate Transition Working Group).

Methodologies used to calculate targets and measures (including interim targets)

Metrics derived from trend analysis such as historic data are utilised to consider new proposed thresholds when considering the Group's climate risk appetite. The metrics support's the Group in monitoring the progress associated with emissions reduction targets and the Transition Plan.

Analysis and insights provided by third-party consultancy are drivers that support the Group in strategy planning in reaching its targets.

Looking ahead

- Assess the risks and opportunities associated with Scope 1, 2 and 3 emissions and manage accordingly.
- Track performance against the agreed Climate Transition Plan, taking management actions if required.
- Seek enhancements on metrics and targets as risk management and transition planning matures.

Non-financial and sustainability information statement

The requirements of sections 414CA and 414CB of the Companies Act 2006 relating to non-financial reporting are referenced in the table below and cross referenced to relevant sections within the Annual Report to better understand the impact and stakeholder outcomes across a range of policies and guidance.

Reporting requirement	Policies, guidance and standards	Further information to understand impact and outcomes
Environmental	Environmental policy	See page 82
	TCFD – Climate-related disclosures	See pages 100 – 115
	Energy Policy	See page 82
	ESG Operating Framework	See page 95
Employees	Group D,E & I Inclusion policy	See page 89 – 90
	Trans Inclusion and Gender Identity policy	See page 98
	Sexual Harrassment Policy	See page 98
	Group Health and Safety policy	See page 98
Social Matters	Group Data Retention policy	See page 98
	Tax	See page 99
	Lending policy	See page 96
	Group Complaint Handling policy	See page 96
	Group Customer Vulnerability policy	See page 96
	Group Arrears Management and Forbearance policy	See page 96
	Consumer Duty	See page 96
Human Rights	Modern Slavery Statement and Vendor Code of Ethics	See page 97
	Group Vendor Management and Outsourcing policy	See page 97
Anti-Bribery and Corruption	Group Whistleblowing policy	See page 97
	Group Financial Crime policy	See page 98
	Conflicts of Interest policy	See page 97
	Group Operational Resilience policy	See page 98
	Artificial Intelligence Responsible Use policy	See page 99
	Cyber Security	See page 99

Reporting requirement	Further information to understand impact and outcomes
Description of the business model and strategy	See pages 14 – 19 and 24 – 26
Policy embedding, due diligence and outcomes	See pages 72 – 115
Description of the principal risks and impact of business activity	See pages 54 – 69
Description of the non-financial key performance indicators	See pages 73 – 91
Climate-related financial disclosures	
Governance arrangements in relation to assessing and managing climate-related risks and opportunities	See pages 101 – 102
Risk management processes for identifying, assessing and managing climate-related risks	See pages 110 – 112
Climate-related risks and opportunities	See pages 76 – 79 and 103 – 105
Potential impacts on the business model and strategy	See page 106 – 108
Targets used to manage climate-related risks and opportunities and performance against those targets	See pages 80 – 81
Key performance indicators used to assess progress against targets	See pages 80 – 85

Corporate Governance Report

Our Board of Directors

N
C
Re

David Weymouth
Board Chair

Tenure
7 years 3 months

Skills, experience and qualifications
David was appointed as Chair of OSB in September 2017. He has over 40 years' experience across many sectors in financial services including serving as Global Chief Information Officer for Barclays Bank plc, Chief Operations Officer and Chief Risk Officer for RSA Insurance Group PLC. David has served as a Non-Executive Director on a number of Boards in the UK and US, including Chair of Fidelity Investments, Chair of Mizuho International PLC and Senior Independent Director and Chair of Risk Committee at Royal London Mutual Insurance Society.

David has a wealth of experience in operations, technology, risk management and Board level leadership.

Current external appointments
David is Chair of Pension Insurance Corporation PLC and Pension Insurance Corporate Group Limited, and Chair of the Board Risk Committee at Marsh Limited.

C

Andy Golding
Chief Executive Officer

Tenure
13 years 0 months

Skills, experience and qualifications
Andy was appointed Chief Executive Officer of OSB in December 2011. Prior to that he was Chief Executive of Saffron Building Society for five years, and held senior positions at National Westminster Bank plc, John Charcol Limited and Bradford & Bingley plc. Andy served as a Non-Executive Director for Kreditech Holding SSL GmbH and Northamptonshire Healthcare NHS Foundation Trust. He served as a member of the Building Societies Association's Council and the Financial Conduct Authority's Smaller Business Practitioner Panel. Andy is a highly regarded leader with a deep understanding of banking and over 30 years' experience in financial services.

Current external appointments
Andy is a Director of the Building Societies Trust Limited.

C
M

Victoria Hyde
Chief Financial Officer

Tenure
0 years 6 months

Skills, experience and qualifications
Victoria joined OSB Group in September 2022. Prior to joining OSB, Victoria worked at Barclays for 21 years, most recently as Finance Director of the Consumer, Cards and Payments segment. Victoria is a qualified Chartered Management Accountant and has over 25 years' experience in finance. She has supported retail, corporate and investment banking business lines across a range of finance roles including product control, treasury finance, costs and business planning and analysis.

Victoria was appointed as Chief Financial Officer and Executive Director, joining the Board on 22 July 2024.

Current external appointments
None held.

N
A
Re
Ri

Noël Harwerth
Senior Independent Director

Tenure
7 years 6 months

Skills, experience and qualifications
Noël was appointed to the Group Board and the position of Senior Independent Director in October 2019. She was appointed to the Board of CCFS in June 2017, assuming the role of Senior Independent Director from August 2017. She held several Non-Executive board roles with Sirius Minerals plc, Standard Life Aberdeen plc, RSA Insurance Group plc, GE Capital Bank Limited, Sumitomo Mitsui Banking Corporation Europe Limited, Avocet Mining plc, Alent plc, Corus Group plc, Logica plc, The London Metal Exchange, Standard Life Assurance Limited and Scotiabank Europe Limited. Noël also held a variety of senior positions with Citicorp for 15 years, latterly serving as the Chief Operating Officer of Citibank International plc. Noël has extensive experience in both the public sector (government bodies) and the private sector (global banking companies) bringing valuable insight to the Boardroom debate.

Current external appointments
Noël is a Non-Executive Director of CAB Payment Holdings plc and Crown Agents Bank Limited. Noël was appointed as a Director of Hansard Global plc in September 2024.

Committee membership:

■	Committee Chair
N	Group Nomination and Governance Committee
Re	Group Remuneration and People Committee
C	Board Capital and Funding Committee
M	Group Models and Ratings Committee
A	Group Audit Committee
Ri	Group Risk Committee

Director tenures are as at 31 December 2024

Our Board of Directors continued

Re

Kal Atwal
Independent Non-Executive Director and ESG Champion

Tenure
1 years 10 months

Skills, experience and qualifications
Kal was appointed to the Group Board on 7 February 2023. Kal has significant experience as a Non-Executive Director across FTSE 100, FTSE 250 and mutual businesses and was previously a Non-Executive Director of Admiral Financial Services Limited and WH Smith PLC. At BGL Group, Kal was Managing Director and became the Founding Managing Director of comparethemarket.com, a division of BGL. Following promotion to Group Director of BGL Limited, Kal was responsible for brand-led businesses, group strategy and corporate communications. Kal is an experienced strategy leader with international experience in start-up, scale-up, fintech and digital businesses.

Current external appointments
Kal is a Non-Executive Director of Royal London Mutual Insurance Society Limited, Whitbread Plc and Chair of FunkyPigeon.com Limited, a subsidiary of WH Smith PLC.

A M Ri

Henry Daubeney
Independent Non-Executive Director

Tenure
0 years 6 months

Skills, experience and qualifications
Henry was appointed to the Group Board in July 2024. He has extensive experience in the financial services sector following a 38 year career with PricewaterhouseCoopers LLP where he was a senior audit bank partner and most recently the Global Head of Corporate Reporting Services – IFRS and Sustainability Reporting. He has also been a member of the IFRS Advisory Council and member of the Corporate Reporting Group of the Global Public Policy Committee (GPPC) and Co-Chair of the GPPC Bank Working Group. Henry has extensive experience of financial and regulatory reporting in the UK and US with a strong background in internal and financial controls, governance and compliance. Henry is a Fellow of the Institute of Chartered Accountants.

Current external appointments
None held.

N A Re

Sarah Hedger
Independent Non-Executive Director and People Champion

Tenure
5 years 10 months

Skills, experience and qualifications
Sarah was appointed to the OSB Board in February 2019 and previously held leadership positions at General Electric Company (GEC) for 12 years in its Corporate, Aviation and Capital business development teams, leaving General Electric Company as Leader of Business Development and M&A for its global GE Capital division. Prior to General Electric Company, Sarah worked at Lazard & Co. Limited for 11 years, leaving as Director, Corporate Finance and also spent five years as an auditor at PricewaterhouseCoopers LLP. She served as an Independent Non-Executive Director of Balta Group NV, a Belgian company listed on Euronext, until December 2021 and as Non-Executive Director of GE Money Bank AB for three years during her time at GEC. Sarah has significant capital management and merger and acquisitions experience in financial services. Sarah qualified as a chartered accountant.

Current external appointments
None held.

A M C Re Ri

Rajan Kapoor
Independent Non-Executive Director and Whistleblowing Champion

Tenure
8 years 3 months

Skills, experience and qualifications
Rajan was appointed to the Group Board in February 2020 and the OSB and CCFS subsidiaries in October 2019 and September 2016 respectively. He was Financial Controller of NatWest Group (formerly Royal Bank of Scotland Group) and held a number of senior finance positions during a 28 year career. Rajan has extensive experience of financial and regulatory reporting in the UK and US with a strong background in internal financial controls, governance and compliance. Rajan is a Fellow of the Institute of Chartered Accountants and of the Chartered Institute of Bankers in Scotland.

Current external appointments
Rajan is a Non-Executive Director of Allica Bank Limited and Revolut Newco UK Ltd.

M A C Ri

Simon Walker
Independent Non-Executive Director and Consumer Duty Champion

Tenure
2 years 11 months

Skills, experience and qualifications
Simon was appointed to the Group Board in January 2022. He joined KPMG in 1980 and was made a partner of the firm in 1992, going on to lead the firm's National Building Societies and Mortgage Practice and subsequently became banking partner in Financial Risk Management. Simon graduated in Law from University College London and is a qualified chartered accountant. Simon was previously a Non-Executive Director of IWP (Holdings) Limited and Leeds Theatre Trust Limited. Simon has significant experience in financial services and mortgages, SME lending, risk management and regulation within the banking sector.

Current external appointments
Simon is a Non-Executive Director of H&T Group plc, the Bank of London Group Ltd and The Bureau of Investigative Journalism.

Our Group Executive Committee

Meet our strong leadership responsible for delivering the Group's strategy

Debra Bailey
Interim Group Chief Information Officer

Experience and qualifications
Debra joined OSB Group as Interim Group Chief Information Officer in January 2025. She is a business and technology leader with a breadth of experience in strategic, transformational, operational and change roles in sizeable organisations across financial services, telecommunications, logistics and the public sector.

The majority of her career has been in financial services, at the Woolwich, Barclays and Nationwide Building Society where she was an Executive Committee member with operations and operational resilience alongside technology and security responsibilities. In her last role she was Chief Information Officer and a member of the Executive Committee at Royal Mail responsible for IT strategy, operations and change, architecture and security.

Jens Bech
Group Commercial Director

Experience and qualifications
Jens joined OSB as Chief Risk Officer in 2012, before becoming Group Commercial Director in 2014.

Jens joined from the Asset Protection Agency, an executive arm of HM Treasury, where he held the position of Chief Risk Officer. Prior to joining the Asset Protection Agency, Jens spent nearly a decade at management consultancy Oliver Wyman Limited where he advised a global portfolio of financial services firms and supervisors on strategy and risk management. Jens led Oliver Wyman Limited's support of Iceland during the financial crisis.

Jason Elphick
Group General Counsel and Company Secretary

Experience and qualifications
Jason joined OSB in June 2016. He has over 25 years of legal private practice and in-house financial services experience. Jason's private practice experience was primarily in Australia with King & Wood Mallesons and in New York with Sidley Austin LLP. He has been admitted to practice in Australia, New York and England and Wales.

Jason's previous in-house financial services experience includes serving as Director and Head of Bank Legal at Santander UK Group. He also held various roles at National Australia Bank Limited, including General Counsel Capital and Funding, Head of Governance, Company Secretary and General Counsel Product, Regulation and Resolution.

Jon Hall
Group Managing Director, Mortgages and Savings

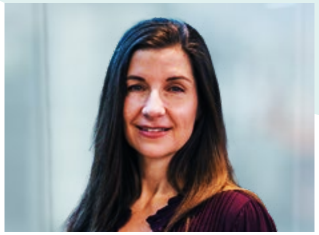
Experience and qualifications
Jon joined OSB Group in November 2021. Jon has significant experience within the financial services sector and joined the Group from Aspinall Financial Services, a pre-authorisation bank start-up, having previously led Masthaven Bank from 2016 to early 2021 as their Chief Commercial Officer and Deputy Chief Executive. Jon started his career with PricewaterhouseCoopers LLP, before joining Aviva plc and subsequently became Chief Executive of Saffron Building Society. Jon is a Fellow of the Institute of Chartered Accountants in England and Wales.

Orlagh Hunt
Chief People Officer

Experience and qualifications
Orlagh joined OSB Group in September 2024. Orlagh has over 25 years' executive experience spanning retail, FMCG and financial services. She has a breadth of experience in driving change, colleague engagement and capability building. She is a Member of the Chartered Institute of Personnel and Development.

Prior to joining us, Orlagh was the Chief People Officer at Yorkshire Building Society and brings a wealth of experience having previously worked as Head of HR for AXA Sunlife and as Group HR Director for both Royal & Sun Alliance and Allied Irish Bank.

Our Group Executive Committee continued



Lisa Odendaal
Group Chief Internal Auditor

Experience and qualifications
Lisa joined OSB in April 2016 from Grant Thornton, where she led outsourced internal audit functions for a variety of financial institutions, including investment banks, retail banks, and asset managers. Her career spans audit and operational roles at PricewaterhouseCoopers LLP, Morgan Stanley, HSBC, and Man Group plc, with experience gained in the UK, UAE and Switzerland. A Chartered Internal Auditor, Lisa has worked on risk management, regulatory compliance, and governance frameworks across multiple jurisdictions, supporting businesses in adapting to evolving regulatory and market demands.

Hasan Kazmi
Group Chief Risk Officer

Experience and qualifications
Hasan joined OSB in September 2015 as Chief Risk Officer. He became Group Chief Risk Officer in 2021.

Hasan has over 25 years of risk experience having worked at several financial institutions, including Barclays Capital, Royal Bank of Canada and Standard Chartered Bank. Prior to joining OSB, he was a Senior Director at Deloitte LLP within the risk and regulatory practice with responsibility for leading the firm's enterprise risk, capital, liquidity, recovery and resolution practice. Hasan graduated from the London School of Economics with a MSc in Systems Design and Analysis and a BSc in Management.

Clive Kornitzer
Group Chief Operating Officer

Experience and qualifications
Clive joined OSB in 2013. Clive has over 25 years of financial services experience, having worked at several financial organisations including Yorkshire Building Society, John Charcol Limited and Bradford and Bingley plc. Prior to joining OSB, Clive spent six years at Santander UK Plc where he was the Chief Operating Officer for the intermediary mortgage business. He has also held positions at the European Financial Management Association and has been the Chair of the FS Forums Retail Banking Sub-Committee. Clive is a Fellow of the Chartered Institute of Bankers and recently completed an advanced Leadership Program at INSEAD, as well as the FT Non-Executive Directors Diploma.

Richard Wilson
Group Chief Credit and Money Laundering Reporting Officer

Experience and qualifications
Richard joined OSB in 2013. Prior to joining OSB, Richard was responsible for credit and collections strategy for Morgan Stanley's origination businesses in the UK, Russia and Italy. Between 1988 and 2006, Richard held various roles at the Yorkshire Building Society.

Corporate Governance Report

Our balanced and diverse Board

OSB GROUP PLC Board

Chair

David Weymouth

Executive Directors

Andy Golding
Chief Executive Officer (CEO)

Victoria Hyde
Chief Financial Officer (CFO)

Independent Non-Executive Directors

Noël Harwerth (SID)

Rajan Kapoor

Sarah Hedger

Simon Walker

Kal Atwal

Henry Daubeney

Board Committees

Group Risk Committee
Read more on page 150

Group Audit Committee
Read more on page 143

Group Remuneration and People Committee
Read more on page 154

Group Nomination and Governance Committee
Read more on page 136

The OSB Group Board also have a Board Capital and Funding Committee.

9
Directors

66.7%
Independent (excluding Board Chair)

44%
Female Directors

2
Directors from ethnically diverse backgrounds

Board changes in 2024

9 May 2024
April Talintyre steps down as CFO and Executive Director

1 July 2024
Henry Daubeney appointed as Independent Non-Executive Director (INED)

22 July 2024
Victoria Hyde appointed as CFO and Executive Director

Corporate Governance Report continued

Dear Shareholder,

Welcome to our 2024 Corporate Governance Report for the year ended 31 December 2024. This section of the Annual Report and Accounts describes how our corporate governance framework operates, details the composition of the Board and its Committees and details how they have approached key areas of focus and addressed any strategic issues arising during the course of the year.

This section also details how we have applied and complied with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (the Code). A statement disclosing compliance with the Code can be found on page 124, and disclosures on how the Company engages with its stakeholders, can be found on pages 132-135. I am confident that, not only has the Board complied with the requirements of the Code and its other legal and regulatory obligations, but that it has successfully discharged its responsibilities to ensure the good governance of the Group.

Engagement with stakeholders

I, together with the rest of the Board, really value feedback from investors and other stakeholders and we were pleased with the level of shareholder support for the resolutions proposed at the 2024 Annual General Meeting (AGM) (all resolutions were passed with at least 80% of votes in favour).

During the course of 2024, I have enjoyed meeting a number of shareholders and other stakeholder groups. In respect of shareholder meetings, this provides an opportunity to gain insights into investor issues and areas of focus. I have found them incredibly insightful and would encourage all shareholders to take advantage of any future opportunities for dialogue.

In addition to meetings with shareholders, I have also attended Our Voice, the Group's Workforce Advisory Forum, which includes employee representation from all geographical locations, including OSB India. This has provided an opportunity for myself and other Board members to hear directly from employees and gain insights into those issues (positive or negative) which have been affecting them.

Board effectiveness

During the year, we undertook an externally facilitated review of the Board, its Committees and individual Directors' effectiveness. As a Chair, I always find these processes incredibly helpful in providing a different perspective and challenging the status quo. Some areas of development were identified, and I look forward to seeing the impact of these developments on the effectiveness of the Board during 2025 and beyond.

Board changes and composition

During 2024 we welcomed Henry Daubeney and Victoria Hyde to the Board. Henry Daubeney joined as an additional INED, with a view to succeeding Rajan Kapoor as Chair of the Group Audit Committee in 2025. He brings extensive experience in financial services, following a 38-year career with PricewaterhouseCoopers LLP (PwC) and we look forward to his contributions over the years to come.

Victoria Hyde replaced April Talintyre as CFO and Executive Director on 22 July 2024. Victoria joined the Group in September 2022, following a significant career with Barclays, and is making valuable contributions to the Board as well as the Finance function.

In February 2025, we also announced the appointment of Sally Jones-Evans as an INED and successor to Sarah Hedger as Chair of the Group Remuneration and People Committee. Sally brings extensive non-executive Board experience, having served as a Board member and chaired audit, risk and remuneration committees. We look forward to welcoming Sally to the Board and collaborating with her. At the same time, we extend our sincere thanks to Sarah Hedger for her valuable contributions and dedication during her time on the Board.

Conclusion

I am delighted to invite all of our shareholders to further engage with us at our AGM on 8 May 2025. The Annual Report and Accounts and Notice of the AGM will be sent to shareholders at least 20 working days prior to the date of the meeting. Shareholders are encouraged to participate in the AGM process and all resolutions will be proposed and voted on at the meeting by shareholders or their proxies. Voting results will be announced and made available on the Company's website, www.osb.co.uk.

David Weymouth
Chair of the Board
12 March 2025

Corporate Governance Report continued

UK Corporate Governance Code – statement of compliance

Our Corporate Governance Report reflects the requirements of the 2018 Financial Reporting Council's (FRC) UK Corporate Governance Code (the Code). During 2024, the Board confirms that the Group has complied with the provisions and applied the principles of the Code. To view how we comply with the Code, please see below:

Section	Code principles	How we complied with the Code
Board leadership and Company purpose	A) A balanced and diverse Board with a role to promote the long-term sustainable success of the Group and generate value for shareholders	122-131
	B) Purpose, values and culture	125
	C) Performance measures, risks and controls framework	125, 150-152
	D) Stakeholder engagement	132-135
	E) Workforce policies and practices	158-159
Division of responsibilities	F) Leadership of Board and Board operations	125, 129
	G) Board composition, Board roles and independence	125, 128-129
	H) Directors' responsibilities and time commitment	129
	I) Board support, information and advice	130-131
Composition, succession and evaluation	J) Board appointments and succession plans for Board and senior management	137
	K) Board skills, experience and knowledge	138-139
	L) Annual Board evaluation	131, 140-141
Audit, risk and internal control	M) Effectiveness of external auditor and internal audit	147-149
	N) Fair, balanced and understandable assessment of the Company's position and prospects	145
	O) Risk Management and Internal Control Framework	150-152
Remuneration	P) Remuneration and alignment to Company's purpose, strategy and values	154-179
	Q) Executive and senior management remuneration	161-174
	R) Authorisation of 2024 remuneration performance outcomes	160-170, 175-179

A copy of the Code can be found on the FRC's website.

Corporate Governance Report continued

Role of the Board and Company culture

The Board is responsible for promoting the long-term sustainable success of the Group as a whole, generating value for shareholders and contributing to wider society. It sets the Group strategy, including raising and allocation of capital.

Through its oversight and monitoring of business operations, the Board ensures competent and prudent management, sound planning, proper procedures for the management of adequate accounting and other records and systems of internal control, and for compliance with statutory and regulatory obligations.

The Board is responsible to the shareholders for exercising all powers of the Company, subject to any relevant laws and regulations and in accordance with the Articles of Association (the Articles). The Articles permit the Board to delegate its authority to any Director or Committee as required. The Board remains responsible, however, for all acts of the Company notwithstanding such delegation of authority.

Fundamental to the Board's role are maintaining high standards of corporate governance, in particular those set out in the Code as well as other guidance provided by the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and other industry regulators.

The Board determines the business strategy and associated risk appetite performance which is monitored against set criteria and reported to shareholders, as appropriate. The Board maintains a robust system of internal systems and controls, which provide assurance of effective and efficient operations, internal financial controls and compliance with all applicable laws and regulations. It ensures senior management maintains effective risk control and oversight of processes across the Group to enable the delivery of strategy and business performance within the approved risk appetite and risk control framework. Fundamentally, the Board is the primary decision-making body for the Company and therefore addresses all matters of significance in relation to strategic, risk, financial, key person, regulatory or reputational implications.

As well as driving business strategy, the Board has primary responsibility for establishing the Company's purpose and values, ensuring alignment with the Company's culture. The Board regularly assesses the Company's ESG objectives and commitments, to embed ESG into culture and align it with purpose, value and strategy. Every Board member is expected to act with integrity, lead by example, and promote the Company's desired culture.

How the Board operates

The Board met ten times during the year. Meetings are convened by the Company Secretary and the Board Chair. Formal meetings are scheduled in advance with ad hoc meetings called when circumstances require. The Board agrees its annual agenda calendar to ensure that all matters are given due consideration and reviewed at the appropriate point in the regulatory and financial cycle.

An agenda of items to be discussed, together with corresponding papers are circulated to Board members sufficiently in advance of the meeting date. All Directors have the opportunity to propose business items to be considered by the Board.

In addition to the formal meetings, the Board held two strategy days to consider and develop the Group's strategic direction. During the year, Directors have attended several ad hoc meetings, workshops and training sessions and contributed to discussions outside of the meeting calendar. During 2024, the Board and Group Executive Committee conducted the majority of their meetings across Kent and London sites.

Board membership and composition

As at 31 December 2024, the Board comprised the Chair (independent on appointment), six INEDs and two Executive Directors. All of the INEDs, including the Board Chair, have been determined by the Board to be independent in character and judgement, and free from relationships or circumstances which may affect, or could appear to affect, the relevant individual's judgement. The independence of the INEDs is continuously monitored, including a formal annual review.

Any INED who does not meet the independence criteria will not stand for election or re-election at the AGM. Biographies of the Directors are included on pages 118-119 and are also available at www.osb.co.uk, which does not form part of this Annual Report.

The Group Nomination and Governance Committee considers the membership and tenure of the Board and its Committees as a whole and receives proposals for refreshing membership during the year, ensuring an appropriate balance of knowledge, experience and diverse representation. Further details can be found on pages 136-142.

The length of service for each Board member, in years, as at 31 December 2024, is outlined on pages 118-119. At the end of 2024, the average term of Directors was 4.5 years.

The letters of appointment of the INEDs will be available for inspection at the AGM.

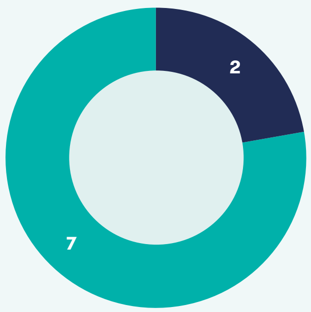
Board diversity

The Board is committed to ensuring that it is diversely constituted and reflective of broader stakeholders. A diverse Board, with broad skills and experiences, creates an environment that promotes constructive debate and independent opinion, driving informed decision-making.

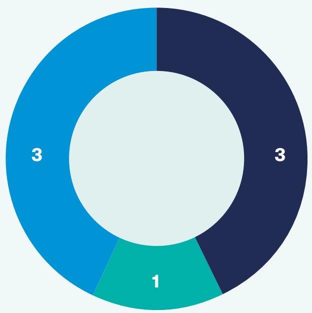
The Board has agreed a set of commitments (contained within the Group's Diversity, Equity and Inclusion (DE&I) Policy, approved in December 2024 and available at www.osb.co.uk) to address behavioural, gender and ethnic bias and basing appointments on merit and objective criteria and, within this context, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Corporate Governance Report continued

Executive and Independent Non-Executive Directors



Independent Non-Executive Director tenure



Performance against FCA diversity targets

Target	Outcome	Position (as at 31 December 2024)
At least 40% of Board Directors are women	Exceeded	Four of nine Board members are women
At least one senior Board position[1] is held by a woman	Exceeded	The positions of the SID and CFO are held by women
At least one Director is from a minority ethnic background	Exceeded	Two Board members are from a minority ethnic background

1. Senior positions are the Board Chair, SID, CEO and CFO.
2. The appointment of Sally Jones-Evans, with effect from 1 April 2025, does not impact the outcome.

Further numerical data on the sex or gender identity and ethnic diversity of the Board and Executive Management is outlined in the tables on page 140.

Elements of the Governance Framework

How governance contributes to the delivery of our strategy
Our governance arrangements fosters accountability and responsibility, establishing clear information flows and facilitating independent insights from INEDs. Governance oversight occurs at Board and Board Committee meetings, strategy days and one-to-one meetings with senior management including the CEO and CFO.

Matters reserved to the Board
The Board retains specific powers in relation to the approval of the Group's strategic aims, policies and other matters, which it must approve in line with legislation or the Articles. These powers are set out in the Board's written Terms of Reference and Matters Reserved to the Board, which are reviewed at least annually.

Board activities undertaken during the year are set out on page 127. The Board's Committees (illustrated on page 122) operated under Board delegated authority as prescribed in their individual Terms of Reference, which are also reviewed at least annually. The activities of each Committee during 2024 are on pages 136-157.

Matters reserved for the sole decision-making power of the Board is set out in the Board Terms of Reference. Those matters include material decisions relating to:

- Strategy and management
- Structure and capital
- Risk management
- Financial reporting and controls
- Remuneration
- Corporate governance
- Board members

Responsibility for the day-to-day running of the Group has been delegated to the CEO, supported by the Group Executive Committee, to make operational decisions and execute the Board's agreed strategy.

Corporate Governance Report continued

Key Board focus areas during 2024

The Board regularly receives and reviews reports on matters such as strategy, market competition and performance across each business area. The Board also receives updates on investor relations, legal, governance and regulatory matters, together with updates on the work of its Committees. A non-exhaustive list of other significant matters overseen by the Board during the year is set out below.

Key area of focus	Board role (approval/consideration)	Stakeholders (for key please see below)
Strategy	• Approved the 2024 Strategic and Financial Plan being Return on Equity, Transformation, Data and People. • As part of the Board strategy days, considered reports on the external competitor environment, M&A activity and market trends. • Agreed the governance principles for the Transformation programme, receiving regular updates on progress against key milestones (i.e. launch of the new Savings platform), resources, costs and mitigation of potential risks.	
Financial	• Approved the share repurchase programmes of 14 March and 5 September 2024. • Approved payment of interim dividends and recommended a final dividend to shareholders. • Approved the Annual Report, half year report and quarterly interim management statements. • Approved a £1.25bn deconsolidated securitisation transaction. • Received regular updates from the CFO, including key financial highlights.	
Risk management and control and regulatory	• Approved Group risk appetite statements and framework. • Reviewed, challenged and approved the Internal Liquidity Adequacy Assessment Process (ILAAP), Internal Capital Adequacy Assessment Process (ICAAP) and Additional Tier One (AT1) payments. • Received regular updates on recovery and resolution.	
Customers	• Progress on implementation of Consumer Duty, including approval of the Consumer Duty and Attestation Report.	
People and Culture	• Approved of the Board DE&I Policy. • Considered Board and Executive succession planning. • Considered and approved a Group-wide redundancy programme. • Received regular cultural updates.	
Governance	• Approved the appointment of Henry Daubeney as INED and Victoria Hyde as CFO and Executive Director. • Agreed the approach to the external review of Board Effectiveness and approved the recommendations from the 2024 externally facilitated Board evaluation. • Received regular updates of Board Committee activity from respective Committee Chairs.	

In considering the above the Board aims to consider the views of all impacted stakeholders whilst acting in the best interests of the Company and members as a whole, as set out in the section 172 statement.

Key

Customers
Colleagues
Communities
Regulators and policymakers
Intermediaries
Suppliers
Investors and rating agencies

Corporate Governance Report continued

Board and Board Committees

Board leadership and Group Corporate Governance Framework

Through its strong leadership and robust corporate governance, the Board sets the Group's strategy for maintaining a sustainable and profitable business, underpinned by a robust risk management framework.

Board Committees

The Board is supported in its work by its Committees, as set out on pages 136-157, all of which play an essential role in overseeing certain business on the Board's behalf, allowing the Board to focus on the strategic and business performance matters.

Their roles and responsibilities are set out in their Terms of Reference and are available at www.osb.co.uk, which do not form part of this Annual Report. The Terms of Reference are reviewed at least annually by each Committee.

Board and Committee meeting composition and attendance[1, 2]

Directors are expected to attend each meeting unless exceptional circumstances prevent them from doing so. Directors who are unable to attend meetings still receive the relevant papers and are given an opportunity to provide any comments or challenges to the relevant Committee Chair in advance. The table below shows each Director's Board and Committee meeting attendance during the year, in accordance to their membership.

Directors may be invited to attend meetings of Committees where they are not a member, if it is considered appropriate.

Meetings are generally held concurrently with OneSavings Bank plc, with business specific to each Company identified and recorded as appropriate reflecting the decisions taken by the Board of the relevant entity.

As at 31 December 2024	Board	Group Audit Committee	Group Remuneration and People Committee	Group Nomination and Governance Committee	Group Risk Committee
Current Directors					
David Weymouth (Chair)	10/10	n/a	6/6	7/7	n/a
Kal Atwal[4]	9/10	n/a	6/6	n/a	n/a
Henry Daubney[3]	5/5	3/3	n/a	n/a	2/2
Andy Golding[4]	9/10	n/a	n/a	n/a	n/a
Noël Harwerth[4]	10/10	7/7	6/6	7/7	5/6
Sarah Hedger[4]	9/10	7/7	5/6	6/7	n/a
Victoria Hyde	6/6	n/a	n/a	n/a	n/a
Rajan Kapoor	10/10	7/7	6/6	n/a	6/6
Simon Walker	10/10	7/7	n/a	n/a	6/6
Former Directors					
April Talintyre[3]	4/4	n/a	n/a	n/a	3/3

1. The Group Chief Risk Officer and other Group Executives are invited to attend as appropriate.
2. Attendance at meetings of the Board Capital and Funding Committee were not included due to its transactional nature.
3. Henry Daubeney was appointed on 1 July 2024. April Talintyre resigned as Director of the Group on 9 May 2024.
4. Kal Atwal, Andy Golding and Sarah Hedger were unable to attend one Board meeting in 2024, which was arranged on an ad-hoc basis, due to prior commitments. Noël Harwerth missed one Group Risk Committee meeting during the year due to personal reasons. Sarah Hedger was unable to attend one joint meeting of the Group Nomination and Governance Committee and Group Remunerations and People Committee, called on an ad-hoc basis, due to prior commitments. Comments/questions were provided by all Directors in advance to the Board Chair.

Corporate Governance Report continued

Division of responsibilities

There is a clear division of responsibilities between the operation of the Board and the Executive responsibility for the day-to-day running of the business. The Board Chair is responsible for the leadership of the Board and its overall effectiveness, ensuring appropriate balance of skills, experience and development so that it can focus on the key issues affecting the business. The Board Chair is pivotal in creating the conditions for overall Board and individual director effectiveness, both inside and outside the boardroom.

The Board has delegated authority to Andy Golding, as CEO, for the day-to-day running of the Group, implementing the Board approved strategy. With the support of the Group Executive Committee, Andy regularly reports progress to the Board. He ensures that the Group operates effectively at strategic, operational and administrative levels and is responsible for:

- all the Group's activities;
- leadership and direction to encourage execution of strategies agreed by the Board;
- channels expertise, energy and enthusiasm;
- building individual capabilities within the team;
- developing and encouraging talent within the business;
- identifying commercial and business opportunities for the Group, building strengths in key areas; and
- all commercial activities of the Group, liaising with regulatory authorities where appropriate.

He is responsible for the quality and financial wellbeing of the Group, represents the Group to external organisations and builds awareness of the Group externally.

An experienced Group Executive Committee, comprising specialists in finance, banking, risk, operations, internal audit, legal and IT matters, assist the CEO in carrying out his responsibilities. The biographies for the Group Executive Committee are set out on pages 120-121.

Senior Independent Director (SID)

Noël Harwerth was appointed as SID in October 2019 and fulfilled this role throughout 2024. She is a sounding board for the Board Chair, another point of contact for other INEDs and an alternative route of communication for shareholders when other channels of engagement are not available. Noël also leads the annual appraisal on Board Chair performance.

There is a clear division of responsibilities, which has been agreed by the Board, and the roles and responsibilities of the Board Chair, CEO and SID are outlined in writing.

Company Secretary

The Company Secretary, Jason Elphick (also the General Counsel), plays a key role within the Group, advising on good governance and assisting the Board in discharging its responsibilities, acting with integrity and independence to protect the interests of the Company, its shareholders and wider-group stakeholders. Jason advises the Board on statutory and regulatory compliance matters and works closely with the Board Chair, Committee Chairs and the CEO to ensure the highest standards of board governance are upheld.

Jason also provides the Directors with advice and support, including facilitating induction programmes and training in conjunction with the Board Chair.

Role of Independent Non-Executive Directors

The Board is constituted by majority INEDs, who are expected to challenge Executives and senior management constructively and help develop strategy, participate actively in the decision-making process of the Board, and scrutinise the performance of management in meeting agreed goals and objectives.

Independent Non-Executive Directors' terms of appointment and time commitment

In order to discharge their responsibilities effectively, INEDs must commit sufficient time to their role. Typically, INEDs are expected to commit a minimum of 30 days per year for core Board activities and membership of Board Committees; however, this increases to 35 days for Committee Chairs. The SID is expected to commit a minimum of 36 days per year and the Board Chair will, on average, dedicate a minimum of 60 days to Company business.

In addition, the Board Chair and the INEDs are expected to allocate sufficient time to understand the business through meetings with management, employees and regulators to foster an open and transparent working relationship. This is in addition to the time commitment referred to above. The Company Secretary develops an annual Board Engagement Programme to facilitate regular touch points with the wider business.

Directors' time commitments are reviewed annually by the Group Nomination and Governance Committee. The Board Chair has confirmed with each INED that they have sufficient time to devote in order to fulfil their duties.

There has been no increase in the Board Chair's external commitments during the year which would impact his ability to devote sufficient time to discharge his responsibilities.

Board tenure

The Articles require the Board to be re-elected annually, in compliance with the Code. At the AGM, the Board Chair will recommend the election or re-election of any INED, following a formal performance evaluation, confirming the individual Director continues to be effective, demonstrates commitment to the role and continues to be considered independent.

Stakeholder engagement and the role of Board Champions

The Board is committed to maintaining effective engagement and active dialogue with its stakeholders and ensuring that stakeholder views and interests are a key consideration in the Board's decision-making. The Board engages with colleagues directly through attending Our Voice meetings. During the year Board members attended three Our Voice sessions which focused on employee pay, benefits and culture. The Board and its Committees covered a broad range of sustainability considerations, receiving regular updates on ESG and its impact on the organisation's strategy.

Corporate Governance Report continued

The Board fosters open and transparent engagement with its regulators (particularly the PRA and FCA). The Board and Group Nomination and Governance Committee have continued to monitor DE&I, both as part of ongoing Board and Executive succession planning and in relation to activities aimed at developing a diverse and inclusive talent pipeline below Board level. The role of the DE&I Specialist progresses the Group's ambitions in diversity, equity and inclusion. Further information on DE&I can be found on pages 89-91 and pages 182-183.

In addition, the Board has appointed champions for Consumer Duty, ESG, People and Whistleblowing to ensure that voices of our stakeholders are heard and considered as part of our decision-making process.

A summary of the champion roles are explained below.

Board resources

Induction, training and development

The Board Chair supported by the Company Secretary, has overall responsibility for ensuring that all Directors receive suitable training to ensure that they can discharge their duties effectively. In addition, the Board Chair also ensures that all Directors receive a tailored induction on joining the Board, with the aim of providing any new Directors with the information required to allow them to contribute to the running of the Group.

Typically, the induction programme will include a combination of key documents and face-to-face sessions covering the governance, regulatory and other arrangements of the Group from internal experts and external advisors.

As senior managers, by virtue of the Senior Managers Certification Regime, all Directors are required to maintain skills, knowledge and a certain level of expertise in order to meet the demands of their positions of 'significant influence' within the Group.

Consumer Duty Champion

As part of the implementation of Consumer Duty, firms were expected to have a 'Consumer Duty Champion', preferably an INED, working with the Board Chair and CEO to ensure that Consumer Duty is raised in all relevant discussions and encourages appropriate challenge where necessary or appropriate. Simon Walker is the Board Consumer Champion.

ESG Champion

Section 172 of the Companies Act 2006 (the Companies Act) requires 'the directors of a company act in the way most likely to promote the success of the company for the benefit of its members as a whole, and in doing so, have regard to the interests of the company's employees'. An effective Board understands a Company should engage with its workforce, and build and maintain relationships with suppliers, customers and others in order to be successful over the long-term. Shareholders, via proxy agencies, encourage the use of ESG Champions as they are seen as a way to measure a Company's long-term sustainability and risk profile. In order to discharge these responsibilities above, it was agreed to appoint an ESG Champion and Kal Atwal took over this role (from Sarah Hedger) during the second half of 2023.

People Champion

Provision 5 of the Code recommends three methods to engage with your workforce:

- A director appointed from the workforce;
- A formal workforce advisory panel; or
- A designated non-executive director.

The Board discharges it duties by a combination of a formal workforce advisory panel (Our Voice) and appointing a designated INED to represent the views of the workforce. Sarah Hedger, Chair of the Group Remuneration and People Committee is the People Champion.

Whistleblowing Champion

The Chair of the Group Audit Committee, Rajan Kapoor, is the Group's designated Whistleblowing Champion responsible for overseeing the integrity, independence and effectiveness of the Whistleblowing Policy.

Further details can be found in the Group Audit Committee Chair's Report on pages 143-149.

Full details of how the Board engages with the Group's key stakeholders are included on pages 132-135

Corporate Governance Report continued

As part of the annual fitness and propriety assessment, Directors are required to complete a self-certification that they have undertaken sufficient training during the year to maintain their skills, knowledge and expertise and to make declarations as to their fitness and propriety. The Company Secretary supports the Directors to identify relevant internal and external courses to ensure that Directors are kept up to date with key regulatory changes, their responsibilities as senior managers and other matters impacting the business.

The Board Chair also holds regular conversations with each INED throughout the year to understand their perspectives on business and review their individual performance and development needs. The SID is responsible for the evaluation of the Board Chair's performance and development needs.

Further details are available in the Group Nomination and Governance Committee Chair's Report.

Information and support

The Board Chair in consultation with the Company Secretary and wider Board agree the schedule of matters to be discussed at each meeting to ensure that all key Board responsibilities are discharged over the year. Board agendas and accompanying papers are circulated to Directors in advance of each meeting. These include reports from Executive Directors and other members of senior management. All Directors have direct access to senior management should they require additional information on any of the items to be discussed. The Board and Group Audit Committee also receive regular and specific reports to allow the monitoring of the adequacy of the Group's systems and controls.

The information supplied to the Board and its Committees is kept under review and formally assessed on an annual basis as part of the Board evaluation exercise to ensure that it is fit for purpose and that it enables sound decision-making.

There is a formal procedure through which Directors may obtain independent professional advice at the Group's expense. The Directors also have access to the services of the Company Secretary as described on page 129.

Conflicts of Interest

The Company's Articles set out the policy for dealing with Directors' conflicts of interest and these are in line with the Companies Act. The Articles permit the Board to authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the quorum and does not vote on the resolution to authorise the conflict. The Company Secretary then records this in the Register of Directors' Interests. The Board approves the register annually and Directors are required to notify the Board of any changes to their interests throughout the year.

Directors complete an annual confirmation (fitness and propriety questionnaires), requesting them to declare any external interests and potential conflicts. They are also required to declare their interests in the business to be discussed at each Board and Board Committee meeting. The interests of new Directors are considered during the recruitment process and authorised, if appropriate, by the Board at the time of their appointment. The Group Nomination and Governance Committee reviews conflicts of interest relating to Directors at least annually; periodic reviews are also undertaken as required.

The Group also operates a Conflicts of Interest Policy, which includes a procedure for identifying potential conflicts of interest within the Group.

Executive Directors are not normally expected, and do not, hold any significant external directorships. In the event that external directorships were proposed to be held, this would be discussed with the Board Chair and disclosed to the Company Secretary for consideration.

No Director had a material interest in any contract of significance in relation to the Group's business at any time during the year or at the date of this report.

Board changes and composition

In November 2023, we announced April Talintyre's retirement as CFO and she subsequently stepped down on 9 May 2024 and was succeeded by Victoria Hyde as CFO and Executive Director on 22 July 2024. We also appointed Henry Daubeney as an additional INED on 1 July 2024 and he will succeed Rajan Kapoor as Chair of the Group Audit Committee, during the course of 2025.

The Group Nomination and Governance Committee regularly assesses Board and Executive succession plans, ensuring we maintain the appropriate skills, knowledge and expertise and also consider diversity, equity and inclusion principles which provide for richer deliberation and better decision-making. Our Board diversity is set out on pages 139-140.

Board evaluation

The effectiveness of the Board, its Committees and individual Directors are reviewed annually, with externally facilitated reviews undertaken every three years, as required by the Code. An externally facilitated Board evaluation took place during the year and further details can be found in the Group Nomination and Governance Committee Chair's Report on pages 136-142.

In addition to the externally facilitated Board evaluation, the Group Nomination and Governance Committee has also evaluated the structure, size and composition (including skills, experience, knowledge and diversity) of the Board and its Committees, the independence of each INED (as part of the consideration of whether each Director should be put forward for election/re-election at the 2024 AGM) and time commitment (ensuring that each INED has sufficient time to devote to their Board duties).

Corporate Governance Report continued

Managing our business responsibly

This section describes how the Directors' considered matters set out in section 172(1) of the Companies Act. It also forms part of the Directors' statement required under section 414CZA of the Companies Act.

The Board confirms that, for the year ended 31 December 2024, it has acted to promote the success of the Group for the benefit of its members as a whole and continues to have due regard to the following matters laid out in section 172(1) of the Companies Act:

a) The likely consequences of any decision in the long-term;

b) The interests of the Company's employees;

c) The need to foster the Company's business relationships with suppliers, customers and others;

d) The impact of the Company's operations on the community and the environment;

e) The desirability of the Company maintaining a reputation for high standards of business conduct; and

f) The need to act fairly as between members of the Company.

The Board is committed to maintaining effective engagement and active dialogue with its stakeholders. In this section, we summarise how we have engaged with our key stakeholders during the year and how the Directors have had regard to the matters set out above.

Full details can be found on pages 133-135.

We leverage the work of our Board champions to ensure that employees, customers and ESG are prioritised as part of boardroom debate. We continue to focus on transparency with our regulators in relation to our strategy and risk management. The Board continues to maintain an open and transparent dialogue with stakeholders. With the support of the Investor Relations team, Group Executives and certain Board members undertake roadshows for investors and analysts, so they have a clear understanding of our business proposition and prospects.

Which stakeholders were considered?

The Board has identified the below as our key stakeholders, essential for ensuring the continued success of the Group.

Colleagues
Our success is driven by the talented individuals we employ

Communities
We partner with national and local charities, offering opportunities that truly make a difference

Customers
We are committed to delivering the best service to customers, delivering good customer outcomes and building strong and long-term relationships

Intermediaries
We use brokers' insights to better service our customers, engage with investors and rating agencies

Investors and rating agencies
We engage in straightforward and open dialogue

Regulators and policy-makers
We continue to foster open and transparent dialogue with regulators and participate in driving policy change

Suppliers
Support us in providing high standards of service to our customers

Corporate Governance Report continued

Section 172 statement:

Helping our stakeholders prosper: considering our stakeholders in key business decisions is fundamental to our ability to deliver the Group's strategy in line with our long-term values and operating the business in a sustainable way. Balancing the needs and expectations of our key stakeholders is essential to achieving our purpose of helping our customers, colleagues and communities prosper.

Stakeholder (and other stakeholders impacted)	Board engagement and outcomes	section 172(1) Companies Act
Customers	**Board engagement:** • Board engagement with customers has been indirect; Directors are kept informed of customer-related matters through management reporting, feedback and research, ensuring visibility into customer experiences (i.e. satisfaction scores, complaints and retention rates). • The Board attended deep dives and workshops to further satisfy itself that the Group continues to deliver good customer outcomes, that risks and mitigating actions are in place and that our approach aligns to business strategy. Sessions focused on customer profiles, service levels, and support for vulnerable customers. • Ahead of the Savings digital platform launch, Board members were invited to experience and feedback on the improved application process and customer journey. • The Board was frequently updated on the implementation and embedding of the FCA's Consumer Duty Programme. Simon Walker, as our Consumer Duty Champion, obtained assurances from the business on customer-related matters and ensured any impacts were considered in the Boardroom. **Board outcomes following engagement with Customers:** • Approved its first Consumer Duty and Attestation Report. All colleagues also undertook Consumer Duty training. • As part of the Transformation, the Board approved the launch of a new Savings digital platform. • Elevation of the Customer and Product Committee to an Executive first-level committee to ensure customer outcomes remained at the heart of the Group's product proposition. • Approved the approach to customer-related data migrations and the steps to mature the Group's IT and data real estate. • Simplified the scope of the Group's brands, ensuring the underlying brands have distinct propositions tailored to customer needs.	section 172(1)c See also: • Board Chair's statement • CEO's statement • Segments review • ESG overview
Environment and sustainability	**Board engagement:** • The Board considers the impact of social and environmental change on the business and stakeholders, promoting awareness amongst employees, driving our 'green' commitments and complying with enhanced regulation and disclosures. • The Board is responsible for approving the Group's ESG Strategy and ESG Operating Framework which sets out how the Group will monitor ESG matters material to the Group's Purpose, Vision, Values and stakeholder expectations. • The Board oversees an environmentally friendly culture and ensures that the business is ready to respond to the growing impact of climate change on the Group's activities in line with its Stewardship value. **Board outcomes following engagement on the environment and sustainability:** • Considered the Group's operational ESG roles and responsibilities and reviewed the ESG non-financial materiality assessment. • The Group Remuneration and People Committee approved the DE&I action plan.	section 172(1)d See also: • Board Chair's statement • ESG overview • Social matters • TCFD matters • Board Chair's Report on Corporate Governance

Corporate Governance Report continued

Stakeholder (and other stakeholders impacted)	Board engagement and outcomes	section 172(1) Companies Act
Colleagues	**Board engagement**: • The views of colleagues are considered as part of strategic decisions. Board members are invited to attend the Workforce Advisory Forum (Our Voice), which is one of the methods used to engage with the workforce. Sarah Hedger, our People Champion, is responsible for representing the workforce at Board and Committee level, and as a member of Our Voice, she engages directly with colleague representatives to gain insights into culture, concerns and initiatives. • The Board Chair attended Our Voice sessions covering topics such as colleague morale, employee engagement and DE&I surveys, sustainability and net zero commitments. Employees are also able to engage directly with the CEO through the 'Ask Andy' online portal. • The Group Nomination and Governance Committee oversees the Group's talent management initiatives and senior management succession planning. **Board outcomes following engagement with People and Culture:** • Insights from Our Voice provided the Board with additional points of reflection when determining metrics around strategic performance and Executive Director remuneration, culture and governance. • During 2024, the Board and its Committees received regular updates on matters impacting employees from senior management and the Group's HR function. • The Board also approved the Group DE&I Policy, with a continued focus on improving diversity and inclusion in financial services.	section 172(1)b See also: • Board Chair's statement • Our culture • ESG overview • Board Chair's Report on Corporate Governance
Shareholders	**Board engagement**: • The Board ensures that all shareholders have equal access to information through regulatory announcements, general meetings and publications on our website. • The Board's primary engagement with investors comes through the Group's CEO and CFO, who meet with investors and sell-side analysts and present the Group's results to the market. The Board Chair also met several shareholders during 2024 following the Effective Interest Rate (EIR) adjustment which impacted the 2023 Annual Report and Accounts to understand their perspectives. • The Board receives regular updates from the Investor Relations function, which includes investor feedback, analysts' recommendations and market views. The Board also receives investor feedback from the Group's brokers and financial advisers. • Engaged with shareholders in relation to the Remuneration Policy approved by shareholders at the 2024 AGM. • The Board had due regard for shareholders and customers, when considering the £1.25bn deconsolidated securitisation transaction. **Board outcomes following engagement with shareholders:** • Approved two £50m share repurchase programmes. • Recommended the payment of a final dividend to shareholders and approved an interim dividend.	section 172(1)a,f See also: • Board Chair's statement • Relationship with stakeholders • CEO's statement • Risk review • Financial review • Board Chair's Report on Corporate Governance

Corporate Governance Report continued

Stakeholder (and other stakeholders impacted)	Board engagement and outcomes	section 172(1) Companies Act
Suppliers	**Board engagement**: • The Board does not interact directly with the Group's suppliers; however, during the year the Board maintained oversight of key supplier relationships, including engagement between the Group Audit Committee and the external auditor. The Board also considered the risks associated with suppliers and the framework for assurance and oversight of key supplier relationships and customer impacts. **Board outcomes following engagement with suppliers:** • Continued engagement with suppliers to understand their aspirations and approach towards ESG and to ensure they are aligned with the Group's ESG strategy. • Engagement with key suppliers as part of the Group's Recovery Plan.	section 172(1)c See also: • Board Chair's statement • ESG overview • Risk review • Board Chair's Report on Corporate Governance
Intermediaries	**Board engagement**: • Although the Board's engagement with intermediaries is indirect, Directors receive updates on intermediary-related matters at Board meetings. Broker and borrower satisfaction scores are monitored, along with service level performance and complaints. • The Board received broker feedback at the two strategy days held during the year. **Board outcomes following engagement with Intermediaries**: • The Board reviewed the trends in Net Promoter Scores (NPS) for intermediary brokers and considered proposals to improve the broker experience and engagement with the Group and our customers. • Broker engagement extended beyond our propositions and enabled us to continuously enhance the service we provide. Our business development managers work closely with intermediaries to discuss cases and help to obtain swift and reliable decisions.	section 172(1)c See also: • Board Chair's statement • CEO's statement • Segment review • Environmental matters • Board Chair's Report on Corporate Governance
Regulators	**Board engagement**: • The Board and Executives maintain an open and transparent dialogue with the PRA and FCA. Engagement typically takes the form of regular and ad hoc meetings attended by both members of the Board and Group Executives, as well as subject matter experts. • The Board Chair and Group Executives work with the PRA and FCA to agree the regulatory agenda and the PRA are invited to present their periodic summary on an annual basis. • The Board and its Committees receive regular updates on broader regulatory developments and compliance considerations. **Board outcomes following engagement with regulators:** • Appointments of a new Chief Compliance Officer and Head of Regulatory Affairs to support the Board and regulators with their interactions. • The Board received updates on macroeconomic, legal and regulatory developments and their impact on the Group's capital and liquidity position.	section 172(1)e See also: • Board Chair's statement • CEO's statement • Governance matters • Board Chair's Report on Corporate Governance

Group Nomination and Governance Committee Report

Dear Shareholder,

On behalf of the Committee, I am pleased to present the Group Nomination and Governance Committee Report.

Committee's responsibilities

- Leads the process for the appointment of new members of the Board.
- Ensures that the Board sets the tone from the top in relation to values, ethics and culture leading to a sustainable business.
- Ensures that the Board operates effectively through monitoring the appropriateness and balance of skills, experience, availability, independence and knowledge, applying the DE&I principles of the Group.
- Ensures a robust and diverse succession pipeline for the Group, including for senior management positions.
- Oversees and guides the Board on all matters of Corporate Governance.

The specific responsibilities and duties of the Committee are set out in its Terms of Reference and are available on our website, www.osb.co.uk, which do not form part of this Annual Report.

Following an annual review of the Terms of Reference and the activities conducted during the year, the Committee is satisfied that it has appropriately discharged its responsibilities.

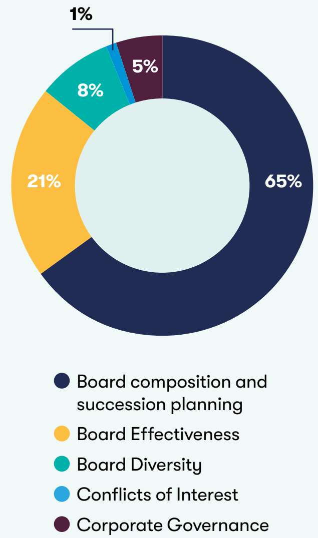
Committee members (at 31 December 2024 and 12 March 2025)

- David Weymouth (Committee Chair)
- Noël Harwerth
- Sarah Hedger

Time allocation

In 2024, the Committee held seven scheduled meetings and one ad-hoc meeting. For further detail of attendance during the year, see the Board and Committee meeting attendance table on page 128 of the Corporate Governance Report.

Approximate allocation of Committee time in 2024



Group Nomination and Governance Committee Report continued

Key activities in the year

In 2024, the Committee focused on the following areas:

Board composition and succession planning

The Committee is responsible for ensuring that succession planning for Board members and Executives is sufficiently robust and diverse to serve the best interests of our stakeholders and deliver the strategic objectives of the Group.

Supported by the recently appointed Chief People Officer (CPO), the Committee has been heavily focused on succession planning for senior leadership roles, including reviews of emergency succession plans for Executive Committee members, supported by bespoke development plans in place for high performing individuals. There is a continued focus on encouraging diversity in its broadest sense to senior roles.

Part of this process is to ensure there are succession plans in place for Board, CEO, CFO and senior management positions encompassing internal and external candidates, and that there is a skills, experience and diversity matrix which maps each Director's attributes against those that are most relevant for the Board, taking into account the future strategic direction of the Group and target operating model. As well as tracking the Board's strengths, this matrix is used to identify gaps in the collective skills profile.

While appointments are based on the merits of an individual candidate and objective criteria, we also aim to promote diversity in its broadest sense. This complements and strengthens the overall Board and its Committees' skills, knowledge and experience. Any appointments also take account of all legal and regulatory requirements.

In 2024, a significant proportion of the Committee's time was devoted to search and selection processes and the implementation of our succession plans due to the:

- forthcoming retirement of Rajan Kapoor (Group Audit Committee Chair) as he approaches nine years on the Board;
- forthcoming retirement of Noël Harwerth (SID), who will have served for nine years in mid 2026;
- resignation of April Talintyre as CFO with effect from May 2024; and
- creation of a new role on the Executive Committee – Chief People Officer.

Per Ardua, Korn Ferry and Odgers Bernstein, external search consultants, with whom the Company and individual Directors have no other relationship, were commissioned to assist with the search and selection process to identify one new INED who could serve as the Group Audit Committee Chair, a new CFO and a CPO respectively.

All members of the Board were invited to participate in succession planning discussions during the year.

For each appointment, the Committee agreed a criteria, including personal attributes such as cultural fit, skills and experience. A longlist of potential candidates was created in line with our Board DE&I Policy, for consideration by the Committee as a whole, before a shortlist was drawn up with candidates invited to interview with myself, the CEO and selected Board members. Throughout the process, the Board was regularly appraised on progress. Following detailed feedback from these interviews the Committee then selected which individuals should progress to interviews with further Board members.

Board appointments

During 2024, the Committee recommended the appointment of (i) Victoria Hyde as CFO and Executive Director, to replace April Talintyre and (ii) Henry Daubeney as an INED, to succeed Rajan Kapoor as the Group Audit Committee Chair in 2025. Victoria Hyde and Henry Daubeney joined the Board on 22 July 2024 and 1 July 2024 respectively.

Victoria joined the Group as Deputy Chief Financial Officer in September 2022, specifically as part of the Board's Executive succession planning.

During her 21 year career at Barclays, Victoria undertook several complex roles across product control, treasury finance and financial planning and analysis. Most recently, she served as Finance Director of the Barclays Consumer, Cards and Payments businesses. Victoria is a qualified Chartered Management Accountant and brings extensive experience in financial services.

Henry Daubeney has extensive experience in the financial services sector following a 38-year career with PwC. He was most recently the Global Head of Corporate Reporting Services – IFRS and Sustainability Reporting. He is also a member of the IFRS Advisory Council and member of the Corporate Reporting Group of the GPPC and Co-Chair of the GPPC Bank Working Group.

Management appointments

During the year, we were also joined by Orlagh Hunt in a newly created role of CPO. Prior to joining us, Orlagh was CPO at Yorkshire Building Society and brings a wealth of experience having previously worked as Head of HR for AXA Sunlife and as Group HR Director for both RSA Insurance Group and Allied Irish Bank. In her role as CPO, she is providing valuable support to the Committee as it continues its focus on Succession Planning.

We have been carefully focused on succession planning, in order to secure consistent oversight and execution of the Group's medium to longer term strategy

David Weymouth Chair of the Group Nomination and Governance Committee

INED Induction

Henry Daubeney, Independent Non-Executive Director

Following appointment to the Board, Henry Daubeney received a tailored induction plan to ensure he was able to be effective in his role and obtained a deep understanding of the Group's business model and structure, risk profile and governance arrangements. The induction is typically completed within six months of appointment as a new director. The induction is facilitated through a variety of means including document reviews, tailored meetings, site visits and training sessions with senior managers of the Group.

Henry's induction included:

- An induction pack containing key corporate documents and information relating to the Group covering aspects such as the role of a director, Terms of Reference for the Board and its Committees, recent papers and minutes, details of financial performance, risk management and internal controls, key policies and governance.
- Meetings with all Directors, the Chair of CCFS, the Group Executive Committee and other senior management across the organisation.
- Meetings with other key stakeholders including the external auditors and external advisors to the Group Remuneration and People Committee.

During 2025, Henry will continue his programme of visits to develop his knowledge and understanding of the Group. He will also commence a period of shadowing the Group Audit Committee Chair in readiness to succeed Rajan Kapoor as Chair of the Group Audit Committee and Whistleblowing Champion later in the year.

Group Nomination and Governance Committee Report continued

On behalf of the Board, I would like to welcome all those who joined us in the year and thank those who left us for their contributions.

Director induction, training and development

The Board has an annual training and development programme to help Directors continue to develop their skills, together with their understanding of the Group and our industry. The programme is designed based on feedback from members, taking into account their experience and expertise. In 2024, workshops were delivered on:

- Risk appetite and recovery.
- Senior Managers Certification Regime.
- Board workshops on business transformation (regular series throughout 2024).

In addition, all Board members undertake mandatory and personal training.

Board skills matrix

To ensure an appropriate balance of skills is maintained, the knowledge and experience of Board members are regularly reviewed. A balanced Board is essential for constructive and open debate in the Boardroom. The Group Nomination and Governance Committee regularly reviews and updates the Board's skills and diversity matrix, which reflects the balance of the knowledge, skills, qualifications, diversity and experience required to pursue our long-term strategy.

Throughout the year, the Committee has remained focused on the skills and diversity matrix, which was used to inform the succession planning activity. The matrix is used to monitor the Board's strengths and identify any areas of enhancement to the Board's collective skills. In addition, the skills and diversity matrix also records tenure and diversity; particular areas of focus for the Board.

My personalised induction programme gave me a great opportunity to get up to speed quickly with OSB. I met many employees and advisors, and learned quickly about the firm, its culture, values and operations.

Henry Daubeney Independent Non-Executive Director

Group Nomination and Governance Committee Report continued

Skills	Depth of experience
Banking	Strong
Other financial services	Strong
Accounting, auditing and financial literacy (inc. Investor Relations)	Strong
Risk management	Good
Strategy	Strong
Retail	Low
Digital and IT	Good
Responsible business and sustainability	Low
HR, Culture, Talent and Remuneration	Good
Legal	Low
Governance and Control	Strong
Regulatory, Government and Public Policy	Low

In addition to the skills and experiences outlined above, our skills and diversity matrix included other competencies such as top management experience, significant Directorship tenure, education, together with the Board's diversity in the broadest sense.

In 2025, the Committee will review the skills and diversity matrix further, to ensure that the skills and experience monitored are aligned to the strategic direction of the Company, supports the transformation journey and any behavioural competencies are aligned to the priorities set out by the FRC in their Guidance on Effective Boards.

Individual Director biographies, including details of their skills and experience, are set out on pages 118-119.

Diversity

The Board recognises and embraces the benefits that diverse and inclusive representation can bring, and sees it as an essential element for maintaining competitive advantage. The Board has agreed to a set of commitments (contained within the Group's DE&I Policy, approved in December 2024 and available on the website at www.osb.co.uk) to address behavioural, gender and ethnic bias, and to ensure appointments are determined on merit and objective criteria. Within this context, we promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Board's adherence to the FCA Listing Rule requirement demonstrates the desire to achieve both a diverse Board and workforce. These commitments are monitored by the Committee alongside the Group Remuneration and People Committee, which considers the diversity of the wider workforce. Both Committees continue to drive the ambition of ensuring that the Board and workforce is representative of the communities in which the Group operates.

The Committee considers the benefits of all aspects of diversity, including but not limited to, the balance of skills necessary for the Board to effectively discharge its responsibilities and additional training or development required for existing or newly appointed Directors. These differences help determine the optimum balance and composition of the Board.

The Group asks colleagues to complete a diversity questionnaire to confirm their gender and ethnicity as part of the onboarding process, on a voluntary self-reporting basis, based on the most appropriate classification from a list of categories used by the Office for National Statistics. Data relating to senior management gender and ethnicity was sourced from this existing data. Data relating to the gender and ethnicity of the Board was collected by way of a year-end questionnaire, on a voluntary self-reporting basis. Further details of how the Company met the Board targets specified in the Listing Rules of the FCA can be found on pages 126 and 140.

As at 31 December 2024, we are pleased to report the following:

- 44% female representation on the Board (2023: 50%).
- Two senior Board positions are held by females.
- Two members of the Board were from ethnically diverse backgrounds.
- 36% of the Executive Management was female (2023: 27%).
- 36% of our senior management across the Group were female (comprising of the Group Executive Committee and their direct reports) (2023: 33%).
- No changes in Board composition have occurred between year-end and the date of approval of this Annual Report and Accounts.

The tables on page 140 set out the required information as at 31 December 2024.

Orlagh Hunt is the appointed DE&I Champion. Her role is to promote diversity initiatives such as our commitment to those with a disability, mental health in the workplace and unconscious bias training. The Employee Engagement Network, Our Diversity, consists of volunteers from across the Group who are passionate about progressing the DE&I agenda in the context of the 'Respect Others' value. The DE&I calendar for 2024 has enabled the network to host a range of activities aimed at raising awareness and providing resources to support conversations relating to gender, ethnicity, faith/religion, disability, sexual orientation, identity, socio-economic background, and health and wellbeing. The Our Diversity network reports to the ESG Technical Committee, which in turn provides updates to the Committee and the Board on all matters relating to DE&I.

Further details relating to DE&I are set out on pages 89-91 and 182-183.

Group Nomination and Governance Committee Report continued

	Number of Board members		Percentage of the Board		Number of senior positions on the Board (CEO, CFO, SID and Board Chair)		Number in Executive Management[1]		Percentage of Executive Management[1]	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Men	4	5	50%	56%	2	2	8	7	73%	64%
Women	4	4	50%	44%	2	2	3	4	27%	36%
Other	0	0	0%	0%	0	0	0	0	0%	0%
Not specified/prefer not to say	0	0	0%	0%	0	0	0	0	0%	0%

1. In accordance with the requirements of the FCA Listing Rules and for the purposes of this table only 'Executive Management' comprises the Group Executive Committee, which includes the Company Secretary.

Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management[1]
White British or other White (including minority-white groups)	7	78%	4	10	91%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	2	22%	0	1	9%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

1. In accordance with the requirements of the FCA Listing Rules and for the purposes of this table only 'Executive Management' comprises the Group Executive Committee, which includes the Company Secretary.

External review of Board effectiveness

The Board, together with its Board Committees, undergoes a yearly assessment of its performance and effectiveness, composition, the quality of its work and individual performance of its members. Every three years, the assessment is conducted by an external consultant, whose independence is validated by the Committee.

In 2024, the review was conducted by an external independent expert. A robust selection process was undertaken to identify an external independent consultant with an in-depth understanding of effective Boards. As a result, Bvalco was appointed. Bvalco have no other relationship with the Group or individual directors.

The review methodology agreed with Bvalco comprised:

- structured, detailed and confidential interviews with individual Board members and select members of the Executive team;
- observing Board and Board Committee meetings (including one of the Board strategy days) to assess the quality of debate and challenge, dynamics and culture; and
- Review of a selection of Board and Board Committee papers and desk-based research.

The review focused on Board and Committee structures, composition, diversity of board membership and competences and behaviours, including:

- the quality of their functioning;
- their size, composition and diversity;
- the quality of individual Board meetings;
- the frequency and duration of meetings, content of the agenda and time dedicated to each item, quality of the information received; and
- decision-making processes including appropriate levels of challenge.

Group Nomination and Governance Committee Report continued

In December 2024, the Board discussed Bvalco's findings and recommended actions, with a consensus view that the results were positive and that the Board and its Committees continued to operate effectively. Specifically, the review identified:

- The diverse nature of the Board in terms of gender, ethnicity and experience.
- The governance framework which benefitted from a strong mix of skills.
- The Board's sense of cohesion, engagement and desire for information.
- The culture of openness, trust and respect with members listening and taking turns to speak and a strong inclusive and collegiate feeling.
- That Board members and Executives felt comfortable raising issues and concerns.

The report identified some development areas, categorised here as (i) Purpose and Strategy (ii) Board composition and succession planning and (iii) Board operation and information. The main focus of improvements to Board effectiveness relate to creating more room for forward-looking and strategic discussions on key matters at Board and Committee meetings. The findings of each Committee's effectiveness is detailed in the individual Committee reports, including any associated actions.

As a result of the review, the Board discussed potential areas for improvement and approved an associated action plan. The review findings and resulting actions demonstrate the Board's commitment to effective governance. A summary of the findings and recommended actions are detailed in the table below. Completion of these actions will be monitored by the Group Nomination and Governance Committee.

	Agreed actions
Purpose and strategy	• Devote time to focus on longer-term strategic issues, regularly reviewing Board and Board Committee agendas to ensure efficient and timely scheduling of strategic items. • Continued awareness by the Board of the changes and challenges in the external environment.
Board composition and succession	• In addition to increased consideration of executive succession at the Group Nomination and Governance Committee, an annual review of the talent management strategy/executive succession planning process to be provided to the Board. • Continued focus to be placed on maintaining an appropriate balance of skills and experience, particularly in areas such as technology and data, utilising the skills and diversity matrix.
Board operation and information	• Ongoing development of agenda and papers to encourage broader challenge and debate, including a focus on key strategic items, challenges and commercial opportunities. • To consider further dedicated professional time together outside of Board meetings. • Review the size of Board packs as part of overall governance improvements in 2025. • Develop a schedule of pre-planned site visits for Board members in 2025.

Group Nomination and Governance Committee Report continued

Promoting diversity and inclusion

In addition to succession, the Committee regularly monitors the skills, experience and diversity of the Board including those of our key subsidiary undertakings. In my last report, I mentioned our subscription to the Women in Finance Charter and achieving the recommended representation of females in senior roles across the Group. We met this target earlier than anticipated and I am pleased to say that we have exceeded our target for 2024 with 36% (2023: 33%) of senior roles undertaken by females. We have set an enhanced target of achieving 40% by the end of 2026. Our diversity metrics have already exceeded the Parker Review and Hampton-Alexander guidelines with two Directors from ethnically diverse backgrounds and 44% female representation on the Board. See pages 89-91 for more information on DE&I within the Group.

Effectiveness of the Committee

As noted in the Corporate Governance Report, the Committee's performance was assessed as part of the external review of Board Effectiveness. The Committee was rated well and continued to perform effectively. Areas identified for potential enhancement include the need to focus on internal development of talent and keep Board succession under review.

2025 priorities

The priorities for the Committee for 2025 were identified as:

- Maintain focus on Board succession arrangements, recognising the importance of ensuring that succession planning is discharged in an effective manner.
- Continue to proactively focus on senior executive succession planning based on the Group's strategic needs maintaining our key focus on the continued development of our internal succession pipeline.
- Monitor the effective implementation of the action plan developed from the 2024 external Board effectiveness review, in line with our commitment to continuous governance improvements.
- Continue to remain focused on the overall effectiveness of the Board and its Committees, ensuring that their roles are discharged in an effective manner, recognising that this is essential to ensure our continued success.

Additional information

The Committee has unrestricted access to Executive Management and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively.

The Board Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

The Board reviewed and approved this report on 12 March 2025.

David Weymouth
Chair of the Group Nomination and Governance Committee
12 March 2025

Group Audit Committee Report

Dear Shareholder,

On behalf of the Committee, I am pleased to present the Group Audit Committee Report. The Committee discharged its responsibilities over the year by providing effective independent oversight, overseeing the systems of internal control and ensuring the integrity of the Group's financial statements with the support of management and the external auditor.

Committee responsibilities:

Internal control and risk management

- Review the effectiveness of the systems of internal control over financial reporting to identify, assess and monitor financial risks and other internal control and risk management systems.
- Review and approve systems and controls for the prevention of bribery and procedures for detecting fraud including conduct risk and related activities.
- Review the adequacy and effectiveness of anti-money laundering systems and controls.
- Review the adequacy of the Group's whistleblowing arrangements and procedures.

Financial and non-financial reporting

- Review and recommend to the Board, the long-term viability statement and the adoption of the going concern basis for the preparation of the year-end and interim financial statements.
- Monitor the integrity of the financial statements, including the Annual Report and Accounts and interim report, trading updates, Pillar 3 disclosure requirements and any other formal announcements relating to financial performance.
- Reviewing and reporting to the Board on significant financial reporting issues and the judgements they contain having regard to the matters communicated to it by the internal and external auditors.
- Provide challenge and oversight on the consistency, quality and appropriateness of significant accounting policies and judgements and on the methods used to account for significant or unusual transactions.
- Ensure compliance with all appropriate accounting standards and regulatory reporting requirements.
- Consider and recommend changes to accounting policies to the Board.
- Review and challenge, where appropriate, all material information included in the Annual Report and Accounts, such as the business review, task force on climate-related financial disclosures (TCFD) and the corporate governance statements relating to the audit and to risk management.
- Advise the Board whether the Annual Report and Accounts is fair, balanced and understandable.

Internal and External Audit

- Review and monitor the effectiveness of the Group's internal and external audit arrangements.
- Review and approve the role and mandate of internal audit and ensure the necessary resources and access to information is provided to enable internal audit to fulfil its mandate in accordance with the relevant professional standards released by the Institute of Internal Auditors.
- Monitor and review the effectiveness of its work and annually approve the Internal Audit Charter and Internal Audit Plan, ensuring it is appropriate for the current needs of the Group.

The specific responsibilities and duties of the Committee are set out in its Terms of Reference, as reviewed annually, which are available on our website, www.osb.co.uk and do not form part of this Annual Report.

Group Audit Committee Report continued

Committee members (at 31 December 2024 and 12 March 2025)

- Rajan Kapoor (Committee Chair)
- Noël Harwerth
- Sarah Hedger
- Simon Walker
- Henry Daubeney[1]

1. Henry Daubeney joined the Board and the Committee on 1 July 2024.

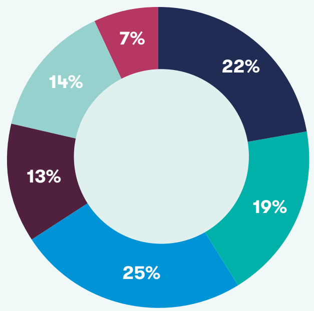
All members of the Committee are INEDs who have significant senior management and Board-level experience in the banking and financial services sectors. Rajan Kapoor is a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Institute of Bankers in Scotland. Henry Daubeney, Simon Walker and Sarah Hedger are all chartered accountants. As such, the Committee has an appropriate balance of skills and competence relevant to the sector in which the Group operates.

Standing invitations to Committee meetings are extended to the Board Chair, Executive Directors, the Group Chief Risk Officer, the Group Chief Internal Auditor (GCIA) and the external audit partner, all of whom attend meetings as a matter of practice. Other non-members may be invited to attend all or part of any meeting, as and when appropriate.

Time allocation

In 2024, the Committee held seven scheduled meetings. For further detail of attendance during the year, see the Board and Committee meeting attendance table on page 128 of the Corporate Governance Report.

Approximate allocation of Committee time in 2024



- Financial and Non-Financial Reporting
- Significant Accounting Policies and Judgements
- Compliance and Governance
- External Audit
- Internal Audit, including Internal Controls and Risk Management
- Other

Key activities in the year

In 2024, the Committee focused on the following areas:

Financial and non-financial reporting

The Committee reviewed, and recommended for Board approval, the Annual Report and Accounts, the interim results, quarterly trading updates and analysts' presentations. The Group's Pillar 3 regulatory disclosures, for publication on the Group's website, www.osb.co.uk, were also approved.

As part of its review, the Committee assessed management's application of principal accounting policies, significant accounting judgements and compliance with relevant disclosure requirements. The Committee carefully considered the presentation of results on a statutory and underlying basis to ensure transparency and consistency throughout.

Significant areas of judgement and estimates

The Committee considered management's significant accounting judgements and consistent application of accounting policies in relation to the interim and full-year results of the Group. In its assessment, the Committee received reports from management and provided challenge in relation to each area of significant judgement and management's recommended approach. Views were sought from the external auditor on the accounting treatment and judgements underpinning the financial statements.

In addition to effective interest rate (EIR) accounting, the Committee, in conjunction with the Group Risk Committee, also challenged management on the calculation of expected credit losses (ECL) in accordance with IFRS 9.

The Committee focused on model enhancements and analysis, with management judgements applied on historical data trends to factor in the impact of the macroeconomic outlook, including inflation and interest rate movements, the House Price Index, unemployment rates, post-model adjustments, as well as longer-term climate factors.

The Committee reviewed the steps taken by management to enhance the Group's internal control environment and monitored regulatory and corporate governance developments.

The accounting treatment of the PMF 2024-2 securitisation was also reviewed and challenged. The Committee was satisfied that the analysis of the transfer of risks and rewards of the sold mortgages was appropriate; that the derecognition criteria under IFRS 9 had been met; and the transaction did not alter the Group's business model.

Details of the significant areas of judgement and estimates can be found on page 146.

Group Audit Committee Report continued

Compliance and governance

The Committee noted the updated Code and reporting requirements for 2025 and received updates from management on the proposed governance and workstream structure to meet the new Provision 29 requirement in preparation for reporting in subsequent years.

The Committee also fully complies with the FRCs Minimum Standards for Audit Committees and its Terms of Reference have been updated accordingly.

Viability and going concern

The current position of the Group, along with principal and emerging risks, were reviewed by the Committee. They also assessed the prospects of the Group before recommending the Group's long-term viability statement for approval by the Board. Upon review a recommendation was made to the Board, that the going concern basis should be adopted in preparing the annual and interim financial statements. Further details are set out on pages 70-71 and 184–185.

Alternative performance measures

The Committee provided oversight and challenge in relation to the use of alternative performance measures (APMs) in the interim financial statements and Annual Report and Accounts to ensure that these were applied consistently and remained relevant. The Group presents APMs on an underlying basis, alongside the statutory basis, which helps demonstrate the performance of the Group on a consistent basis and enables meaningful comparisons to prior years. See pages 40 and 272-274 for further details.

As APMs are important measures of how the Group performed, the Committee asked the external auditor to provide assurance on their computation since it was considered that they could perform the work efficiently and economically. The Committee was satisfied that this assignment did not affect their independence as external auditor. The independent assurance statement can be found on pages 187–195.

Fair, balanced and understandable

The Committee considered, on behalf of the Board, whether the 2024 Annual Report and Accounts taken as a whole are fair, balanced and understandable.

Regulatory and governance reporting requirements were considered, as well as the going concern and longer-term viability statements and reports from management on significant accounting judgements and estimates.

Following its review, the Committee was satisfied that the 2024 Annual Report and Accounts taken as a whole are fair, balanced and understandable, and accurately reflect the information necessary for shareholders and stakeholders to assess the Group's position and performance, business model and strategy in line with section 172 requirements as outlined on pages 10 and 132-135. The Committee was also satisfied that the non-financial information within the Annual Report and Accounts is consistent with the financial statements and with the use of APMs and associated disclosures.

The principal role of the Committee is to supervise and challenge the approach to the preparation of the financial results and for compliance with financial reporting standings and regulations.

Rajan Kapoor Chair of the Group Audit Committee

Group Audit Committee Report continued

Significant issues considered	How these were addressed by the Committee
Effective interest	A number of assumptions are made when calculating the EIR for newly-originated loan assets. These include their expected redemption profiles, product switching rate activity and the anticipated level of any early redemption charges (ERCs). Certain mortgage products offered by the Group include significant directly attributable fee income; in particular, certain Buy-to-Let products and/or those that transfer to a higher reversion rate after an initial discount or fixed period. Judgement is used in assessing the expected rate of prepayment during the discounted or fixed period and during the period post rate reversion. The Group uses historical experience of customer behaviour in its assessment, along with the economic outlook and market conditions. The Committee reviewed and challenged management's assessment of the drivers of recent prepayment behaviour, in both the fixed and reversion periods, and whether these were expected to be temporary or longer-term in nature. The assessment in relation to the fixed period considered the lower than expected early repayments for the cohorts originated with product terms issued up to the end of 2022, identified as having been written in a low-rate environment, which slightly decreased ERC income and concluded that for this cohort the behaviour was likely to continue whilst rates remained above prior levels. The assessment also included refinancing behaviour in the reversion period which had accelerated slightly for the Precise book, and concluded that the observed level was likely to continue during the higher base rate environment, due to the step up in rates in the reversion period, and the Group's active retention programmes offering more favourable rates. The Committee received and reviewed sensitivities illustrating the impact of extending or shortening the expected weighted average lives of organically originated loan portfolios, which influence the expectation of income earned at higher reversion rates; the period over which fees are recognised; and the expectations of early repayment income. The Committee noted that the portfolios were most sensitive to the assumption of time spent on higher reversion rates for Precise customers and reviewed and challenged management's proposed sensitivity disclosures. Having considered all the evidence, the Committee is satisfied that the approach taken and judgements and estimates made were reasonable. Further details of the above significant areas of judgement and estimation can be found in note 2 to the financial statements.
Business model	As part of its twice-yearly review of the IFRS 9 accounting classification of the Group's assets, the Committee considered the impact of the sale of mortgages in the PMF 2024-2 securitisation and resulting notes acquired. The Committee reviewed management's conclusion that such sales were infrequent in nature and did not alter the Group's business model for its originated mortgages as held-to-collect.
Loan book expected credit losses (ECL)	The Committee, in conjunction with the Group Risk Committee, received reports from management and challenged the approach to provisioning for loan book ECLs. The Committee provided oversight of the IFRS 9 framework, including the Group's enhancements to models and application of post model adjustments for the continued elevated levels of interest rate. The Committee consulted the Group's economic advisers who provided their view and insight into macroeconomic scenarios. The Committee focused on management's proposals on the probabilities attached to the economic scenarios and approved the final weightings utilised within the Group's impairment calculations. The Group continued to utilise four scenarios; an upside, base case and two downside scenarios. The Group undertakes regular industry benchmarking of the economic scenarios, weightings and the resulting overall coverage. These benchmarks, in addition to insight from the Group's economic advisers, support management in the selection and weighting of economic scenarios. The Committee reviewed the key assumptions and judgements to ensure that these appropriately reflect the economic environment. The Group has ensured that the identification of Significant Increases in Credit Risk remains robust, in addition to making post-model adjustments for model limitations, including the impacts of cost of living and cost of borrowing, as appropriate.
Tangibles, intangibles and investments in subsidiaries	The Committee reviewed management's assessment of indications of impairment of the Group's tangible and intangible assets and investments in subsidiaries at the Company level. The Committee noted that the merger related intangibles (following the Combination with CCFS in October 2019) were fully amortised at the year-end 31 December 2024 and were satisfied that there was no impairment in tangibles, intangibles or investments in subsidiaries at the Company level.
Structural hedge	The Committee, in conjunction with Group Risk Committee, reviewed management's approach to the accounting for the structural hedge implemented in the year. The Committee considered the impact of removing offsetting swaps from hedge accounting to mitigate profit and loss volatility and reviewed the resulting disclosures.

Group Audit Committee Report continued

Systems of internal control and risk management

The Committee reviewed and approved the Compliance Assurance Plan and received regular reports from the Group's Compliance function. The Internal Audit and Compliance Reports were used to support the Committee's assessment of the effectiveness of the Group's system of internal controls and risk management. The Committee also received a report on the effectiveness of the Group's risk management and internal control systems which was based on a self-assessment process completed by senior managers and Executives and recommended by the CEO. The Committee continues to review operational incidents and ensures that appropriate follow up action is taken.

Reports were received and reviewed from management on key controls over the accuracy and completeness of the financial statements, the status of the substantiation of balance sheet and profit and loss account, general ledger accounts at the reporting date and judgements made in the calculation of regulatory capital disclosures including the interpretation of regulatory requirements and the supporting external professional advice. In addition, the Committee requested and reviewed reports from management on the Group's Finance function. A number of the planned enhancements to internal IT access controls to address control deficiencies identified by internal and external audit were completed. Work continues in line with the agreed plan. The Committee is satisfied that any related risks were mitigated to a sufficient level.

The systems of internal control and risk management have been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts.

The Committee reviewed and approved a number of policies following their annual update, including anti-bribery and corruption, data protection, data retention and record management, fraud, sanctions, loan impairment provisioning, whistleblowing, anti-money laundering and prevention of terrorist financing. The Committee received reports on fraud prevention arrangements, fraud incidents, whistleblowing, financial crime systems and controls and received an annual report from the Money Laundering Reporting Officer for the two banks.

Whistleblowing

The Committee is responsible for monitoring the Group's Whistleblowing Policy and arrangements. Where concerns have been raised, a detailed report is provided on the investigation, actions taken, lessons learnt and changes made as a result.

The Committee Chair has overall responsibility for whistleblowing arrangements with oversight from the Board and acts as the Group's Whistleblowers' Champion. Training and periodic updates are provided to all employees who are encouraged to use the multiple channels available to raise any concerns they may have. Training is also provided to line managers and those involved in any investigations to ensure that they comply with relevant regulations. No concerns were raised that required a report to be made either to the Board or the regulators.

Taxation

The Committee received an update on the Group's tax position and discussed matters such as the relationship with HMRC and tax compliance status. The Committee approved the Group's UK tax strategy, which is available on our website, www.osb.co.uk.

External auditor

The Committee is responsible for overseeing the Group's relationship with its external auditor. This includes the ongoing assessment of the auditor's independence and the effectiveness of the external audit process, the results of which inform the Committee's recommendation to the Board relating to the auditor's appointment (subject to shareholder approval) or otherwise, and monitoring the performance of the external auditor. The Committee holds regular private sessions with the external auditor.

External auditor independence, objectivity and effectiveness

The Committee assesses the effectiveness of the external audit function on an annual basis.

The assessment focused on the effectiveness of the lead partner and audit team, the audit approach and execution, the role of management in the audit process, communication, reporting and support to the Committee as well as the independence, scepticism and objectivity of the external auditor. The assessment concluded that the external audit process was effective and objective, and some areas for improvement were suggested.

As part of the assessment, the auditor was requested to explain the risks to audit quality and how these have been addressed and to detail any findings from internal and external inspections of their audit.

The Committee also considered whether the external auditor had met the agreed audit plan and whether the management letter was based on a good understanding of the business. As part of the review, the Committee took into account the non-audit services provided during the year and confirmations given by the external auditor as to its continued independence.

Following this review, the Committee is satisfied that the external auditor's independence, objectivity and effectiveness has been maintained.

Group Audit Committee Report continued

External auditor appointment and tenure
The Group's external audit contract was put out for tender for the 2019 financial year and the next external audit tender is expected to be in 2028 for the financial year 2029. Ben Jackson assumed the role of the statutory auditor in 2024 following rotation of the previous partner, and attends all meetings of the Committee.

The Committee confirms that the Group has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which requires FTSE 350 companies to put their statutory audit services out to tender no less frequently than every ten years. There are no restrictive contractual provisions or third parties limiting the Company's choice of auditor and a resolution to re-appoint Deloitte as external auditor will be presented at the 2025 AGM.

External audit plan and reports
Upon reviewing the plan for the 2024 audit, the Committee was satisfied that appropriate audit effort was being directed at all significant areas. The external auditor attended all meetings of the Committee and presented detailed reports on their half-year review and the year-end audit. This included their view on accounting judgements made by management, compliance with IFRS and observations on controls. The Committee also received helpful benchmark data from the external auditor during the year.

Non-audit services
The Committee reviewed and approved the policy governing the use of the external auditor for non-audit services, which is designed to ensure that any provision of non-audit services to the Group by the external auditor does not impact its independence and objectivity.

The Committee closely monitors and receives regular reports on non-audit services.

The Group maintains active relationships with several other large firms and any decision to appoint the external auditor for non-audit services is taken in the context of its understanding of the Group, which can place it in a better position than other firms to undertake the work, and includes an assessment of the cost-effectiveness and practicality of using an alternative firm.

The EU statutory audit market reform legislation adopted in the UK applies a cap on permissible non-audit services of 70% of the preceding three-year average of audit fees for UK incorporated Public Interest Entities (PIEs).

The Revised Ethical Standard issued by the FRC in December 2019 contained a 'whitelist' of permitted non-audit services, distinguishing between those which fall under the cap, including extended assurance work, and those not subject to the cap, being services required by a competent authority or regulator by law.

The Committee maintained a cap for non-audit services in 2024 of 50% of audit services. The Committee pre-approved a number of non-audit services including in respect of proposed Tier 2 and Senior Holdco debt issuances, compliance tools in India, interim profit verifications, the half-year review, assurance review of APMs in the Annual Report and Accounts, TCFD, and reporting on the Inline Extensible Business Reporting Language (iXBRL) tagging of financial statements. The Committee also agreed mandates for the CFO and Committee Chair to approve additional permitted engagements, subject to agreed thresholds.

The fees paid to the external auditor in respect of non-audit services during 2024 totalled £793,523, representing 19% of the 2024 Group audit fee of £4,121,000 (2023: £895,000, representing 23% of the 2023 Group audit fee of £3,869,000) and are summarised in the table below. All non-audit services provided by the external auditor were assurance-related in nature and consistent with the role of the external auditor. No advisory or consulting services were provided.

Audit-related assurance services include the interim review and profit verifications for regulatory purposes. Other assurance services in 2024 include an assurance review of APMs, iXBRL and ESG disclosures and certain ESG metrics (2023: APMs, iXBRL and ESG disclosures and certain ESG metrics). Other non-audit services primarily comprise work related to reporting accountant work and the Euro Medium-Term Note comfort letter (2023: reporting accountant work and the Euro Medium-Term Note comfort letter).

	Group 2024 £'000	Group 2023 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**83**	81
Fees payable to the Company's auditor for the audit of the accounts of subsidiaries	**4,038**	3,788
Total audit fees	**4,121**	3,869
Audit-related assurance services	**391**	487
Other assurance services	**330**	366
Other non-audit services	**73**	42
Total non-audit fees	**794**	895
Total fees payable to the Company's auditor	**4,915**	4,764

Internal Audit
The Committee is responsible for approving the mandate of Group Internal Audit (GIA), together with the annual Internal Audit Plan and ensuring that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee approved the GIA Charter in October 2024 which formally establishes the function's mandate that specifies the purpose, authority and responsibilities of GIA. It can be found on our website, www.osb.co.uk.

GIA strengthens the Group's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based and objective assurance, advice, insight and foresight. The team assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the governance, risk management and internal controls.

Group Audit Committee Report continued

The function is resourced with an experienced in-house team with diverse backgrounds, skills and experiences to ensure a variety of perspectives. They are supported by third-party consultancy firms that provide expert advice (on a co-source basis) for specific technical/specialist audits. The team has been restructured this year to better support the technical and growth ambitions of the Group.

The Committee holds private sessions with the GCIA and ensures that GIA has adequate standing and is free from management, or other restrictions, which may impair its independence and objectivity. On an annual basis, the Committee assesses the effectiveness of the function. In 2024, this was facilitated by a survey completed by Committee members, the Group Executive Committee and the external auditor, who maintains a close relationship with GIA. The respondents affirmed that the function consistently demonstrated the necessary independence and objectivity. Its effectiveness was evidenced by the value and impact it brought to the Group, particularly through the team's ability to balance both strategic oversight and attention to detail, communicating these insights with clarity.

The Chartered Institute of Internal Auditor's Code of Practice recommends that where the tenure of the chief audit executive exceeds seven years, the Committee should explicitly discuss the assessment of their independence and objectivity annually.

In February 2024, the Committee met to assess these requirements. As part of the review, the Committee considered the continued exercising of professional scepticism; ethical conduct; compliance with relevant regulations, and the effectiveness of the GCIA's leadership.

The Committee were satisfied that the GCIA remains independent, despite exceeding a seven-year tenure, and that the objectivity, quality, experience and expertise of the internal audit function was appropriate for the business.

The ongoing adherence to professional standards by the internal audit team was confirmed to the Committee by regular internal quality assurance reporting, together with a status update on the Continuous Improvement Plan which is aligned to the GIA Strategy. In addition, an external review of a gap analysis against the new Global Internal Audit Standards confirmed that, with only minor enhancements, the function would conform to each of the standards by 31 December 2024.

The Committee regularly received updates from the GCIA on the 2024 Internal Audit Plan's progress, including audit results, key findings, emerging themes, and any outstanding audit action points. This is a dynamic plan, which was updated on a quarterly basis to capture any emerging risks that required assurance.

In addition, the Committee, together with the Group Executive Committee and external auditor, received individual audit reports following the conclusion of each Internal Audit engagement. Material management actions were tracked and reported to the Committee.

In addition to monitoring the 2024 plan, the Committee approved the 2025 plan, which was based on an assessment of the Group's key risks.

Effectiveness of the Committee

As noted in the Corporate Governance Report, the Committee's performance was assessed as part of the external review of Board Effectiveness. The Committee was rated highly, as executive decisions are challenged, and it continues to perform effectively.

Based on observations, Bvalco concluded that there was a good level of debate at meetings with the Committee Chair leading on questioning and the direction of the conversation. The meetings are considered to be well chaired, and all Committee members contribute well to the conversation.

Priorities for 2025

The priorities for the Committee for 2025 have been identified as being:

- To continue to challenge the accounting judgements and estimates, as presented by management, and engage with the external auditor on their opinion of the assumptions.
- To ensure a seamless succession for the Group Audit Committee Chair.
- Consider the provisions of the updated Code coming into effect on 1 January 2025, where applicable to the Group and relevant to the Committee's activities, including consideration of management's proposals for identifying material controls, ahead of implementation of Provision 29 and reporting in subsequent years.
- Ensuring that the Group's financial reporting complies with all legislative requirements and accounting standards.
- Oversight and review of the 2025 Internal Audit Plan.

Additional information

The Committee has unrestricted access to Executive Management and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively.

The Committee Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

Concluding remarks

I will be stepping down from the Board at the conclusion of the AGM, Henry Daubeney will, subject to regulatory approval, succeed me as Chair of this Committee and also as the Group's Whistleblowing Champion. Henry has served as a member of the Committee since his appointment to the Board on 1 July 2024, and has significant experience in the financial services sector. Ahead of my stepping down from the Board, I will continue to work closely with Henry to ensure a smooth transition of my role as Committee Chair. Finally, I would like to formally record my thanks to my fellow Committee members, members of senior management, our Internal Audit team and our external auditor for their support and diligent contribution during 2024.

The Board reviewed and approved this report on 12 March 2025.

Rajan Kapoor
Chair of the Group Audit Committee
12 March 2025

Group Risk Committee Report

Dear Shareholder,

On behalf of the Committee, I am pleased to present the Group Risk Committee Report. The Committee has continued to discharge its risk oversight, review and challenge responsibilities effectively during a period of continuing uncertainty and change.

Committee responsibilities

- Set a clear tone from the top in relation to a risk-based culture to foster individual and collective accountability for risk management.
- Ensure the Group organises and resources its risk management and oversight functions across the first and second line effectively.
- Provide oversight of key regulatory initiatives.

Risk appetite and assessment

- Actively assess performance against risk appetite and challenge management to ensure that the Board's strategic, business and regulatory objectives are not put at unacceptable levels of risk.
- Advise the Board on overall risk appetite, tolerance and strategy.
- Review risk assessment processes that inform the Board's decision-making.
- Consider the Group's capability to identify and manage new risks.
- Advise the Board on proposed strategic transactions, including acquisitions or disposals, ensuring risk aspects and implications for risk appetite and tolerance are considered.

Risk monitoring and framework

- Review risks associated with credit, interest rate, liquidity, macroeconomic, compliance and regulatory landscape, solvency, conduct, reputation, financial crime and operational risk exposures by reference to risk appetite.
- Continuously review, challenge and recommend enhancements to the Group's Enterprise Risk Management Framework (ERMF).
- Challenge and oversee the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) frameworks.
- Monitor actual and forecast risk and regulatory capital positions.
- Recommend changes to capital utilisation.
- Monitor the actual and forecast liquidity position.
- Review reports on risk appetite thresholds, identify where a risk of a material breach of risk limits exists and ensure proposed actions are adequate.
- Provide challenge and oversight to the Recovery Plan framework.
- Monitor risks arising from Climate Change.

Internal controls and risk management

- The Group is organised along the 'three lines of defence' model to ensure at least three stages of independent oversight to protect the customer and the Group from undue influence, conflicts of interest and ineffective controls.
- The first line of defence is provided by the operational business functions which identify, measure, assess and control risks through the day-to-day activities of the business within the frameworks set by the second line of defence. The second line of defence is provided by the Risk, Compliance and Governance functions which include the Board and Group Executive Committee.
- The third line of defence is the Internal Audit function.

Group Risk Committee Report continued

Group Risk Committee and risk governance structure

- Considers and approves the remit of the Risk function.
- Recommends to the Board the appointment and removal of the Group Chief Risk Officer (CRO).
- Reviews all reports from the Group CRO and monitors management's responsiveness to the Group CRO's findings.
- Receives summary reports from senior risk management committees.

The specific responsibilities and duties of the Committee are set out in its Terms of Reference which are available on our website, www.osb.co.uk and do not form part of this Annual Report.

Committee Members (at 31 December 2024 and 12 March 2025)

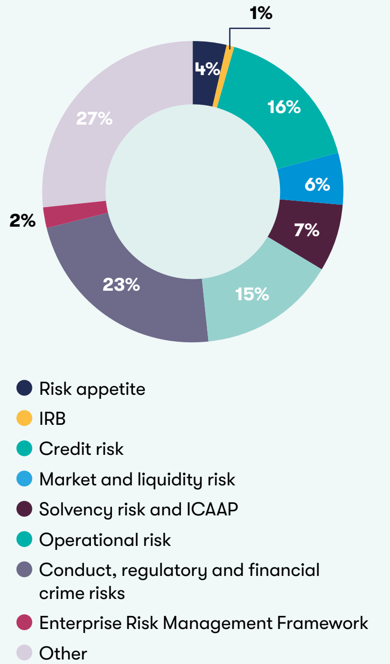
- Simon Walker (Committee Chair)
- Henry Daubeney
- Rajan Kapoor
- Noël Harwerth

In addition to the members of the Committee, the Board Chair has a standing invitation to the Committee, along with the Chair of CCFS, the CEO, CFO, Group CRO, Group Chief Credit Officer and MRLO, and CCFS CRO, unless the Committee Chair informs any of them that they should not attend a particular meeting or discussion.

Time allocation

In 2024, the Committee held six scheduled meetings. For further detail of attendance during the year, see the Board and Committee meeting attendance table on page 128 of the Corporate Governance Report.

Approximate allocation of Committee time in 2024



Key activities in the year

In 2024, the Committee focused on the following areas:

Risk appetite

The Committee played an active role in shaping and assessing the design of the Group's risk appetite in the context of the economic and business outlook and uncertainties, the strategic growth agenda and regulatory developments. The Committee reviewed and recommended to the Board for approval, the Group's risk appetite metrics and thresholds, noting the need for the Group to tighten its appetite across a number of risk types to reflect heightened levels of external and internal risks, ensuring that they remained appropriate and aligned to the Group's strategic agenda, business plans and stress testing capabilities. Members of the Committee attended dedicated workshops run by management, which focused on the risk appetite methodologies and details of how the supporting analysis was conducted.

Risk appetites are set at both Group and solo bank entity levels. The Committee reviewed the Group's position against risk appetite across all principal risks and escalated issues to the Board, where appropriate, and endorsed the risk appetite statements, metrics and limits for Board approval for the Group's Transformation programme.

Internal Ratings-Based (IRB) Programme

The Committee oversees the performance and regulatory compliance of the Group's IRB rating systems through regular updates from management at each Committee meeting regarding the Group's IRB programme, including progress made against key milestones in model development, model governance and technical enhancements. The Committee has an established sub-committee (Group Models and Ratings Committee) to ensure effective governance of all IRB-related and other relevant models. The Committee is well positioned to provide oversight and approval of relevant supervisory submissions relating to the IRB approval process.

Credit risk

The Committee has monitored the performance of the Group's loan book on both aggregated and asset class sub-segment bases by assessing the key indicators of credit quality, security coverage, affordability and borrower risk profile. The Committee also assessed forward-looking credit risk indicators in the form of customer arrears, bureau data on customer credit scores, mover alerts and indebtedness, business and economic early warning indicators (EWIs) and climate change.

Following challenge by the Committee, further metrics are being added to control for wider credit-related risks and further EWIs are being considered for higher-risk cohorts.

Group Risk Committee Report continued

Market risk and liquidity risk
Market risk and liquidity risk are continually monitored by the Group Assets and Liabilities Committee (ALCO), which provides reports to the Committee. The Committee reviewed ALCO's regular assessments of the UK macroeconomic environment and potential impacts on the Group's assets and liquidity. The Committee reviewed the updates to market and liquidity risks in the ILAAP as well as updates relating to the Resolvability Assessment Framework and the Group's response to the volatile macroeconomic environment.

The Committee also reviewed and recommended the market and liquidity risk appetite to the Board for approval. The Committee oversaw the Group's liquidity management plans during the year in order to ensure that liquidity positions remained appropriate against the uncertain economic backdrop coupled with cost of living and cost of borrowing challenges in the UK.

Solvency risk and ICAAP
The Committee reviewed the ICAAP, which demonstrates how the Group would manage its capital resources and requirements during a plausible but severe period of stress. The Committee also reviewed the bespoke macroeconomic stress scenarios produced by an independent third party engaged by the Group to support ICAAP Pillar 2B stress testing activity.

The Committee reviewed and challenged the Group Capital Plan and monitored total capital and Common Equity Tier 1 forecasts throughout the year, ensuring that risks were understood and managed appropriately. The solvency risk appetite was reviewed and recommended to the Board for approval and the Committee also approved the Group Recovery and Restructuring Plan.

Operational risk
The Committee received reports on operational risks at each of its meetings. The reports covered risk incidents that had arisen to allow the Committee to assess management's response and remedial action proposed. The reports also covered key risk indicators (KRIs), which can be quantitative or qualitative and provide insights regarding changes in the Group's operational risk profile. The Committee also reviewed and recommended the operational risk appetite to the Board for approval.

The Committee also provided oversight and guidance in relation to the programme of activities focused on enhancing the Group's systems and procedures for the assessment of operational risks and controls as well as the management of operational risk events.

Conduct, regulatory and financial crime risks
The Committee received reports covering conduct, regulatory and financial crime KRIs on a quantitative and qualitative basis, which provided insight into changes in the Group's conduct, regulatory and financial crime risk profiles. The Committee also reviewed the conduct, regulatory and financial crime risk appetites before recommending them for approval by the Board.

The ongoing implementation of Consumer Duty was reviewed and provided continuous oversight ensuring alignment with regulatory expectation and the Group's commitment to ensuring that customers receive good outcomes.

Strategic projects
The Committee has also continued to progress its oversight responsibilities over some key strategic programmes of the Group including Transformation, IRB project, Consumer Duty compliance by July 2024 and UK General Data Protection Regulation.

Enterprise Risk Management Framework
The Committee reviewed the ERMF in line with its annual review cycle to ensure it remains fit for purpose in the context of the Group's strategic objectives, business model, risk profile and industry practice. Following feedback received from a review carried out by PwC, the ERMF has been streamlined to better align with latest industry practice.

Effectiveness of the Committee
As noted in the Corporate Governance Report, the Committee's performance was assessed as part of the external review of Board Effectiveness. Observations included good commitment from Committee members and strong debate, and that the Committee continued to perform effectively. Recommended actions for enhancement centre around planning, quality of management information and reducing any overlap with other committees.

Priorities for 2025
The priorities for the Committee for 2025 have been identified as being:

- Credit risk
- Conduct, regulatory and financial crime risks
- Market risk and liquidity risk including the ILAAP
- Operational Risk
- Solvency Risk, the ICAAP and Recovery and Restructuring Plan
- Increased representation at Committee meetings from first line to articulate the risk impacts on business performance

Additional information
The Committee has unrestricted access to Executive Management and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively.

The Committee Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

The Board reviewed and approved this report on 12 March 2025.

Simon Walker
Chair of the Group Risk Committee
12 March 2025

Group Risk Committee Report continued

Other Committees

Group Models and Ratings Committee

The Group Models and Ratings Committee is a sub-committee of the Group Risk Committee and met six times during the year including one ad-hoc meeting.

The primary purpose of the Committee is to act as the Designated Committee for the purposes of material aspects of the rating and estimation processes (as articulated in Article 189 of the EU Capital Requirements Regulation) and provide assurance of the Company's models and rating systems and as such, the Committee has delegation from the Group Risk Committee to authorise implementation of and changes to material models. It also monitors and oversees the Group's model risk profile in line with the Group's risk appetite thresholds and regulatory objectives.

The Committee is chaired by the Group Risk Committee Chair, Simon Walker. Other members of the Committee are Rajan Kapoor, Henry Daubeney and Victoria Hyde, the latter two being appointed following their appointments to the Group Board on 1 July and 22 July 2024 respectively. April Talintyre ceased to be a member on 9 May 2024.

Board Capital and Funding Committee

The Board Capital and Funding Committee is a Committee of the Board. Its primary objective is to approve capital, funding and equity activities of the Group consistent with Board approved plans.

The Committee met two times during the year. Current members are David Weymouth as Chair, Simon Walker, Rajan Kapoor, Andy Golding and Victoria Hyde.

Group Remuneration and People Committee Report

Annual Statement by the Chair of the Group Remuneration and People Committee

Dear Shareholder,

On behalf of the Committee, I am pleased to present my final Group Remuneration and People Committee Report ahead of stepping down from the Board at the AGM on 8 May 2025. This report sets out details of Directors' remuneration in respect of 2024 and how we intend to operate the Directors' Remuneration Policy in 2025. The Directors' Remuneration Policy was approved by shareholders at the 2024 AGM with over 98% support and is included within this report for reference.

Committee responsibilities

- Review the Group Remuneration Policy and recommend for Board approval.
- Review the ongoing appropriateness and alignment of the Group Remuneration Policy to the Group's strategy (including ESG) and its alignment with key stakeholder expectations.
- Review workforce remuneration and related implementation policies and note, annually, the remuneration trends across the Group.
- Review and recommend for Board approval, the Directors' Remuneration Policy (the Policy), including pension rights and any compensation payments.
- Review and approve the Remuneration Policy for senior management and the Company Secretary and all employees who are identified as Material Risk Takers for the purposes of the PRA's Remuneration Code (the Remuneration Code) including pension rights and any compensation payments.
- Review and approve the total individual remuneration package of the Board Chair, each Executive Director, the Company Secretary and other designated senior managers[1] including bonuses, any other incentive payments and share-based awards.
- Ensure that workforce remuneration practices and culture are taken into account when determining individual remuneration packages.
- Approve the appointment of remuneration consultants.
- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Group and approve the total annual payments made under such schemes.
- Provide oversight of people matters within the Group (in conjunction with the Group Nomination and Governance Committee), including targets set by the Women in Finance Charter, Gender Pay Gap reporting, Culture, updates from Our Voice and outputs from surveys relating to employee engagement.
- Review and approve the Group's DE&I Policy.

The specific responsibilities and duties of the Committee are set out in its Terms of Reference which are available on our website, www.osb.co.uk, and do not form part of this Annual Report.

Committee members (at 31 December 2024 and 12 March 2025)

- Sarah Hedger (Committee Chair)
- Kal Atwal
- Noël Harwerth
- Rajan Kapoor
- David Weymouth

1. Designated senior managers include all members of the Group Executive Committee and any other senior employees in independent control functions.

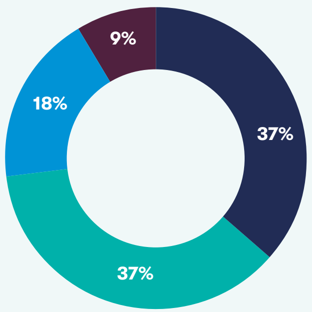
Group Remuneration and People Committee Report continued

Annual Statement by the Chair of the Group Remuneration and People Committee continued

Time allocation

In 2024, the Committee held six scheduled meetings and one ad-hoc meeting. For further details of attendance during the year, see the Board and Committee meeting attendance table on page 128 of the Corporate Governance Report.

Approximate allocation of Committee time in 2024



Key activities in the year

In 2024, the Committee focused on the following areas:

Overview of 2024 performance and incentive outcomes

In challenging market conditions, the Group delivered solid performance across the Balanced Business Scorecard (the Scorecard), with performance close to target for the Financial segment and generally exceeding the top-end of the performance ranges for the Customer and Quality segments, recognising our consistent sector leading performance in these latter two areas.

As an underpin, the Committee also considered whether the Scorecard's formulaic outcome reflected the Group's risk appetite and profile and considered current and potential future risks.

The bonus payout under the Scorecard is 53.79%. For the CEO the Scorecard represents 95% of his total bonus outcome, for the CFO 90% and for the former CFO 85%.

The remaining 5%, 10% and 15% respectively is based on the achievement of stretching personal objectives. Performance against personal objectives was considered by the Board and Committee to be strong. This resulted in a payout of 2.5% out of 5% for the CEO, 6.5% out of 10% for the CFO and 7.5% out of 15% for the former CFO.

Total payouts, combining the outcomes from the Scorecard and personal objectives, under the 2024 Executive Directors' Bonus Scheme are therefore 53.60% of maximum opportunity for the CEO, 54.91% for the CFO (since her appointment as a Director) and 53.22% for the former CFO. The bonus is paid half in cash and half in shares, with the shares held for three years, in line with regulatory requirements.

Full details of the performance conditions and bonus payments are provided on page 164 of this report. The targets for each measure were set at the start of the year and assessed by the Committee following the end of the financial year, liaising as necessary with the Group Audit Committee and Group Risk Committee Chairs.

The Committee considered these outcomes and does not believe that discretion is required. Although the outcome achieved for the Financial segment was lower than for the Customer and Quality segments, management made appropriate operational decisions that reduced the outcome from the Financial segment, for example to focus on disciplined lending rather than growth, support the transformation programme and incur additional costs in December 2024 for redundancies.

The 2022 Awards under the PSP were based on performance over the three-year period which ended on 31 December 2024. Performance was based 35% on Earnings Per Share (EPS) growth; 35% on Total Shareholder Return (TSR) versus companies in the FTSE 250 Index (excluding Investment Trusts); and 15% each on Return on Equity (RoE) and an assessment of the Group's overall risk performance.

Performance against the EPS target range was below the threshold for payment. The Group's TSR over the performance period placed the Group above the median of the FTSE 250 peer group and therefore 45.4% of the TSR element was earned. The average RoE over the performance period was 18.4% resulting in 42.9% of the RoE element being earned. As prescribed by the performance conditions, the Committee undertook a qualitative assessment of the Group's risk performance over the period using an overall assessment prepared by the Group CRO and endorsed by the Chair of the Group Risk Committee. The Committee concluded that 80% of this element had been achieved. Full details of the PSP assessment are included on page 164.

Progress has been made on our strategic objectives this year and Executive Directors' remuneration continues to be aligned with our key strategic aims, performance and risk going forward.

Sarah Hedger Chair of the Group Remuneration and People Committee

Group Remuneration and People Committee Report continued

Annual Statement by the Chair of the Group Remuneration and People Committee continued

As a result, 34.3% of the maximum PSP Awards have been earned. This is considerably lower than recent awards, reflecting the more challenging market environment over the performance period. The Committee is comfortable there has been an appropriate link between reward, performance and the broader stakeholder experience over the three-year performance period (including the experience of customers) and therefore discretion was not used to adjust the incentive outcome.

These PSP Awards will vest in five equal tranches between 2025 and 2029, with the shares being subject to a further one-year holding period post-vesting and malus and clawback provisions.

In line with the Code, the Remuneration Policy operated as intended during the year under review.

CFO succession

On 2 November 2023, we announced that April Talintyre, our CFO, would be retiring after more than 11 years with the Group. April stepped down at the Group's AGM on 9 May 2024. Full details of the amounts payable to April were provided in the Section 430(2b) statement available on the OSB website, www.osb.co.uk and have also been included on page 170 of this report.

On 5 April 2024, we announced that Victoria Hyde would be appointed to the Board as CFO and Executive Director. Following regulatory approval, Victoria took up the role on 22 July 2024. She was appointed on a salary of £550,000, below the £573,628 salary April would have received had a 3% increase been applied to her previous year's salary, in line with the increase received by the CEO.

Victoria's salary is positioned at mid-market compared to our peer group of quoted UK banks and the total package is in line with UK-listed companies with a similar market capitalisation. As an Executive Director, her FY24 bonus and 2024 PSP opportunities were each 110% of salary, in line with the CEO and below the maximum of 135% allowed under the Policy. Her FY24 bonus was pro-rated to reflect the time served as an Executive Director in the year.

Implementation of the Policy in 2025

The Policy will be implemented as follows:

- **Salary:** The CEO and CFO will not receive a salary increase from 1 April 2025. This is in the context of the Board's decision to hold the aggregate salary increase for UK employees to 2% and the redundancies implemented in December 2024.
- **Pension:** The pension contribution remains at 8% of salary, which is aligned to the rate for the majority of the workforce.
- **Annual bonus:** The 2025 Scorecard will continue to be based 65% on financial measures and 35% on non-financial measures. Within the financial element the measures and weightings have changed slightly, in line with operational and strategic priorities. Profit before Tax (PBT) and Return on Tangible Equity (RoTE) measures have an equal weighting of 22.5% (previously 30% and 15%). The cost to income measure has been replaced by a cost delivery measure with a 12.5% weighting (previously 10%) and net loan book growth has a 7.5% weighting (previously 10%).
- The non-financial element will be based on a range of KPIs, including our strategic priorities of Transformation, Data and People, with a qualitative Committee assessment at the year end based on measurable progress made against these priorities. The Scorecard is marked out of 100%. Total bonus is calculated by combining each individual's Scorecard and personal performance based on the relevant percentage each represents of their total bonus opportunity. Objectives for the personal performance element have been set based on a range of robust strategic and individual priorities for the CEO and for the CFO (see page 163 for further details). Half of any bonus will be paid in shares, which may not be sold for at least three years.
- **PSP Awards:** A PSP award of 110% of annual salary will be made to the CEO and CFO. A discount will be applied to the share price used to calculate the number of shares granted to reflect the expected dividend yield on the shares over the performance period (see page 173 for more details), an approach which is typical for Financial Services firms. Performance will be measured over the three-year period to 31 December 2027.

  The PSP performance metrics and weightings are: EPS in 2027 (30% weighting), relative TSR versus the FTSE 250 Index (excluding Investment Trusts) (30% weighting), average RoTE (15% weighting), Non-financial/Risk (15% weighting) and ESG (10% weighting).

  The targets for each measure are set out on page 173 of this report together with their supporting rationale and the Committee is satisfied that these provide the appropriate amount of stretch, taking into account the business plan, external operating environment and market expectations. Furthermore, when assessing the performance outcome, the Committee may use discretion to adjust the formulaic vesting outcome to ensure that it is aligned with underlying performance, risk appetite and individual conduct over the period.
- **Use of RoTE versus ROE:** The Committee reviewed the historical use of RoE as a metric for both the annual bonus and PSP and, in line with recent market practice in Banks and our own reporting, changed the measure to RoTE. RoE includes Intangible Assets/Goodwill, which serves to inflate the equity base without contributing tangible value or loss-absorbing capacity. RoTE therefore shows the return on the actual capital at risk, giving a more transparent view of how efficiently shareholders' funds are deployed.

Review of Board Chair and INED fees

The fees for the Board Chair and INEDs were reviewed by the Committee for the Board Chair and by the Board (minus the INEDs) for the INEDs. As the Executive Directors will not receive an increase to their annual salary, the Board Chair and INEDs will also receive no increase to their fees from 1 April 2025.

Group Remuneration and People Committee Report continued

Annual Statement by the Chair of the Group Remuneration and People Committee continued

Consideration of shareholder views
We undertook a detailed shareholder consultation ahead of the approval of the current Policy at the AGM in May 2024. Shareholders were generally supportive of the proposed changes to the Policy, with feedback centring around the desire for effective, transparent disclosure and a strong rationale for the implementation of the Policy. We have taken this into account when determining the operation of the Policy and its disclosure going forwards.

Consideration of employee policies and views
As the INED responsible for representing the workforce on the Board, I regularly meet with employees, individually and through forums such as Our Voice, to understand their views, including those on remuneration, and report these views to the Board. During 2024, the Policy was discussed with Our Voice, setting out how Executive Directors' remuneration is governed and how the Policy is aligned with wider workforce remuneration policies. Views were sought on the approach to senior management remuneration. Further details on the activities of Our Voice can be found on pages 88 and 183.

Upcoming regulatory changes
OSB Group is subject to PRA and FCA remuneration rules and associated guidance. The PRA and FCA are currently consulting on proposed changes to their remuneration rules. The consultation includes potential changes, amongst other areas to the required deferral and retention periods that would apply to the CEO and CFO, and to the payment of dividends during the unvested period.

Overall, we believe the proposed changes are positive. Our Policy is sufficiently flexible to accommodate the proposed changes, although actual points of implementation will be considered in detail once the final regulations are known, whilst also ensuring implementation aligns with market best practice and investor expectations for FTSE-listed companies. We will continue to operate within UK corporate governance and investor minimum expectations, including in respect of having an overall five-year vesting and holding period for long-term awards.

Effectiveness of the Committee

As noted in the External Review of Board Effectiveness section within the Corporate Governance Report on page 131, the Committee's performance was assessed as part of the annual review. The Committee was rated well and continued to perform effectively.

One area identified for focus related to ensuring that any changes to the role of the Committee are carefully coordinated with the work and support of the CPO.

Priorities for 2025

The priorities for the Committee for 2025 have been identified as being:

- Review and approval of 2025 salary increases;
- Review of 2024 bonus awards;
- Determining the 2024 grants under the PSP;
- Updates on the performance of the 2025 Bonus Scorecard and in-flight PSP awards;
- Review of pay and performance arrangements across the Group, in particular on how to better promote a performance-based culture aligned to the success of the Group;
- Considering and recommending the 2024 Directors' Remuneration Report to the Board for approval;
- Approval of the 2025 personal objectives for the CEO, CFO and Group Executive Committee;
- Annual review of the costs and performance of the Committee's independent remuneration adviser, and whether to tender the role;
- Considering and recommending the People and Culture Strategy and the DE&I Strategy; and
- Other business as usual matters for employees under the Committee's scope.

Additional information

The Committee has unrestricted access to Executive Management and its external advisors, Korn Ferry, to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively.

The Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

Concluding remarks

The Annual Report on Remuneration including this Chair's Statement will be presented to shareholders for an advisory vote at the 2025 AGM.

I will be stepping down from the Board with effect from the conclusion of the 2025 AGM for personal reasons. Ahead of that, Sally Jones-Evans will, subject to regulatory approval, succeed me as Chair of this Committee and as the Group People Champion.

Sally will join the Board on 1 April 2025 and has significant non-executive Board experience, having served as a Board member and chaired audit, risk and remuneration committees.

I would like to formally record my thanks to my fellow Committee members, members of senior management and our advisers, Korn Ferry, for their support during 2024.

The Board reviewed and approved this report on 12 March 2025.

Sarah Hedger
Chair of the Group Remuneration and People Committee
12 March 2025

Directors' Remuneration Report

Directors' Remuneration at a glance

An overview of the Directors' Remuneration Policy and its implementation in FY24

Salary

Feature

To reward for the role and duties required, recognising experience, responsibility and performance

Alignment with workforce policies
Executive Directors salary increases are normally in line with or lower than the average of the workforce

Performance metrics (weighting)
N/A

How we implemented the Policy in FY24

CEO	£916,679 (+3%)
Former CFO	£556,920 (0%)
CFO	£550,000 (N/A)

How we intend to implement the Policy in FY25

CEO	£916,679 (+0%)
CFO	£550,000 (+0%)

Pension/benefits

Feature

Contributes to retirement planning and market competitive benefits to ensure the wellbeing of employees

Alignment with workforce policies
Pension contribution rates for Executive Directors are the same as for most of the workforce

Benefits are structured generally in line with the wider workforce and are market competitive

Performance metrics (weighting)
N/A

How we implemented the Policy in FY24 and how we intend to implement the Policy in FY25

Pension:
8%
of salary

Benefits:
Standard benefits provided to both Executive Directors

Executive Director Bonus Scheme

Feature

To incentivise and reward the achievement of pre-defined annual financial, operational and individual objectives which are closely linked to the corporate strategy

Maximum opportunity
135%
of salary

Deferral of 50% of value earned into shares for at least three years, aligning payout with shareholders' interests over the longer term

Alignment with workforce policies
The majority of our workforce participate in an annual bonus plan, with performance metrics aligned to business performance and individual KPIs

Senior employees are required to defer a portion of their bonus into shares

Performance metrics

	% weighting FY24	% weighting FY25
Scorecard:		
Financial	**65**	65
Non-Financial	**35**	35
Total	**100**	100
Individual:		
CEO	**5**	10
CFO	**10**	10
Former CFO	**15**	N/A

The Scorecard represents that portion of the overall bonus opportunity not represented by individual performance objectives. It is nevertheless marked out of 100%. For existing Executive Directors, the maximum bonus opportunity is 110% of salary. The individual element may vary between 0-20% of the overall bonus opportunity.

How we implemented the Policy in FY24

CEO: 110% of salary
CFO: 110% of salary
Former CFO: 110% of salary

Performance assessment set out on page 162

How we intend to implement the Policy in FY25
Maximum opportunity
110%
of salary

The 2025 Scorecard will continue to be based 65% on financial measures and 35% on non-financial measures. Within the financial element the measures and weightings have changed slightly, in line with our operational and strategic priorities. PBT and RoTE (previously ROE) measures have an equal weighting of 22.5% (previously 30% and 15%). The cost to income measure has been replaced by a cost delivery measure with a 12.5% weighting (previously 10%) and net loan book growth has a 7.5% weighting (previously 10%). The non-financial element will be based on a range of KPIs, including our strategic priorities of Transformation, Data and People with a qualitative Committee assessment at the year end based on measurable progress made against these priorities. Total bonus is calculated by combining each individual's Scorecard and personal performance based on the relevant percentage each represents of their total bonus opportunity.

Targets disclosed retrospectively together with performance assessment

Directors' Remuneration Report continued

Directors' Remuneration at a glance continued

Performance Share Plan

Feature

To incentivise and recognise execution of the business strategy over the longer term

Payable in shares, three-year performance period, with vesting in five annual tranches

Maximum opportunity

135%

of salary

Alignment with workforce policies

Only the most senior individuals participate in the PSP

In FY24, around 122 employees participated in the scheme thereby promoting longer-term performance and aligning them to shareholders' interests

Performance metrics (weighting)

2022 Award vesting:

Relative TSR (35%)
EPS (35%)
ROE (15%)
Non-financial – Risk (15%)

2024 Award granted:

Relative TSR (30%)
EPS (30%)
ROE (15%)
Non-financial – Risk (15%)
ESG (10%)

How we implemented the Policy in FY24

2022 Award:

34.3%

of the maximum award vested based on performance over the three years to FY24

Performance assessment set out on page 165

2024 Award:

Awards granted at

110%

of salary

Targets set out on page 173

How we intend to implement the Policy in FY25

FY25 Awards made over a maximum of 110% of salary for the CEO and CFO. A discount will be applied to the share price used to calculate the number of shares granted to reflect the expected dividend yield on the shares over the performance period.

Measures in line with the 2024 Award, with the exception of the change from ROE to RoTE.

Shareholding requirements

Feature

To increase alignment between Executive Directors and shareholders during employment and following cessation

Alignment with workforce policies

Shareholding requirements are only in place for the most senior employees to strengthen the alignment of their interests with those of our shareholders

Performance metrics (weighting)

Executive Directors are required to build up and maintain a shareholding worth at least 250% of salary for the CEO and 200% of salary for the CFO

How we implemented the Policy in FY24

See page 169 for details on CEO and CFO shareholdings

How we intend to implement the Policy in FY25

No change

The link between pay and the Group's performance, strategy, culture and ESG commitments

Financial	Quality	Strategy and Culture	Purpose	ESG
Sustainable financial growth through attractive margins and exceptional returns.	Strong governance and quality of the business underpins our operations	Tailored individual objectives in line with our strategic priorities and values	Helping our customers prosper in line with our Purpose	To support our Purpose to help our customers, colleagues and communities prosper

Executive Director Bonus Scheme FY24

110% of salary opportunity with at least 50% deferred into shares for 3 years

Financial (65%)	Customer (20%)	Quality (15%)	Personal (0-20%)
• Underlying PBT[1] • All-in RoE[1] • Cost to income ratio[1] • Net loan book growth	• Customer satisfaction[1] • Broker satisfaction • Complaints	• Overdue management actions • Arrears • High-severity incidents	• 5% for CEO • 10% for CFO • 15% for former CFO

The Scorecard, being the Financial, Customer and Quality elements, is marked out of 100%. Total bonus is calculated by combining each individual's Scorecard and personal performance based on the relevant percentage each represents of their total bonus opportunity.

Performance Share Plan FY24

110% of salary opportunity, with performance assessed over 3 years and any shares delivered over extended time-horizons

Financial (45%)	Non-financial (15%)	TSR (30%)	ESG (10%)
• EPS[1] (30%) • ROE[1] (15%)	• Non-financial/ Risk (15%)	• Total Shareholder Return vs FTSE 250 (30%)	• ESG (10%)

1. Key performance indicators (see pages 2-3 and 37-39).

Directors' Remuneration Report continued

Introduction

This section outlines details of the remuneration received by Executive Directors and INEDs in respect of the financial year ended 31 December 2024. This annual Directors' Remuneration Report (the Report) will, in conjunction with the Annual Statement of the Committee Chair on pages 154-157, be proposed for an advisory vote by shareholders at the forthcoming AGM to be held on 8 May 2025.

Where required, data provided has been audited by Deloitte, as indicated throughout the Report.

Membership and meetings

The Committee met six times during 2024. Membership and attendance of individual Committee members is set out in the Corporate Governance Report.

The Board considers each of the members of the Committee to be independent in accordance with the UK Corporate Governance Code.

Key matters considered by the Committee in 2024

Key issues reviewed and discussed by the Committee during the year included:

- Continued work on the review of the Directors' Remuneration Policy for presentation to shareholders at the 2024 AGM
- Remuneration arrangements for the new CFO
- Remuneration arrangements for the retiring CFO
- Review and approval of 2024 salary increases
- Review of 2023 bonus awards
- Determining the 2024 grants under the PSP, in particular in light of the share price at the time of grant and whether to use a discounted share price at grant to reflect the lack of dividend accruing on the award
- Remuneration arrangements for the new CPO
- Updates on the performance of the 2024 Bonus Scorecard and in-flight PSP awards
- Review of pay arrangements across the Group
- Considering and recommending the Directors' Remuneration Report to the Board for approval
- Approval of the 2024 personal objectives for the CEO, CFO and Group Executive Committee
- Annual review of the costs and performance of the Committee's independent remuneration adviser
- Considering and recommending the People and Culture Strategy; and the DE&I Strategy
- Other business as usual matters for employees under the Committee's scope

Advisers to the Committee

Korn Ferry provided independent advice to the Committee during 2024, having been appointed following a competitive tender process in 2017. The total fees paid to Korn Ferry in 2024 were £170,838 (inclusive of VAT) and were charged on a time and materials basis.

Korn Ferry has no other connection with the Company or any individual Director. Korn Ferry is a member of the Remuneration Consultants' Group and abides by the voluntary code of conduct of that body, which is designed to ensure that objective and independent advice is given to remuneration committees. The Committee is satisfied that Korn Ferry provides objective and independent advice.

The Committee consults with the CEO (as appropriate) and seeks input from the Chair of the Group Risk Committee to ensure that any remuneration or pay scheme reflects the Company's risk appetite and profile and considers current and potential future risks.

The Committee also receives input on senior management remuneration from the CEO, CFO and CPO. The Company Secretary (or their nominee) acts as Secretary to the Committee and advises on regulatory and technical matters, ensuring that the Committee fulfils its duties under its terms of reference.

No individual is present in discussions directly relating to their own pay.

Directors' Remuneration Report continued

Directors' pay outcomes for 2024

Remuneration and fees payable for 2024 – (audited)

The table below sets out the total remuneration received by each Executive Director and INED for the years ending 31 December 2024 and 31 December 2023.

Executive Directors	Year	Basic salary £'000	Taxable benefits[3] £'000	Pension[4] £'000	Annual bonus paid[5] £'000	Amount bonus deferred[5] £'000	PSP[6,7] £'000	Total fixed pay £'000	Total variable pay £'000	Total £'000
Andy Golding	**2024**	**910**	**22**	**73**	**270**	**270**	**222**	**1,005**	**762**	**1,767**
	2023	879	22	70	217	217	488	971	922	1,893
Victoria Hyde[1]	**2024**	**244**	**7**	**13**	**64**	**64**	**0**	**264**	**128**	**392**
	2023	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
April Talintyre[2]	**2024**	**201**	**6**	**16**	**59**	**59**	**131**	**223**	**249**	**472**
	2023	550	16	44	130	130	305	610	565	1,175

1. Victoria Hyde was appointed on 22 July 2024. Remuneration shown is from date of appointment for services as a Director. The pension contribution paid was based on her previous salary before her appointment as a Director in 2024 for the entirety of 2024. An additional remedying pension payment to make her good for the underpayment since her appointment as a Director is due to be made in March 2025 and will therefore be included in next year's Directors' Remuneration Report.
2. April Talintyre retired on 9 May 2024 and ceased employment on 2 November 2024. Salary, benefits, pension and bonus are shown to the date she resigned as a Director. Fixed pay after April Talintyre stepped down amount to £267,128 salary, £7,741 benefits and £21,370 pension. The Annual bonus is pro-rated from 1 January 2024 until the date of retirement. The PSP value is pro-rated until 2 November 2024.
3. Taxable benefits received include car allowance (CEO: £20,000; CFO: £6,654 and Former CFO: £5,404) and private medical cover.
4. Executive Directors currently receive pension contributions (or cash in lieu thereof) of 8% of salary, which is in line with the majority of the workforce.
5. 50% of the bonus is payable in cash and 50% in shares deferred for three years in line with regulatory requirements.
6. The PSP figure for the year ended 31 December 2023 has been restated based on the share price on vesting of £3.79 for the 2021 PSP.
7. The PSP figure for the year ended 31 December 2024 has been valued using the fourth quarter average share price of £3.88. The value will be restated in next year's report based on the actual share price on vesting for the 2022 PSP.

Total fees £'000	2024	2023
Chair		
David Weymouth	**356.9**	346.5
Independent Non-Executive Directors		
Kal Atwal[1]	**102.7**	87.7
Henry Daubeney[2]	**55.9**	–
Noël Harwerth[3]	**137.9**	133.9
Sarah Hedger[4]	**132.5**	122.1
Rajan Kapoor[5]	**140.6**	136.5
Simon Walker[6]	**137.9**	129.1
Total	**1,064.4**	1,049.4[7]

INEDs cannot participate in any of the Company's share schemes and are not eligible to join the Company pension scheme.

1. Kal Atwal received £0 (2023 £787.97) for taxable travel expenses; total payments received £102,742 (2023: £88,523).
2. Henry Daubeney was appointed on 1 July 2024. He received £0 for taxable travel expenses; total payments received £55,875.
3. Noël Harwerth received £1,838.52 (2023: £961.76) for taxable travel expenses; total payments received £139,730 (2023: £134,834).
4. Sarah Hedger received £149.00 (2023: £365.94) for taxable travel expenses; total payments received £132,633 (2023: £122,489).
5. Rajan Kapoor received £632.15 (2023: £523.80) for taxable travel expenses; total payments received £141.277 (2023: £137,024).
6. Simon Walker received £0 (2023 £0) for taxable travel expenses; total payments received £137,891 (2023: £129,175).
7. Total fees shown include certain retrospective payments made in February and March 2024 for services undertaken during 2023.

Directors' Remuneration Report continued

Executive Director bonus scheme

In challenging market conditions the Group delivered solid performance across the Scorecard, with performance close to the target range for the Financial segment and generally exceeding the top end of the performance ranges for the Customer and Quality segments, recognising our consistent sector-leading performance in these latter two categories.

As an underpin, the Committee also considers whether the Scorecard's formulaic outcome reflects the Group's risk appetite and profile and considers current and potential future risks.

The bonus payout under the Scorecard is 53.79%. For the CEO the Scorecard represents 95% of his total bonus outcome, for the CFO 90% and for the former CFO 85%.

The remaining 5%, 10% and 15% respectively is based on the achievement of stretching personal objectives. Performance against personal objectives were considered by the Board and Committee to be strong. This resulted in a payout of 2.5% out of 5% for the CEO, 6.5% out of 10% for the CFO and 7.5% out of 15% for the former CFO.

Total payouts under the 2024 Executive Directors' Bonus Scheme are therefore 53.60% of maximum opportunity for the CEO, 54.91% of maximum opportunity for the CFO (since her appointment as a Director) and 53.22% of maximum opportunity for the former CFO. The bonus is paid half in cash and half in shares, with the shares held for three years in line with regulatory requirements.

The Committee considered these outcomes and does not believe that discretion is required. Although the outcome achieved for the Financial segment was lower than for the Customer and Quality segments, management made appropriate operational decisions that reduced the outcome from the Financial segment, for example to focus on disciplined lending rather than growth, support the transformation programme and incur additional costs in December 2024 for redundancies.

Performance against the 2024 Scorecard is set out below.

Category	Key performance indicator	Weighting	Targets[1] Threshold (25%)	Budget (50%)	Stretch (100%)	Actual FY24	Outcome for CEO	Outcome for CFO	Outcome for former CFO
Financial	Underlying PBT (£m)	30%	£427m	£474m	£549m	£443m	10.04%	10.04%	10.04%
	All-in RoE (%)	15%	14.3%	16.0%	18.6%	15.6%	6.71%	6.71%	6.71%
	Underlying cost to income ratio (%)	10%	37.8%	34.4%	30.0%	37.3%	2.87%	2.87%	2.87%
	Net loan book growth (%)	10%	3.1%	4.6%	6.1%	2.5%	0%	0%	0%
Customer	Customer satisfaction – Lending	5%	40	45	50	53	5%	5%	5%
	Customer satisfaction – Saving	5%	60	65	70	70.1	5%	5%	5%
	Broker satisfaction	5%	30	35	40	53.6	5%	5%	5%
	Complaints (%)	5%	27.0%	25.0%	23.0%	17.3%	5%	5%	5%
Quality	Overdue actions (#)	5%	5	3	2	2.33	4.18%	4.18%	4.18%
	Arrears (%)	5%	3.5%	2.9%	2.3%	1.91%	5%	5%	5%
	High-severity incidents (#)	5%	3	2	1	0	5%	5%	5%
Sub-total for Scorecard only		100%					53.79%	53.79%	53.79%
Scorecard contribution to bonus outcome		85–95%[2]					51.10%	48.41%	45.72%
Personal contribution to bonus outcome		5–15%[2]					2.50%	6.50%	7.50%
Total payout as a % of maximum opportunity							53.60%	54.91%	53.22%

1. Targets – based on a sliding scale between Threshold (25% of maximum) and Stretch (100% of maximum).
2. The personal objectives percentage is 5% for the CEO, 10% for the CFO and 15% for the former CFO. The Scorecard percentage is 95% for the CEO, 90% for the CFO and 85% for the former CFO.

Directors’ Remuneration Report continued

2024 personal performance

The Executive Directors could earn up to a maximum of 5% for the CEO, 10% for the CFO and 15% for the former CFO of their bonus based on their performance against agreed personal objectives.

The objectives for 2024 were built around strategic priorities (as identified in our 2023 Annual Report) and cultural indicators. Performance against these objectives for the Executive Directors was considered to be strong, with the delivery of key objectives in a challenging and uncertain year.

The objectives set at the start of the year and the Committee’s assessment of performance against them are set out below:

	Objectives	Key achievements
CEO	Lead the transformation programme to ensure delivery of the annual key milestones as agreed by the Board and embedded into the OSB Group Business Plan	• Successful launch of: online broker registration capability; mobile app for intermediaries for the Precise brand; and first product launch on new savings platform for Kent Reliance • Established our core banking system on the Cloud • Strengthened the Executive team with the appointment of the CPO and interim CIO
CFO	Take the lead in external messaging preparation in relation to the Annual Report and Accounts, preliminary and interim announcements	• Successfully brought sell-side analysts consensus in line with guidance expectations • Delivered improved understanding of EIR volatility movements and reduction
	Deliver against the Board-approved Capital and Strategy Plan, including: • Delivering further clarity to the market on our capital management plans at preliminary results • Leading the Group’s efforts on regulatory consultations and other matters	• Announced further share repurchase programme to return excess capital • Gained PRA approval for Core UK Group (CUG)
	Delivery of planned Finance system upgrades and alignment of the Finance functions to support delivery of the Transformation programme	• Implemented Anaplan • Key hires and transfers into the team
Former CFO	Orderly handover of responsibilities, including in respect of Senior Manger Functions (SMF) roles	• Smooth handover delivered to incoming CFO
	Deliver against the Board-approved Capital and Strategy Plan, including: • Delivering further clarity to the market on our capital management plans at preliminary results • Leading the Group’s efforts on regulatory consultations and other matters	• Announced £50m share repurchase at 2023 preliminary results to return excess capital • Achieved interim MREL compliance ahead of schedule
	Delivery of planned Finance system upgrades and alignment of the Finance functions to support delivery of the Transformation programme	• Progress made on planned Finance system upgrades and development of Finance function before progressing handover to incoming CFO

Directors' Remuneration Report continued

2024 bonus scheme payout

Based on performance against the Scorecard and individual objectives, the CEO earned 53.60% of his maximum bonus, the CFO earned 54.91% of her maximum opportunity (since her appointment as Director) and the former CFO earned 53.22% of her maximum opportunity. The Committee believes that these payouts are appropriate, reflecting the underlying performance of the Group. Although the outcome achieved for the Financial segment was lower than for the Customer and Quality segments, management made appropriate operational decisions that reduced the outcome from the Financial segment, for example to focus on disciplined lending rather than growth, support the transformation programme and incur additional costs in December 2024 for redundancies.

In line with regulatory requirements, half of the bonus will be paid in cash with the remainder deferred into shares released after three years.

Long-term incentive plan (audited)

The 2022 Awards under the PSP were based on performance over the three-year period which ended on 31 December 2024. Performance was based 35% on EPS growth; 35% on TSR versus companies in the FTSE 250 Index (excluding Investment Trusts); and 15% each on RoE and an assessment of the Group's overall risk performance.

Performance against the EPS target range was below the threshold for payment, so there was a zero payout under this element. The Group's TSR over the performance period placed the Group just above the median of the FTSE 250 peer group and therefore 45.4% of the TSR part of the Award was earned.

The average RoE over the performance period was 18.4% resulting in 42.5% of the RoE part of the Award being earned.

In relation to the 15% Risk element, there was a robust process to support the Committee's assessment of this measure. Papers were prepared for each year of the performance period by the Group CRO, together with an overall assessment for the three-year performance period, with each endorsed by the Chair of the Group Risk Committee. These papers allowed the Committee to assess the Group's risk performance under six categories: Culture, Credit, Solvency and Liquidity, Conduct and Compliance, Operational and Reputational risk.

The Committee concluded that a score of 11% was appropriate for 2024. Together with the scores of 13% and 12% given to the risk elements of the 2022 PSP in 2022 and 2023, this led to an overall rating of 12% (out of a maximum 15%) for the three years to 31 December 2024.

In total, 34.27% of the maximum PSP Awards have been earned. This is considerably lower than recent awards, reflecting the more challenging market environment over the period. The Committee is comfortable there has been an appropriate link between reward, performance and the broader stakeholder experience over the three-year performance period (including the experience of customers) and discretion was not used to adjust the incentive outcome.

	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual FY24	Vesting of portion
EPS growth	35%	3% CAGR	10% CAGR	-1.8% CAGR	0% out of 35%
		94.7p	115.4p	82.2p	
Relative TSR	35%	Median	Upper quartile	Above Median (68 out of 156)	15.89% out of 35%
Average RoE[1]	15%	17%	23%	18.4%	6.4% out of 15%
Non-financial/Risk	15%	Assessed by the Committee			12% out of 15%

1. RoE targets were set in 2022 based on achieving an average RoE for the three years to 31 December 2024. The RoE portion is subject to an underpin requiring that the CET1 ratio is not below the Board-approved minimum requirement, which has been met.

Directors' Remuneration Report continued

Discretionary assessment

The Committee is comfortable that the level of vesting is in line with underlying performance and reflects the impact of risk appetite, individual conduct and shareholder experience over the performance period. As such, the 2022 Awards will vest in five equal tranches between 2025 and 2029, with the shares delivered being subject to a further one-year holding period post-vesting in each case.

The 2022 PSP awards will therefore vest as follows:

Executive Directors	Number of shares granted	Number of shares due to vest	Number of shares lapsed	Value from share price increase/decrease[1]	Total value vesting[2]
Andy Golding	166,991	57,278	109,713	(£97,562)	£222,239
April Talintyre	104,497	33,833	70,664	(£57,628)	£131,272

1. Value of share price increase/(decrease) based on a £5.5833 share price at the time of grant of the award compared to the three-month average share price of £3.88 to 31 December 2024.
2. Value of shares based on a three-month average share price of £3.88 to 31 December 2024.
3. April Talintyre retired on 9 May 2024 and ceased employment on 2 November 2024. The PSP total value vesting is pro-rated until 2 November 2024.

Directors' Remuneration Report continued

Executive pay outcomes in context

Percentage change in the remuneration of the Directors

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for all the Directors compared with the average percentage change for employees. For these purposes, UK employees who have been employed for over a year (and therefore eligible for a salary increase) have been used as a comparator group as they are the analogous population (based on service and location). The percentage change for Executive Directors and INEDs is calculated based on the remuneration disclosed in the single figure tables on page 161. The percentage is not included for Directors who joined the Board in the year as the disclosure would not be meaningful.

The increase in annual bonus between this year and the previous year reflects the improved outturn on business performance compared to the previous year. There have been no material changes to benefits over the period shown. The increases to INED fees in 2024 compared to prior years were based on a market assessment of fee levels, together with changes in Board Committee membership.

	% change in salary/INED fees					% change in taxable benefits					% change in annual bonus				
	2019/20	2020/21	2021/22	2022/23	2023/24	2019/20	2020/21	2021/22	2022/23	2023/24	2019/20	2020/21	2021/22	2022/23	2023/24
UK employees	5.5%	5.1%	11.4%	9%	**7.4%**	0%	21.9%[6]	0%	0%	**0%**	(27.5)%	34%	24.8%	(13.0)%	**14.2%**
Andy Golding	42.4%	10.9%	3.0%	5%	**4%**	0%	0.6%	0%	0%	**0%**	(71.9)%	366.1%	1.54%	(45.0)%	**24%**
Victoria Hyde	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
April Talintyre	44.1%	1.6%	3.5%	5%	**1%**	0%	0%	0%	0%	**(69%)**	(71.5)%	330.1%	1.23%	(47.5)%	**(55%)**
Kal Atwal[4]	n/a	n/a	n/a	n/a	**17%**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Henry Daubeney[10]	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Noël Harwerth[1]	n/a	0.9%	15.9%	4.6%	**3%**	n/a	285%	(168)%	277%[7]	**91%[7]**	n/a	n/a	n/a	n/a	**n/a**
Sarah Hedger[2]	n/a	(1.2%)	23.5%	19.1%	**9%**	n/a	n/a	198%	(23.6)%[8]	**(59)%[8]**	n/a	n/a	n/a	n/a	**n/a**
Rajan Kapoor[1]	n/a	(1.7%)	10.2%	4.8%	**3%**	n/a	n/a	n/a	n/a[9]	**21%[9]**	n/a	n/a	n/a	n/a	**n/a**
Simon Walker[3]	n/a	n/a	n/a	23.0%	**7%**	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
David Weymouth	16.7%	2.7%	10.0%	5%	**3%**	0%	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**

1. Noël Harwerth and Rajan Kapoor joined the Board in October 2019.
2. Sarah Hedger joined the Board in February 2019.
3. Simon Walker joined the Board in January 2022.
4. Kal Atwal joined the Board in February 2023.
5. This relates to taxable travel expenses of £0 (2023: 787.97).
6. Relates to the broader provision of our medical cash plan and the revision of car allowances following the harmonisation of benefits post-Combination.
7. This relates to taxable travel expenses of £1,838.52 (2023: £961.76).
8. This relates to taxable travel expenses of £149.00 (2023: £365.95).
9. This relates to taxable travel expenses of £632.15 (2023: £523.80).
10. Henry Daubeney and Victoria Hyde joined the Board in July 2024.

Directors' Remuneration Report continued

Comparison of Company performance and CEO remuneration

The following table summarises the CEO single figure for total remuneration, annual bonus and LTIP payout as a percentage of maximum opportunity for the ten years to 31 December 2024.

	2015	2016	2017	2018	2019	2020[1]	2021	2022	2023	2024
Annual bonus										
(% of maximum opportunity)	93.00%	88.75%	85.00%	91.75%	75.89%	20.60%	86.83%	84.67%	44.33%	**53.60%**
LTIP vesting										
(% of maximum opportunity)	–	–	100.00%	50.00%	75.1%	62.74%	87.16%	92.56%	70.98%	**34.27%**
CEO single figure of remuneration										
(£'000)	848	910	1,614	1,602	1,382	1,510	2,587	3,058	1,893	**1,767**

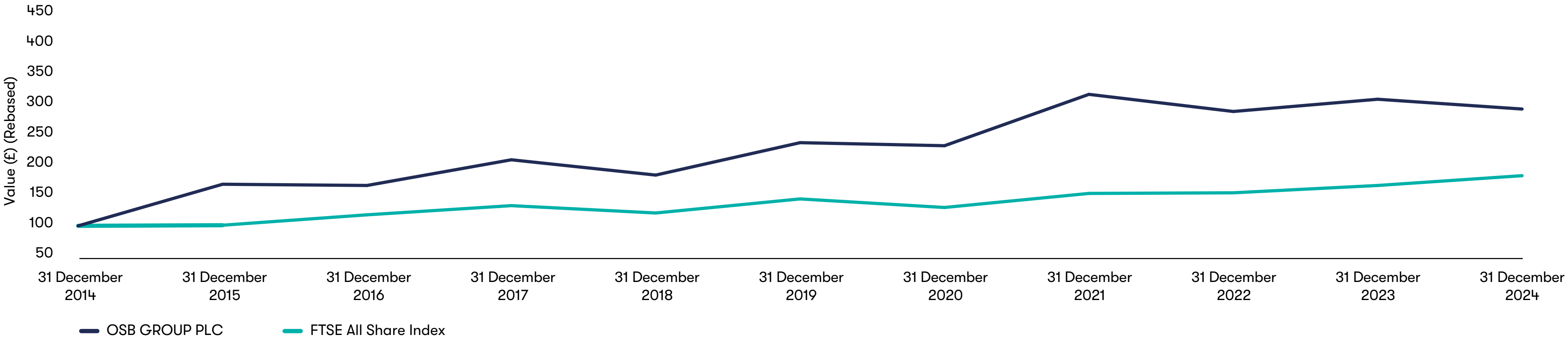
1. The cash portion of the 2020 bonus was waived by the Executive Directors before they became entitled to it. As such, only the share portion of the 2020 bonus was payable (i.e. half of the bonus of 41.2% of maximum).

Total shareholder return

This graph shows the value, at 31 December 2024, of £100 invested in OneSavings Bank plc on 1 January 2015, and following the insertion of a new holding company in November 2020, the shares of OSB GROUP PLC, compared with the value of £100 invested in the FTSE All Share Index on the same date. The other points plotted are the values at intervening financial year ends.

The FTSE All Share Index is considered to be the most appropriate index against which to measure performance as the Group has been a member of this index since Admission of OneSavings Bank plc to the London Stock Exchange.

Total shareholder return



Source: Datastream (Refinitiv).

Directors' Remuneration Report continued

CEO pay ratios

The ratio of the CEO's single figure of total pay to median UK employee pay is set out in the table below. The ratio has been calculated in accordance with methodology B as it is the same pay data for employees as is used for the gender pay gap analysis and is based on pay and benefits as at 5 April each year. Full-time equivalent pay for individuals that do not work full-time has been calculated by increasing their pay pro-rata to that of a full-time individual. No further estimates or adjustments have been made. The employees identified are considered to be representative of the quartile positions as their total pay is in line with expected positioning and the proportion of fixed pay to variable pay is also in line with other individuals at those levels.

The median ratio decreased in the period between 2017 and 2019 as a result of a combination of factors which resulted in the total pay for the median individual within the workforce increasing, including positive changes to the Group's pay policy and changes in the employee population between 2018 and 2019. The decrease in the ratio between 2018 and 2019 was also due to the decrease in total pay for the CEO.

The median ratio increased between 2019 and 2020 largely as a result of the decrease in the total pay for the median employee. This was primarily as a result of OSB's Combination with CCFS in October 2019.

The increase in the ratio between 2020 and 2021 is primarily due to changes in the CEO's pay, which was increased as a result of the staged salary increase upon Combination with CCFS; and due to higher incentive payouts than 2020, which were adversely impacted by COVID-19. The increase in ratio between 2021 and 2022 is primarily due to the increase in CEO pay caused by higher incentive payments and, in particular, the PSP award which benefitted from strong share price growth, reflecting the excellent recent performance of the business.

The reduction to the ratios in 2024 and 2023 compared to previous years reflect a reduction to the level of CEO pay caused by relatively lower annual bonuses and lower value payouts of PSP awards in those years.

There has been no change to the Group's employment models during this period and the median ratio is consistent with the pay, reward and progression policies within the Group. The Executive Directors pay is set by the Committee with reference to both the internal relativities across the Group and external market benchmarks. As such, the pay ratio is considered appropriate and is not considered excessive, particularly when compared to other listed financial services companies.

CEO pay ratio	2017	2018	2019	2020	2021	2022	2023	2024
Method	B	B	B	B	B	B	B	**B**
CEO single figure	1,614	1,602	1,382	1,510	2,571	3,058	1,893	**1,767**
Upper quartile	24.8	22.3	22.5	28.1	35.9	45.1	26.4	**20.4**
Median	**46.1**	**40.1**	**32.0**	**42.1**	**56.1**	**70.1**	**39.1**	**36.6**
Lower quartile	62.1	59.5	54.6	51.6	82.2	86.3	57.9	**56.5**

2024	Basic salary (£'000)	Total pay (£'000)
CEO	910	1,767
Lower quartile – Employee A	26.7	31.3
Median – Employee B	42.0	48.3
Upper quartile – Employee C	74.0	86.5

Directors' Remuneration Report continued

Relative importance of the spend on employee pay (audited)

The table below shows the Group's total employee remuneration (including the Directors) compared to distributions to shareholders and underlying profit before tax for 2024 and 2023. In addition to the required disclosures showing total employee costs and distributions to shareholders, the table also shows PBT and headcount to provide a fuller picture.

	2024	2023
Total employee costs	**£143.9m**	£122.2m
Distributions to shareholders[1]	**£126.4m**	£185.0m
Underlying profit before tax (PBT)	**£442.9m**	£426.0m
Total employee costs vs PBT	**32.5%**	28.7%
Average headcount	**2,559**	2,272
Average underlying PBT per employee	**£173,075**	£187,500

1. See note 13 to the financial statements. In addition to dividends, the Company repurchased a total of 22,710,094 (2023: 38,243,031) ordinary shares as part of its £100m (2023: £150m) share repurchase programmes (14 March and 5 September 2024) (2023: 16 March 2023).

Other disclosures relating to 2024 Executive remuneration

Scheme interests awarded during the financial year (audited)

The table below shows the conditional share awards made to Executive Directors on 21 March 2024 under the 2024 PSP and the performance conditions attached to these awards. The Committee has discretion to adjust the vesting level to ensure that the reward level reflects underlying performance, risk and individual conduct. There will be full disclosure of the Committee's deliberations on these matters in the 2026 Directors' Remuneration Report. The Awards will vest 20% each year between three and seven years after grant, with each vested tranche subject to a one-year holding period.

Executive	Face value of award (percentage of salary)	Face value of award[4]	Number of shares[1]	Percentage of awards released for achieving threshold targets	End of performance period
Andy Golding	110%	£1,008,348	261,142	25%	31 December 2026
Victoria Hyde	110%	£605,000	156,683	25%	31 December 2026

1. Victoria Hyde was awarded an additional 58,177 conditional share awards on 13 May 2024 in respect of her proposed appointment as CFO and Executive Director. This is included in the figure above in the table.
2. The number of shares awarded was calculated using a share price of £3.8613 (the average closing price over the three Dealing Days prior to 21 March 2024).
3. Performance conditions are: (i) 30% TSR versus the FTSE 250 (25% vesting for median performance increasing to 100% vesting for upper quartile performance); (ii) 30% EPS (25% vesting for FY26 EPS of 92.0p increasing to 100% vesting for 107.0p); (iii) 15% RoE (25% vesting for average RoE of 15% increasing to 100% vesting for an average of 19%); (iv) 15% non-financial/risk Scorecard, and (v) 10% ESG.
4. The share price used was not discounted to reflect the expected dividend yield.

Directors' Remuneration Report continued

Payments to past Directors

Details were contained in last year's report relating to the remuneration arrangements for our former CFO, April Talintyre, in connection with her retirement on 9 May 2024. April Talintyre was determined to be a 'good leaver' for the purpose of the annual bonus and her PSPs and has received, or will receive, the following remuneration:

- Salary, benefits and pension were payable from the date of stepping down from the Board on 9 May 2024 for the remainder of her 12-month notice period ending on 2 November 2024.
- FY24 annual bonus was be payable pro rata for her period of active service up to 9 May 2024, with 50% deferred in shares for three years.
- Previous Deferred Bonus Plan Awards relating to the FY22 and FY23 annual bonuses will vest in line with their original terms, after three years.
- The 2022 PSP award is pro rated for the proportion of the three-year performance period elapsed on 2 November 2024. The 2023 PSP award will be similarly pro rated.
- PSP awards will be subject to regulatory vesting and holding periods.
- Outstanding SAYE options are exercisable within six months of cessation of employment.
- Outstanding and previously paid incentive awards remain subject to clawback and malus provisions.
- April is required to hold shares worth equivalent to 200% of her base salary for at least two years after ceasing employment.
- April is entitled to a capped contribution of up to £7,000 (excluding VAT) towards legal fees incurred in connection with her retirement from the Company. The Company contributed legal fees of £6,500 in 2023.

Payments for loss of office

There were no payments for loss of office in the year under review.

All-employee share plans (audited)

Executive Directors	Date of grant	Exercise price	Market price 31 December 2024	Exercisable from	Exercisable to	Number of options granted	Number of options as at 31 December 2024
April Talintyre (former CFO)	29 September 2023	£2.715733	£4.044	1 December 2026	1 June 2027	6,819	6,819
Victoria Hyde	29 September 2023	£2.715733	£4.044	1 December 2026	1 June 2027	6,819	6.819

Directors' Remuneration Report continued

Statement of Directors' shareholdings and share interests (audited)

Total shares owned by Directors and connected persons and share ownership guidelines

The CEO and the CFO are required to accumulate and maintain a holding of ordinary shares in the Company equivalent to no less than 250% and 200% of salary, respectively. This is calculated using the value of beneficially owned shares plus the net of tax value of deferred bonus shares or any other unvested share awards which are not subject to performance conditions. Half of any vested share awards must be retained until the guideline is achieved. Based on the current share price, the CEO and former CFO hold shares in excess of these levels. As the guidelines apply for two years following cessation of employment, the former CFO will continue to hold her shares until 2 November 2026. The CFO has not yet reached the required level of 200% of salary. Until such time as the required shareholding level is achieved, the CFO must retain at least 50% of share awards which have reached the end of the vesting or holding period.

	Interest in shares		Interest in share awards[1]		Shareholding requirements	
	Beneficially owned at 1 January 2024	Beneficially owned at 31 December 2024	Without performance conditions at 31 December 2024[2]	Subject to performance conditions as at 31 December 2024	Shareholding requirement (percentage of basic salary)	Current shareholding (percentage of basic salary)[3]
Executive Directors						
Andy Golding[4]	761,291	831,168	539,189	457,776	250%	496% (Met)
April Talintyre	330,854	380,161	343,365	75,445	200%	N/A
Victoria Hyde	686	7,049	50,585	230,498	200%	25% (Not met)
Non-Executive Directors						
Kal Atwal	–	–	–	–	–	–
Henry Daubeney	–	20,000	–	–	–	–
Noël Harwerth	–	–	–	–	–	–
Sarah Hedger	–	–	–	–	–	–
Rajan Kapoor	19,970	19,970	–	–	–	–
Simon Walker	25,000	25,000	–	–	–	–
David Weymouth	22,414	22,414	–	–	–	–

1. Vested shares are held in a corporate nominee account and are subject to the relevant retention periods. This account is also used to monitor current and post-employment shareholding guidelines. The details of share options relating to the Executive Directors are set out above. The Executive Directors hold vested but unexercised share options and the CEO and former CFO both exercised their 7,859 SAYE share options, each, during 2024.
2. Includes DSBP awards and PSP awards to the extent that performance targets have been met. Awards calculated at net of tax value for the shareholding requirements calculation.
3. Shareholding based on the closing share price on 31 December 2024 of £4.044 and year-end salaries.
4. Includes 518,184 shares that are owned by spouse.

The Company operates an anti-hedging policy under which individuals are not permitted to use any personal hedging strategies in relation to shares subject to a vesting and/or retention period.

Directors' Remuneration Report continued

External appointments

Andy Golding is a Director/Trustee of the Building Societies Trust Limited. He receives no remuneration for this position.

How we will implement the Remuneration Policy for Directors in 2025

The proposed operation is summarised below.

Salary

The CEO and CFO will not receive a salary increase from 1 April 2025. This is in the context of the Board's decision to hold the aggregate salary increase for UK employees to 2% and the redundancies implemented in December 2024.

Annual Bonus

The 2025 annual bonus will be subject to a maximum limit of 110% of salary.

The 2025 Scorecard will continue to be based 65% on financial measures and 35% on non-financial measures. For the reasons outlined in the Committee Chair's statement ROE has been replaced by RoTE. Within the financial element, the measures and weightings have changed slightly, in line with our operational and strategic priorities. PBT and RoTE measures have an equal weighting of 22.5% (previously 30% and 15% respectively). The cost to income measure has been replaced by a cost delivery measure with a 12.5% weighting (previously 10%) and net loan book growth has a 7.5% weighting (previously 10%). The non-financial element will remain based on a range of KPIs, with a qualitative Committee assessment at the year end based on measurable progress made against these priorities.

In addition to Customer and Quality, the 2025 Scorecard will now include an assessment of the Group's performance against its four key strategic priorities.

As RoTE is already assessed under the Financial element, Transformation, Data and People will be added and represent 20% of the Scorecard.

The Scorecard is marked out of 100%. Total bonus is calculated by combining each individual's Scorecard and personal performance based on the relevant percentage each represents of their total bonus opportunity.

For FY25, the CEO and CFO will each have 10% of their maximum bonus allocated to individual objectives.

Objectives have been set based on a set of robust strategic and individual priorities for the Executive Directors. Both the CEO and CFO will be measured on (i) developing and nurturing the Group's reputation with key external stakeholders; and (ii) role-modelling the shifts identified in culture to drive the Group forward. For the CEO, he will also be measured on (i) leading a high-performing leadership team with credible succession in place; and (ii) ensuring that the Board and all colleagues are clear and confident on strategic priorities. For the CFO, she will also be measured on (i) transforming the Finance function and delivering excellence; (ii) supporting the Group's data and transformation agendas from a Finance perspective; and (iii) leading successful Treasury and Investor Relations functions.

Balanced Business Scorecard

	Performance Area	Primary Stakeholders	KPI/Measure	Weighting
Financial	Profitability	Shareholders	RoTE	22.5%
	Profitability	Shareholders	Underlying Profit Before Tax	22.5%
	Cost Management	Shareholders	Cost Delivery	12.5%
	Growth	Shareholders	Net Loan Book Growth	7.5%
Total Financial				65%
Customer	Customer Satisfaction	Customers, intermediaries and Regulators	Consumer Duty assessment, Customer and Broker Satisfaction Outcomes	7.5%
Quality	Risk, Quality and Control	Regulator and Shareholder	Risk, Quality, Control and Audit Outcomes	7.5%
Transformation	Operational Efficiency	Shareholder, Customer and Broker	New platform and product roll-out	10%
Data	Operational Efficiency, Risk	Customer and Regulator	Migrating accounts to new platforms	5%
People	Performance Culture	Employees	Enhance skills/ capability model, evolve performance culture	5%
Total Non-Financial				35%

Directors' Remuneration Report continued

Performance Share Plan

A PSP award of 110% of salary will be made to the CEO and CFO with performance being measured over the three-year period to 31 December 2027.

The number of shares will be determined based on the average closing price over the three dealing days prior to the date of grant, with the share price derived being discounted for the expected dividend yield over the performance period. The PRA prohibits dividend equivalents from being paid on unvested shares and this adjustment is in line with normal practice at other listed banks where dividend equivalents are also not permitted. The Committee will use an expected dividend yield of 5% to adjust the share price used to calculate the number of shares granted. This will result in a discount of 22.4% to the undiscounted grant price, with both the expected dividend yield and discount derived broadly comparable to those of other UK banks. There will be further disclosure in next year's report.

Awards will vest in line with regulatory requirements, with 20% each year between three and seven years after grant, with each vested tranche subject to a one-year holding period.

The performance metrics and weightings are unchanged from the FY24 award, other than, for the same reasons described in the Committee Chair's statement above, RoE has been replaced by RoTE. The performance metrics and weightings are therefore EPS (30% weighting), relative TSR versus the FTSE 250 (excluding Investment Trusts) (30% weighting), RoTE (15% weighting), Non-financial/Risk (15% weighting) and ESG (10% weighting). The metrics and weightings provide a balanced assessment of corporate performance over the three-year period taking into account financial, share price and non-financial metrics. A discretionary assessment at the time of vesting ensures that awards are granted in line with underlying performance, risk appetite and individual conduct over the period.

The target ranges for EPS and RoTE have been carefully set by the Committee taking into account a number of factors, including those set out below, which will influence the outlook for business performance over the three years to 31 December 2027. In particular, the Committee has noted the significant factors impacting the approach to target-setting this year:

- The continuation of a subdued mortgage market
- The Group's focus on disciplined lending versus loan book growth
- The investment planned to support transformation programme

The Committee is therefore satisfied that these are appropriately stretching.

Overall, the Committee is comfortable that these targets provide a strong link between reward and performance delivered and are at least as stretching as target ranges in prior years.

Metrics	Weighting	Threshold (25% of maximum)	Stretch (100% of maximum)	Rationale
EPS in 2027[1]	30%	85p	100p	Measures the sustainable profitability of the business
Relative TSR versus FTSE 250	30%	Median	Upper quartile	Measures the success of the Company versus other listed companies
Average RoTE[1]	15%	13%	14.5%	Measures the sustainable financial performance and financial efficiency of the business
Non-financial/Risk	15%	See below		Strong governance around risk and quality underpins our business operations
ESG	10%	See below		Measures the progress against the ESG strategy

1. Key performance indicators (see pages 2-3 and 37-39). No vesting below Threshold and pro-rata vesting between Threshold and Stretch.

Directors' Remuneration Report continued

Non-financial/Risk metric (15% weighting)

For the risk-based measure, the Committee will assess the risk management performance with regard to all relevant risks including, but not limited to: Conduct, Credit, Solvency and Liquidity, Conduct and Compliance, Operational and Reputational risks. There will be a full retrospective disclosure of the Committee's assessment. To support this assessment, the Group CRO will prepare an annual report for each year of the performance period, together with and a summary report after year three, with each report endorsed by the Chair of the Group Risk Committee.

ESG metric (10% weighting)

The ESG performance will be determined based on the Committee's assessment of progress against the ESG strategy which will be informed by performance against key employees and environmental metrics. The metrics and the 2027 targets are summarised below.

ESG metric	2027 target
Scope 1 and 2 emissions	57% reduction from the Group's 2022 baseline, in line with our 2030 external emissions reduction target
Scope 3 financed emissions	17% reduction in Scope 3 Category 15 carbon intensity (tCO_2e/M^2) from the mortgage loan book versus the Group's 2022 baseline, in line with our 2030 external emissions reduction target
Gender diversity	40% of senior roles who identify as female
Ethnicity diversity	14% of senior roles who identify as being from an ethnically diverse background
Employee engagement score	696.5 score in our annual 'Best Companies Survey' for UK employees (equivalent to an 'Outstanding' rating) and a score of 83 in our annual 'Great Place to Work' Survey for employees of OSB India (or a similarly stretching score if an alternative method is used to assess employee engagement over the period)

Board Chair and Independent Non-Executive Director fees

The fees for the Board Chair and INEDs were reviewed by the Committee for the Board Chair and by the Board (minus the INEDs) for the INEDs. As the Executive Directors will not receive an increase to their annual salary, the Board Chair and INEDs will also receive no increase to their fees from 1 April 2025.

Base fees		£'000
Chair[1]		356.9
Independent Non-Executive Director		86.5
Senior Independent Director		21.6
ESG Champion		8.1
Additional Board Committee fees	**Chair £'000**	**Member £'000**
Group Nomination and Governance Committee		5.4
Group Audit Committee	32.4	8.1
Group Remuneration and People Committee	32.4	8.1
Group Risk Committee	32.4	8.1
Group Models and Ratings Committee	10.8	5.4

1. The Board Chair's fee is inclusive of all duties; no additional Chair or Member fees are paid in relation to Board Committees.

Directors' Remuneration Report continued

Statement of voting at the Annual General Meeting

Shareholders were asked to approve the 2023 Annual Report on Remuneration and the Directors' Remuneration Policy at the 2024 AGM. The votes received are set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Total votes cast	Votes withheld
To approve the 2023 Remuneration Report (2024 AGM)	294,633,422	94.22	18,062,700	5.78	312,696,122	5,745,090
To approve the Remuneration Policy (2024 AGM)	301,192,571	98.01	6,100,599	1.99	307,293,170	11,148,042

Remuneration Policy

This section describes the Directors' Remuneration Policy (the Policy) for which shareholder approval was sought at the AGM on 9 May 2024 and which formally came into effect from that date. It is intended that this Policy will last for three years from the 2024 AGM date.

There are no changes to the Policy that was approved at the 2024 AGM. Certain factual data has been updated where applicable (e.g. page references and illustration of remuneration policy); the original version approved by shareholders can be found on pages 169-177 of the 2023 Annual Report.

The table below summarises the Policy for Executive Directors.

Element	Purpose and link to strategy	Operation and performance conditions	Maximum
Salary	To reward Executive Directors for their role and duties required Recognises an individual's experience, responsibility and performance	Paid monthly Base salaries are usually reviewed annually, with any changes usually effective from 1 April No performance conditions apply to the payment of salary. However, when setting salaries, account is taken of an individual's specific role, duties, experience and contribution to the Company As part of the salary review process, the Committee takes account of individual and corporate performance, increases provided to the wider workforce and the external market for UK listed companies both in the financial services sector and across all sectors	Increases will generally be broadly in line with or below the average of the UK workforce (as a percentage of salary). Higher increases may be awarded in exceptional circumstances such as a material increase in the scope of the role, following the appointment of a new Executive Director (which could also include internal promotions), to bring an initially below-market package in line with the market over time or in response to market factors
Benefits	To provide market competitive benefits to ensure the wellbeing of employees	The Company currently provides: • car allowance • life assurance • income protection • private medical insurance • other benefits as appropriate for the role	There is no maximum cap on benefits, as the cost of benefits may vary according to the external market
Pension	To provide a contribution to retirement planning	Executive Directors may participate in a defined contribution plan or, if they are in excess of the HMRC annual or lifetime allowances for contributions, may elect to receive cash in lieu of all or some of such benefit	In line with the rate received by the majority of the workforce, which is currently 8% of salary

Directors' Remuneration Report continued

Remuneration Policy continued

Element	Purpose and link to strategy	Operation and performance conditions	Maximum
Bonus	To incentivise and reward individuals for the achievement of pre-defined, Committee-approved, annual financial, operational and individual objectives which are closely linked to the corporate strategy	Between 80-100% of the Bonus outcome is based on performance measured in line with an agreed Scorecard, with at least 50% of the bonus based on financial performance. The remaining 0-20% of the Bonus outcome is based on personal/strategic performance targets The objectives in the Scorecard, and the weightings on each element, will be set annually and may be flexed according to individual roles. Each element will be assessed independently, but with Committee discretion to vary the payout (including to zero) to ensure there is a strong link between payout and performance The Bonus outcome also has a risk underpin if the Committee believes an adjustment of the outcome is appropriate. There is also a general discretion to adjust the outcome to reflect other exceptional factors at the discretion of the Committee Normally at least 50% of any bonus earned will be delivered in shares, subject to a three-year holding period In circumstances of a high bonus payout there may be a regulatory requirement to defer a proportion of the bonus payout, with vesting staggered over three to seven years, in line with the deferral arrangements for the PSP described below Malus and clawback provisions apply, as described in note 1 on page 177	The maximum bonus opportunity for incumbent Executive Directors in any financial year will remain at 110% of salary Under the new Policy, the maximum bonus opportunity for new Executive Directors (i.e. not Andy Golding or Victoria Hyde) may be up to 135% of salary The threshold level for payment is 25% of maximum for any quantitative measure
Performance Share Plan	To incentivise and recognise execution of the business strategy over the longer-term Rewards strong financial, share, risk and ESG performance over a sustained period	PSP awards will typically be made annually at the discretion of the Committee, usually following the announcement of full-year results Usually, awards will be based on a mixture of internal financial performance targets, risk-based measures, ESG measures and relative TSR. At least 50% of the total PSP award will ordinarily be based on financial and relative TSR metrics The performance targets will usually be measured over three years Any vesting will be subject to an underpin, whereby the Committee must be satisfied that: (i) the vesting reflects the underlying performance of the Company (ii) the business has operated within the Board's risk appetite framework (iii) individual conduct has been satisfactory There is also a general discretion to adjust the outcome to reflect other exceptional factors at the discretion of the Committee Awards vest in line with regulatory requirements. Awards granted since 1 January 2020 vest in five equal tranches of 20%, following the Committee's determination of the extent to which performance conditions have been met. At the time each tranche vests, a one-year holding period will apply Malus and clawback provisions apply as described in note 1 on page 177	The maximum PSP opportunity for incumbent Executive Directors will remain at 110% of salary in respect of grants in any financial year Under the new Policy, the maximum PSP opportunity for new Executive Directors (i.e. not Andy Golding or Victoria Hyde) may be up to 135% of salary in respect of grants in any financial year The threshold level for payment is 25% of maximum for any quantitative measure Where relevant regulations do not permit dividend equivalent payments until after vesting, the number of shares granted may be uplifted to reflect the absence of dividends or dividend equivalents during the vesting period (e.g. to broadly reflect the expected dividend yield on the shares)

Directors' Remuneration Report continued

Remuneration Policy continued

Element	Purpose and link to strategy	Operation and performance conditions	Maximum
All-employee share plan (e.g. Sharesave Plan)	All employees, including Executive Directors, are encouraged to become shareholders through an all-employee share plan	A tax-favoured plan under which regular monthly savings may be made over a three-year period. These savings can then be used to fund the exercise of an option at the end of the three- year period, where the exercise price is discounted by up to 20% Executive Directors may also participate in other all-employee HMRC-approved share plans should they be introduced by OSB Group in the future	Maximum permitted savings based on HMRC limits
Share ownership guidelines	To increase alignment between Executive Directors and shareholders	Executive Directors are expected to build and maintain a minimum holding of OSB Group shares Executive Directors must retain at least 50% of the shares acquired on vesting of any share awards (net of tax) until the required holding is attained On cessation of employment, Executive Directors must retain the lower of the in-service shareholding requirement, or the Executive Directors' actual shareholding, for two years	At least 250% of salary for the CEO and at least 200% of salary for the CFO, or such higher level as the Committee may determine from time to time The net of tax value of any unvested deferred awards (which are not subject to any future performance condition) may count towards the definition of a shareholding for this purpose

1. Malus and clawback provisions apply to both the annual bonus, including amounts deferred into shares, and PSP awards. These provide for the recovery of incentive payments within seven years in the event of: (i) a material misstatement of results; (ii) an error; (iii) a significant failure of risk management; (iv) regulatory censure; (v) in instances of individual gross misconduct; (vi) corporate failure; (vii) reputational damage; or (viii) any other exceptional circumstance as determined by the Board. A further three years may be applied following such a discovery in order to allow for the investigation of any such event. In order to affect any such clawback, the Committee may use a variety of methods: withhold deferred bonus shares, future PSP awards or cash bonuses, or seek to recoup cash or shares already paid.

Choice of performance measures for Executive Directors' awards

The Group uses a Scorecard to support its annual bonus which incorporates both financial and non-financial business drivers across the Group. The combination of performance measures ties the Bonus outcome to the balanced delivery of corporate targets, risk measures and personal/strategic objectives. The Committee sets the threshold, target and stretch limits and reviews the measures used in the Scorecard annually, to ensure they continue to be relevant and remain anchored to the corporate plan.

The PSP incorporates measures of shareholder, financial and non-financial performance, in line with our key objectives of sustained growth in earnings leading to the creation of shareholder value over the long-term with appropriate consideration of risk and ESG performance.

Relative TSR provides close alignment between the relative returns experienced by our shareholders and the rewards to Executive Directors.

There is an underpin for the PSP to ensure payouts are aligned with underlying performance, financial and non-financial risk and individual conduct.

Bonus and PSP targets are set taking into account the business plan, shareholders' expectations, the external market and regulatory requirements.

In line with HMRC regulations for such schemes, the Sharesave Plan does not operate performance conditions.

Remuneration Policy for other employees

The Committee has regard to pay structures across the Group when setting the Policy for Executive Directors and ensures that policies at and below the Executive Director level are coherent. There are no significant differences in the overall remuneration philosophy, although pay is generally more variable and linked more to the long-term for those at more senior levels. The Committee's primary reference point for the salary reviews for the Executive Directors is the average salary increase for the UK workforce, with the expectation that increases for Executive Directors will, other than in exceptional circumstances, be at or below the increase for the UK workforce (as a percentage of salary).

A Scorecard is used to assess Bonus outcomes throughout the Group, with measures weighted according to role, where relevant.

Overall, the Policy for the Executive Directors is more heavily weighted towards performance-related pay than for other employees. In particular, performance-related long-term incentives are not provided outside the most senior management population as they are reserved for those considered to have the greatest potential to influence overall performance.

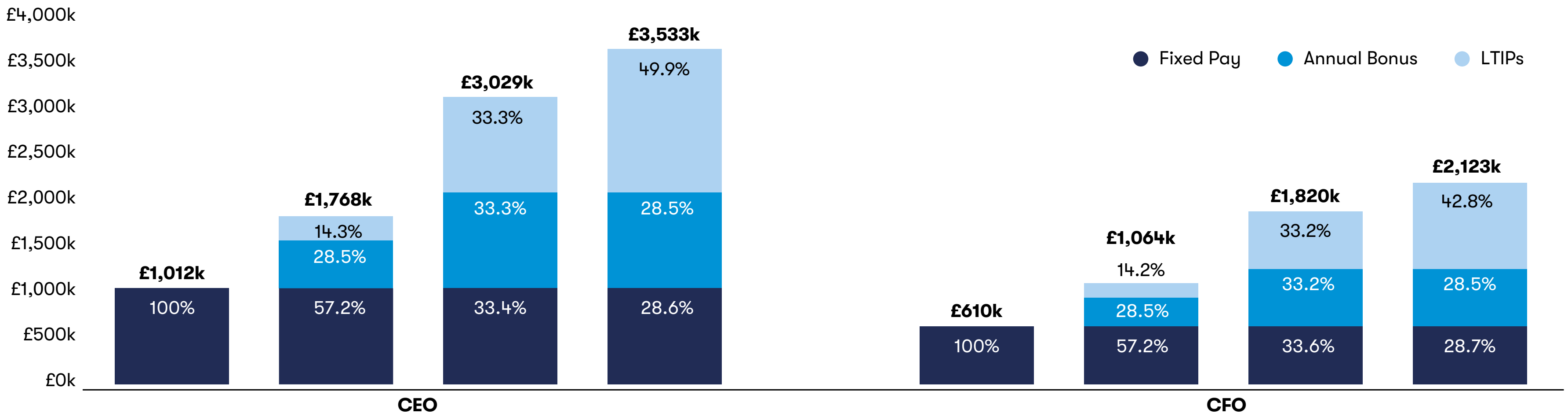
Although PSPs are awarded only to the most senior managers in the Group, the Group is committed to widespread equity ownership and a Sharesave Plan is available to all employees in the UK. Executive Directors are eligible to participate in this plan on the same basis as other employees.

Directors' Remuneration Report continued

Remuneration Policy continued

Illustration of application of Remuneration Policy

The chart below illustrates how the composition of the Executive Directors' remuneration packages would vary under various performance scenarios, based on the intended implementation in 2025.



1. Minimum performance assumes no award is earned under the bonus and no vesting is achieved under the PSP – only fixed pay (salary, benefits and pension are payable).
2. Half of the bonus is earned (i.e. 55% of salary) and 25% of maximum is achieved under the PSP (i.e. 27.5% of salary).
3. At maximum, full vesting is achieved under both the bonus and PSP (i.e. 110% of salary under the bonus and PSP for current Executive Directors).
4. At maximum, but illustrating the effect of a 50% increase in the share price on PSP awards.

Other than as noted in the chart above, share price growth and all-employee share plan participation are not considered in these scenarios.

The terms and provisions that relate to remuneration in the Executive Directors' service agreements are set out below. Service contracts are available for inspection at the Company's registered office.

Provision	Policy
Notice period	12 months on either side
Termination payments	A payment in lieu of notice may be made on termination to the value of the Executive Director's basic salary at the time of termination. Such payments may be made in instalments and in such circumstances can be reduced to the extent that the Executive Director mitigates their loss. Rights to Deferred Share Bonus Plan and PSP awards on termination are shown below. The employment of each Executive Director is terminable with immediate effect without notice in certain circumstances, including gross misconduct, fraud or financial dishonesty, bankruptcy or material breach of obligations under their service agreements
Remuneration	Salary, pension and core benefits are specified in the agreements. There is no contractual right to participate in the bonus or to receive long-term incentive awards
Post-termination	These include six months' post-termination restrictive covenants against competing with the Group; nine months' restrictive covenants against dealing with clients or suppliers of the Group; and nine months' restrictive covenants against soliciting clients, suppliers and key employees
Contract date	Andy Golding, 12 February 2020, Victoria Hyde 22 July 2024

Directors' Remuneration Report continued

Remuneration Policy continued

The Remuneration Policy for the Board Chair and Independent Non-Executive Directors

Element	Purpose and link to strategy	Operation and performance conditions	Maximum
Fees	To attract and retain a high-calibre Board Chair and INEDs by offering a market competitive fee	The Board Chair and INEDs are entitled to an annual fee, with supplementary fees payable for additional responsibilities including being the Chair or member of the Group Audit, Group Nomination and Governance, Group Remuneration and People, and Group Risk Committees and for acting as the SID Fees are reviewed periodically and there are no performance conditions The Board Chair and INEDs are entitled to reimbursement of travel and other reasonable expenses incurred in the performance of their duties	There is no prescribed maximum annual increase. The Committee is guided by the general increase in the non-executive market but on occasion may need to recognise, for example, change in responsibility and/or time commitments

Letters of appointment

Letters of appointment set out the duties and responsibilities of INEDs. The key terms are:

Provision	Policy
Period of appointment	Initial three-year term, subject to annual re-election by shareholders. On expiry of the initial term and subject to the needs of the Board, INEDs may be invited to serve a further three years. Beyond nine years, INEDs will be appointed at the discretion of the Group Nomination and Governance Committee
Notice periods	Three months on either side. Terminable with immediate effect and without compensation or payment in lieu of notice if the Board Chair or INEDs are not elected or re-elected to their position as a Director of the Company by shareholders
Payment in lieu of notice	The Company is entitled to make a payment in lieu of notice on termination

Letters of appointment are available for inspection at the Company's registered office. The effective dates of the current INEDs' appointments are shown in the table below.

Independent Non-Executive Director	Date of appointment
Kal Atwal	7 February 2023
Henry Daubeney	1 July 2024
Noël Harwerth	4 October 2019 (appointed to the CCFS Board in June 2017)[1]
Sarah Hedger	1 February 2019[1]
Rajan Kapoor	4 October 2019 (appointed to the CCFS Board in September 2016)
Simon Walker	4 January 2022
David Weymouth	1 September 2017 [1]

1. These dates reflect the date that each INED joined OneSavings Bank plc (prior to the insertion of OSB GROUP PLC as the holding company and listed entity).

Approval

This report was approved by the Board of Directors (on the recommendation of the Group Remuneration and People Committee) and signed on its behalf by:

Sarah Hedger
Chair of the Group Remuneration and People Committee
12 March 2025

Statement of Directors' Responsibilities

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRS) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for the year.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the UK;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and the Group, to ensure that the financial statements comply with the Companies Act. They are also responsible for establishing a suitable internal control framework to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking all reasonable steps to safeguard the Group's assets and prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for maintaining the integrity of the corporate and financial information included on the Company's website. UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

Each of the persons who is a Director at the date of approval of this report confirms, to the best of their knowledge, that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board and signed on its behalf by:

Jason Elphick
Group General Counsel and Company Secretary
12 March 2025

Directors' Report: other information

In accordance with the Companies Act, the Directors present their report for the year ended 31 December 2024. Relevant information required to be included in the Directors' Report including disclosures required by the FCAs Disclosure and Transparency Rules and UK Listing Rule UKLR 6.1.1, are deemed to be incorporated by reference in this report and detailed in the table below. Certain matters required to be disclosed in the Directors' Report have been included in the Strategic Report.

Share capital and rights attaching to shares

As at 31 December 2024, the Company's issued share capital comprised of:

Number of shares	% of total capital	Type of shares	Nominal value
372,145,792	100%	Ordinary	£0.01

Further details relating to share capital can be found in note 38.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

Directors' Report: other information continued

Authorities to allot and pre-emption rights

On 9 May 2024, shareholders re-established the general authority for the Directors to allot up to £1,311,944.39 of the nominal value of ordinary shares of £0.01 each. In addition, shareholders gave authority for the Directors to grant rights to subscribe for, or to convert any security into, regulatory capital convertible instruments up to £472,299.72 of the nominal value of ordinary shares equivalent to approximately 12% of issued share capital.

Repurchase of shares

The Company has an unexpired authority to repurchase ordinary shares up to a maximum of 39,358,310 ordinary shares. During the year, the Company repurchased 11,988,623 ordinary shares (each with a nominal value of £0.01) as part of its £50m share repurchase programme announced to the market on 14 March 2024 (2023: £150m). Following successful completion, the Company announced an additional £50m share repurchase programme to the market on 5 September 2024 and repurchased a further 10,721,471 shares (each with a nominal value of £0.01).

Employee share schemes

The details of the Company's employee share schemes are set out on page 177 in the Directors' Remuneration Report.

Results, dividends and dividend waiver

The results for the year are set out in the Statement of Comprehensive Income on page 196. The Group's dividend policy for 2024 remains a payout ratio of at least 25% of underlying profit after taxation attributable to ordinary shareholders.

During the year under review, the Company paid an interim dividend of 10.7 pence per share (2023: 10.2 pence). The Directors recommend payment of a final dividend of 22.9 pence per share (2023: 21.8 pence), subject to approval at the AGM on 8 May 2025, making a total ordinary dividend for 2024 of 33.6 pence per share (2023: 32.0 pence).

The OSB GROUP PLC Employee Benefit Trust, which holds 134,349 shares in the Company in connection with the operation of the Group's share plans, has lodged standing instructions to waive dividends on shares held by it that have not been allocated to employees. The total amount of dividends waived during 2024 was £43,542.

	Interim dividend	Final dividend
Ordinary	10.7 pence per share	22.9 pence per share
Ex-dividend date	22 August 2024	27 March 2025
Record date	23 August 2024	28 March 2025
Payment date	20 September 2024	13 May 2025

Directors and Directors' interests

The names of the Directors who served during the year can be found in the Board and Board Committee meeting attendance table on page 128.

Directors' interests in the shares of the Company are set out on page 171 in the Directors' Remuneration Report. None of the Directors had interests in shares of the Company greater than 0.22% of the ordinary shares in issue. There have been no changes to Directors' interests in shares since 31 December 2024.

Directors' indemnities

The Company maintains Directors' and Officers' Liability Insurance which provides appropriate cover for legal action brought against its Directors and Officers. Since the end of the 2024 financial year, the Company has also granted indemnities to each of its Directors and Officers, and to Directors and Officers of its subsidiary companies, including Officers who are appointed by the FCA or PRA to carry out senior managerial functions or other similar functions, on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act) have therefore been in force since February 2025 and remain in force as at the date of this report in relation to certain losses and liabilities which those Directors and Officers may incur to third parties in the course of action as a director, officer or employee of the Company or of any associated companies.

Equal opportunities

The Group is committed to applying its DE&I Policy at all stages of recruitment and selection. Short-listing, interviewing and selection will always be conducted without regard to gender, gender reassignment, sexual orientation, marital or civil partnership status, colour, race, nationality, ethnicity or national origins, religion or belief, age, pregnancy or maternity leave or trade union membership. Any candidate with a disability will not be excluded unless it is clear that the candidate is unable to perform a duty that is intrinsic to the role, having considered reasonable adjustments. Reasonable adjustments to the recruitment process will be made to ensure that no applicant is disadvantaged because of disability. The recruitment interview process ensures line managers ask candidates questions that are not discriminatory or unnecessarily intrusive. This commitment also applies to existing employees, with the necessary adjustments and training made, where there is a change in circumstances.

Directors' Report: other information continued

Employee engagement

Employees are kept informed of developments within the business and in respect of their employment through a variety of means, such as employee meetings, briefings and the intranet. Employee involvement is encouraged, and views and suggestions are taken into account when planning new products and projects.

The Sharesave 'save as you earn' Scheme is an all-employee share option scheme which is open to all UK-based employees. The Sharesave Scheme allows employees to purchase options by saving a fixed amount of between £10 and £500 per month over a period of three years, at the end of which, the options, subject to leaver provisions, are usually exercisable (options granted prior to 2021 have a lower limit of £5 and only three-year schemes have been offered to employees from 2021 onwards). The Sharesave Scheme has been in operation since June 2014 and options are granted annually, with the exercise price set at a 20% discount of the share price on the date of grant.

Our Voice is a forum established to enhance the level of engagement between the Board and Group Executive Committee and the wider workforce. Our Voice consists of employee representatives from all core geographical locations, as well as Sarah Hedger as the designated INED and representatives from the Group Executive Committee and HR Management. Other Board members and members of the Group Executive Committee are invited to attend meetings throughout the year.

Employee representatives are encouraged to engage with their colleagues to identify topics impacting the workforce or matters that it is felt should be brought to the attention of the Board and Group Executive Committee.

During the year, employee representatives undertook training to assist them with collating and representing views of their fellow colleagues. See page 88 for further information.

Board members are keen to engage with employees across all locations and find the experience of visiting our branches and offices within the UK and India valuable.

Further information in relation to the Board's engagement with the Group's stakeholders including customers, intermediaries, shareholders, suppliers, regulators and communities, can be found on pages 132-135.

The Board recognises the benefits that diversity brings to the business, and actively promotes and encourages a culture and environment that values and celebrates our differences. In 2024, the Group continued its journey to become a truly diverse and inclusive organisation which is committed to providing equal opportunities through the recruitment, training and development of its employees. Further information on Diversity, Equity and Inclusion can be found on pages 89-91.

Greenhouse gas emissions

Information relating to greenhouse gas emissions, energy consumption and actions towards energy efficiency can be found within the Sustainability Report on pages 72-85 and 100-115.

Political donations

Shareholder authority to make aggregate political donations not exceeding £50,000 was obtained at the AGM on 9 May 2024. Neither the Company nor any of its subsidiaries made any political donations during the year and no positive expenditure was incurred by the Company.

Notifiable interests in share capital

As at 31 December 2024, the Company had received the following notifications of major holdings of voting rights pursuant to the requirements of Rule 5 of the Disclosure Guidance and Transparency Rules:

	No. of ordinary shares	% of issued share capital
Jupiter Fund Management PLC[1]	21,407,948	4.98
GLG Partners LP[2]	21,159,035	5.68
BlackRock, Inc.	20,850,903	5.11
Norges Bank	15,267,616	4.10

1. Includes up to 0.03% of financial instruments.
2. Includes 0.5% of financial instruments.

No further notifications have been received since 31 December 2024.

Research and development

Information relating to research and development of new products can be found within the Strategic Report on pages 8-116.

Supervision and regulation

The Company is authorised by the PRA, part of the Bank of England, and regulated by the FCA and PRA. Some of its subsidiaries are also authorised by the FCA and PRA.

Annual General Meeting

Accompanying this report is the Notice of the AGM which sets out the resolutions to be proposed to the meeting, together with an explanation of each. This year's AGM will be held at our offices at 90 Whitfield Street, Fitzrovia, London W1T 4EZ on 8 May 2025 at 11.00 am.

Shareholders may require the Directors to call a general meeting other than an AGM as provided by the Companies Act.

Requests to call a general meeting may be made by members representing at least 5% of the paid-up capital of the Company as carries the right of voting at general meetings of the Company (excluding any paid-up capital held as treasury shares). A request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be in hard copy form or in electronic form and must be authenticated by the person or persons making it. A request may be made in writing to the Company Secretary to the registered office or by sending an email to ShareholderServices@osb.co.uk. At any general meeting convened on such request, no business shall be transacted, except that stated by the requisition or proposed by the Board.

Directors' Report: other information continued

Modern Slavery and Human Trafficking Statements

The Group's Modern Slavery and Human Trafficking Statements are reviewed and approved on an annual basis by the Board and can be found on our website at www.osb.co.uk.

The Group is committed to complying with the law and best practice in respect of modern slavery, workforce rights and the environment. We expect suppliers to share our commitment by complying with our Vendor Code of Conduct and Ethics. The Group has taken steps towards understanding suppliers' attitudes towards ESG to ensure that their values and aspirations are aligned to the Group's. The Group's suppliers and business partners are asked to complete a questionnaire to provide an insight into how they address topics such as climate change, diversity, equality and inclusion and modern slavery, and to identify areas of focus in the future. We understand that organisations will be at various stages of their own ESG and sustainability journey and we continue to encourage and support our suppliers with their transition to an ESG strategy that aligns with the Group's ambitions.

Payment practice reporting

Our business is supported by many suppliers, allowing us to provide a high standard of service to our customers.

Supplier payment practice reports are published on a six-monthly basis and approved and signed by the CFO and Group Chief Operating Officer on behalf of the main operating entities. The Group enters into standard terms with suppliers, which include terms requiring payment within 30 days of the invoice date following receipt of a valid invoice. Over 98% of all invoices are paid within 30 days in line with the standard payment period for qualifying contracts. The average time taken to pay invoices ranges from 4 to 11 days across the Group. The maximum contractual payment period agreed varies between 30 to 45 days. There were no changes to the standard payment terms in the reporting period. Any complaints received in respect of invoice payments are considered as part of the dispute resolution process.

During the year, the Group did not deduct any sums from payments under qualifying contracts as a charge for remaining on a supplier list. The Group also engages with key suppliers as part of the Group's Recovery Plan which is reviewed by the Board.

Other information

Corporate sustainability

The Board has considered climate-related matters including the risks of climate change when preparing this Annual Report. 100% of the carbon dioxide equivalent emissions and energy consumption figures within this Annual Report relate to emissions in the UK and details can be found on pages 76-85.

Events after the reporting period

Details relating to post-balance sheet events are set out in note 51.

Financial Instruments

Information on financial instruments including financial risk management objectives and policies including the policy for hedging the exposure of the Group to price risk, credit risk, liquidity risk and cash flow risk can be found in the Risk review on pages 46-69.

Section 172

Details on how the Company has complied with section 172 can be found throughout the Strategic and Directors' Reports and on pages 10 and 132-135.

Going concern statement

The Board undertakes regular rigorous assessments of whether the Group is a going concern in light of current and potential future economic conditions and all available information about future risks and uncertainties.

In assessing whether the going concern basis is appropriate, projections for the Group have been prepared, covering its future performance, capital and liquidity for a period in excess of 12 months from the date of approval of these Financial Statements. These forecasts have been subject to sensitivity tests utilising a range of stress scenarios, which have been compared to the latest economic scenarios provided by the Group's external economic advisors, as well as reverse stress tests.

The assessments include the following:

- Financial and capital forecasts were prepared utilising the latest economic forecasts provided by the Group's external economic advisors. Reverse stress tests were run to identify combinations of adverse movements in house prices and unemployment levels which would result in the Group breaching its minimum regulatory and total loss absorbing capital requirements. The reverse stress testing also considered what macroeconomic scenarios would be required for the Group to breach its interim 18% Minimum Requirement for own funds and Eligible Liabilities (MREL) as of these dates. The Directors assessed the likelihood of those reverse stress scenarios occurring within the next 12 months and concluded that the likelihood is remote.

Directors' Report: other information continued

- The latest liquidity and contingent liquidity positions and forecasts were assessed against internal combined stress scenarios with the Group maintaining sufficient liquidity throughout the going concern assessment period.
- The Group continues to assess and mature the resilience of its business operating model and supporting infrastructure in the context of the emerging economic, business and regulatory environment. The Group's Operational Resilience Self-Assessment Report for 2023 was reviewed and endorsed by the Group Risk Committee and, approved by the Board in June 2024. The Group is in the process of updating this for 2025 and had identified no material changes to its conclusions. Key areas of focus include the provision of the Group's Important Business Services (IBS) to minimise the impact of any service disruptions on the firm's customers or the wider financial services industry, and validating the levels of resilience of the third parties that the Group depends upon for delivery of its IBS. There were no items identified that could threaten the Group's viability over the going concern assessment time horizon.

The Group's financial projections demonstrate that the Group has sufficient capital and liquidity to continue to meet its regulatory capital requirements as set out by the PRA.

The Board has therefore concluded that the Group has sufficient financial resources to continue in operational existence for a period in excess of 12 months from the date of approval of these Financial Statements and as a result, it is appropriate to prepare these consolidated Financial Statements on a going concern basis.

Key information in respect of the Group's ERMF and objectives and processes for mitigating risks, including liquidity risk, are set out in detail on pages 46-69.

Approved by the Board and signed on its behalf by:

Jason Elphick
Group General Counsel and Company Secretary OSB GROUP PLC
Registered number: 11976839
12 March 2025

Financial Statements

Independent Auditor's Report

to the members of OSB Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of OSB GROUP PLC (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;
- the related notes to the consolidated financial statements 1 to 51;
- the company statement of financial position;
- the company statement of changes in equity;
- the company statement of cash flows; and
- the related notes to the company financial statements 1 to 9.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent Company for the year are disclosed in note 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • loan impairment provisions; and • effective interest rate income recognition. Within this report, key audit matters are identified as follows: Newly identified — Increased level of risk Similar level of risk — Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £22.1m, which was determined by reference to profit before tax.
Scoping	Our Group audit scoping accounted for 97.5% of the Group's interest receivable and similar income, 97.0% of the Group's profit before tax, 97.5% of the Group's total assets and 99.4% of the Group's total liabilities. All audit work was performed by the Group engagement team.
Significant changes in our approach	The primary benchmark for determining materiality in 2023 was net assets however, for 2024, following a stabilisation of profitability, we have determined materiality based on profit before tax. As a listed business, profit before tax is typically a primary measure of performance for key stakeholders.

Independent Auditor's Report continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained and read management's going concern assessment, which included consideration of the Group's operational resilience, in order to understand, challenge and evidence the key judgements made by management;
- We obtained an understanding of relevant controls around management's going concern assessment;
- We obtained management's income statement, balance sheet and capital and liquidity forecasts and assessed key assumptions for reasonableness and their projected impact on capital and liquidity ratios, particularly with respect to loan book growth and potential credit losses;
- Supported by our in-house prudential risk specialists, we read the most recent ICAAP and ILAAP submissions, assessed management's capital and liquidity projections, assessed the results of management's capital reverse stress testing, evaluated key assumptions and methods used in the capital reverse stress testing model and tested the mechanical accuracy of the capital reverse stress testing model;
- We read correspondence with regulators to understand the capital and liquidity requirements imposed by the Group's regulators, and evidence any changes to those requirements;
- We met with the Group's lead regulator, the Prudential Regulation Authority, and discussed their views on existing and emerging risks to the Group and considered whether these were reflected appropriately in management's forecasts and stress tests;
- We assessed the historical accuracy of forecasts prepared by management;
- We assessed the impact of the ongoing economic uncertainty, including how further rises in living and borrowing costs may impact potential credit losses; and
- We evaluated the Group's disclosures on going concern against the requirements of IFRS and in view of the latest FRC guidance.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Loan impairment provisions

Refer to Risk profile performance overview on page 64, judgements in applying accounting policies and critical accounting estimates on page 209 and Note 20 on page 223.

Key audit matter description

IFRS 9 requires loan impairment provisions to be recognised on an expected credit loss (ECL) basis. The estimation of ECL provisions in the Group's loan portfolios is inherently uncertain and requires significant judgements and estimates. We therefore consider this to be a key audit matter due to the risk of fraud or error in respect of the Group's ECL provisions. ECL provisions as at 31 December 2024 were £126.9m (2023: £145.8m), which represented 0.50% (2023: 0.57%) of loans and advances to customers. ECL provisions are calculated both for individually assessed loans and collectively on a portfolio basis which require the use of statistical models incorporating forward looking macroeconomic scenarios, probabilities of default (PD), exposures at default and assumptions on the recoverability of customers' outstanding balances.

The uncertain economic environment continues to increase the complexity in estimating ECL, particularly with regards to determining appropriate forward looking macroeconomic scenarios and identifying customers who have experienced significant increases in credit risk. Additionally, higher costs of living, high borrowing costs and increasing arrears continue to result in an elevated degree of subjectivity in estimating PDs.

We identified three specific areas in relation to ECL that require significant judgement or relate to assumptions to which the overall ECL provision is particularly sensitive.

- Significant increase in credit risk (SICR): The assessment of whether there has been a significant increase in credit risk between the date of initial recognition of the exposure and 31 December 2024. There is a risk that the Group's staging criteria does not capture SICR.
- Macroeconomic scenarios: As set out on page 66, the Group sources economic forecasts from a third-party economics expert and then applies judgement to determine which scenarios to select and the probability weightings to assign. The Group considered four probability weighted scenarios, including base, upside, downside, and severe downside scenarios. The key economic variables used within the macroeconomics model were determined to be the house price index (HPI) and unemployment rate. The estimation of these variables involves a high degree of subjectivity and estimation uncertainty.
- Propensity to go into possession following default (PPD) and forced sale discount (FSD) assumptions: PPD measures the likelihood that a defaulted loan will progress into repossession. FSD measures the difference in sale proceeds between a sale under normal conditions and sale at auction. The loss given default (LGD) by loan assumed in the ECL provision calculation is sensitive to the PPD and FSD assumptions.

Independent Auditor's Report continued

How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant financial controls over the ECL provision with particular focus on controls over significant assumptions and judgements used in the ECL determination. To challenge the Group's SICR criteria, we: • Supported by our credit risk specialists, evaluated the Group's SICR policy and assessed whether it complies with IFRS 9; • Supported by our credit risk specialists, assessed the Group's quantitative and qualitative thresholds used in the SICR assessment by analysing loan transfers from stage one to stage two driven solely by the Group's relative and absolute thresholds compared to the 30 days past due "backstop" and other qualitative factors; • On a sample basis, tested the completeness and accuracy of the data used in applying the quantitative and qualitative criteria in the SICR assessment to assess whether loans were assigned to the correct stage; • As part of our testing of the application of the SICR criteria within the ECL model and with support from our credit risk specialists, we independently reperformed the Group's staging assessment across all three stages using our in-house analytics tool and compared this to the Group's staging assessment; and • Performed an independent assessment for a sample of loan accounts which exited forbearance, to determine whether they had been appropriately allocated to the correct stage. To challenge the Group's macroeconomic scenarios and the probability weightings applied, we: • Agreed the macroeconomics scenarios used in the ECL model to reports prepared by the third-party economics expert; • Assessed the competence, capability and objectivity of the third-party economics expert; • Supported by our economic specialists, assessed and challenged the scenarios considered and the probability weightings assigned to them in light of the economic environment as at 31 December 2024; • With the involvement of our economic specialists challenged the Group's economic outlook by reference to other available economic outlook data; • Compared the appropriateness of selected macroeconomic variables (HPI and unemployment) and the four probability weightings used in the macroeconomics model to those used by peer lenders; • Supported by our credit risk specialists, assessed the performance of the macroeconomic model to assess whether the economic variables previously selected were still appropriate through considering the modelled macroeconomic results relative to those observed in historical recessions. To challenge the Group's PPD and FSD assumptions, we: • Supported by our credit risk specialists, reviewed and challenged the methodology of estimating PPD and FSD assumptions; • Considered the findings raised in the Group's model monitoring and validation exercise and assessed the impact on the year-end provision; and • Performed a stand back test to consider potential contradictory evidence and assessed the appropriateness of PPD and FSD assumptions by comparison to industry peers.
Key observations	We are satisfied that the SICR criteria and PPD and FSD assumptions in determining the ECL provision were reasonable. We observed that the macroeconomic scenarios selected by the directors and the probability weightings applied generate an appropriate portfolio loss distribution. Overall, we determined that the loan impairment provisions were appropriately stated as at 31 December 2024.

Independent Auditor's Report continued

5.2. Effective interest rate income recognition

Refer to the significant issues considered by the Group Audit Committee on page 146, judgements in applying accounting policies and critical accounting estimates on page 211, the accounting policy on pages 202 and Note 3 on page 212.

Key audit matter description	In accordance with the requirements of IFRS 9, directly attributable fees, discounts, incentives and commissions on a constant yield basis (effective interest rate, EIR) are required to be spread over the expected life of the loan assets. EIR is complex and the Group's approach to determining the EIR involves the use of models and significant estimation in determining the behavioural life of loan assets. Given the complexity and judgement involved in accounting for EIR and given that revenue recognition is an area susceptible to fraud, there is an opportunity for management to manipulate the amount of interest income reported in the financial statements. The Group's net interest income for the year ended 31 December 2024 was £666.4m (2023: £658.6m). EIR adjustments arise from revisions to estimated cash receipts or payments for loan assets that occur for reasons other than a movement in market interest rates or credit losses. They result in an adjustment to the carrying amount of the loan asset, with the adjustment recognised in the income statement in interest receivable and similar income. As the EIR adjustments reflect changes to the timing and volume of forecast customer redemptions, they are inherently judgemental. The level of judgement exercised is increased where there is limited availability of historical repayment information. For the Precise loan portfolios, the EIR adjustments are sensitive to changes in the behavioural life curves. Changes in the modelled behavioural life across the Group's portfolios during the year resulted in an interest income loss of £15.9m (2023: £210.7m loss) the majority of which relates to the Precise loan portfolios. The current economic environment and expected future decreases in interest rates continues to increase uncertainty with regards to forecasting expected behavioural lives and prepayment rates.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over EIR, focusing on the calculation and review of EIR adjustments and the determination of customer redemption profiles and weighted average life curves. For the Precise portfolio, where the EIR adjustments were most significant and sensitive to changes in behavioural life, with the involvement of our analytics and modelling specialists, we ran the loan data for all products through our own independent EIR model, using the behavioural life curves derived by the Group. We compared our calculation of the EIR adjustment required to the amount recorded by the Group. A number of key assumptions are made to estimate the expected future behaviour of customers including consideration of recently observed behaviour. For these assumptions, we independently challenged the appropriateness of the assumptions considering the interest rate environment that has been experienced in the UK over the last year, economic forecasts of future interest rates and trends in customer behaviour observed in recent months. With the involvement of our analytics and modelling specialists, we independently derived behavioural life curves using the Group's actual loan data over recent years, incorporating those assumptions that we considered reasonable. We used these curves in our own independent EIR model to calculate the EIR adjustments. We compared this output to the amounts recorded by the Group. We also tested the completeness and accuracy of a sample of inputs into the EIR model for originated loans.
Key observations	We determined that the EIR models and assumptions used were appropriate and that net interest income for the period is appropriately stated.

Independent Auditor's Report continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£22.1m (2023: £20.3m)	£15.5m (2023: £17.9m)
Basis for determining materiality	We determined materiality for the Group to be 5.3% of profit before tax of £418.1m (2023: approximately 1.0% of net assets, which equated to 5.8% of profit before tax).	We determined materiality for the parent Company by reference to 1% of net assets. This is consistent with prior year.
Rationale for the benchmark applied	Following a stabilisation of profitability for the current year we have determined materiality based on 5.0% of forecast profit before tax (5.3% of final profit before tax), which equates to 1.0% of net assets. For the prior year the basis of materiality was approximately 1.0% of net assets. As a listed business, profit before tax is typically a primary measure of performance for key stakeholders.	The parent Company is principally a holding company and we have therefore determined net assets to be the most relevant benchmark to determine materiality.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	60% (2023: 60%) of Group materiality	60% (2023: 60%) of parent Company materiality
Basis and rationale for determining performance materiality	Group performance materiality was set at 60% of Group materiality (2023: 60%). In determining performance materiality, we considered a number of factors, including: our understanding of the control environment; our understanding of the business; and the low number of uncorrected misstatements identified in the prior year	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.1m (2023: £1.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls and assessing the risks of material misstatement at the Group level. We structured our approach to the audit to reflect how the Group is organised as well as ensuring our audit was both effective and risk focused.

Due to the centralised nature of the Group, which includes its operations and service centres as well as central management of financial reporting for components, all of our testing was performed centrally by the Group audit team. Consistent with the prior year we identified OneSavings Bank plc and Charter Court Financial Services Limited, the two main banking entities of the Group, as well as Interbay ML Ltd, another significant lending subsidiary, as components where an audit of the entire financial information was required.

Our audits of the entire financial information of the above components accounted for 97.5% (2023: 98%) of the Group's interest receivable and similar income, 97.0% (2023: 95%) of the Group's profit before tax, 97.5% (2023: 97%) of the Group's total assets and 99.4% (2023: 99%) of the Group's total liabilities.

At a group level we also tested the group's consolidation process.

Independent Auditor's Report continued

7.2. Our consideration of the control environment

We identified the key IT systems relevant to the audit to be those used in financial reporting, lending and savings areas. For these systems, with the involvement of our IT specialists, we obtained an understanding of relevant general IT controls.

Where deficiencies were identified in the control environment, including deficiencies in IT controls, our risk assessment procedures included an assessment of those deficiencies to determine the impact on our audit plan. Where we were unable to identify or test mitigating controls, we adopted a non-controls reliance approach and performed additional substantive procedures. As a result of deficiencies identified in internal IT access controls across the Group, we amended our planned audit procedures to adopt a non-controls reliance approach over all financial statement lines for all entities with the exception of retail deposits balances and associated interest expense for Charter Court Financial Services Limited. As the operational management of retail deposits for Charter Court Financial Services Limited is outsourced to a third-party provider we have relied on the service organisation controls in place and were able to adopt a control reliant approach.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the impact of climate change on the Group's operations and impact on its financial statements. The Group has set out its commitments, aligned with the goals of the Paris Climate Accord, to be a net zero bank by 2050. Further information is provided in the Group's Strategic Report and Task Force on Climate-Related Financial Disclosures ("TCFD") on pages 100 and 115. The Group sets out its assessment of the potential impact of climate change on ECL on page 52 of the Risk review section of the Annual Report and the potential impact on the financial statements in note 20 on page 223.

In conjunction with our climate risk specialists, we have held discussions with the Group to understand:

- the process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group; and
- the long-term strategy to respond to climate change risks as they evolve.

Our audit work has involved:

- challenging the completeness of the physical and transition risks identified and considered in the Group's climate risk assessment and the conclusion that there is no material impact of climate change risk on current year financial reporting; and
- assessing disclosures in the Annual Report and challenging the consistency between the financial statements and the remainder of the Annual Report.

We have been engaged to provide limited assurance on the description of activities undertaken to meet the Recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and selected Environmental, Social and Governance metrics ("Selected ESG Metrics") (together the "Assured ESG Information") in the Annual Report for the year ended 31 December 2024. Please refer to pages 268 to 270 for our separate assurance report.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, real estate, IT, climate risk, prudential risk, economics, financial instruments, share based payments, credit risk and analytics and modelling specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: loan impairment provisions and effective interest rate income recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's prudential regulatory requirements and capital, liquidity and conduct requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified loan impairment provisions and effective interest rate income recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report continued

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 184 and 185;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 184 and 185;
- the directors' statement on fair, balanced and understandable set out on page 145;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 145;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 147; and
- the section describing the work of the audit committee set out on page 143 to 149.

14. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 46 to the financial statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

15. Matters on which we are required to report by exception

15.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

16. Other matters which we are required to address

16.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the shareholders of the OSB GROUP PLC on 17 November 2020 to audit the Group financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2020 to 31 December 2024.

Prior to our appointment to audit the parent Company, we were auditor of the Group headed by OneSavings Bank plc, since 9 May 2019. The period of total uninterrupted engagement for OneSavings Bank plc, including previous renewals and reappointments of the firm, is six years, covering the year ended 31 December 2019 to 31 December 2024.

16.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Independent Auditor's Report continued

17. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R. We have been engaged to provide assurance on whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R and will publicly report separately to the members on this.

Ben Jackson, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
12 March 2025

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Interest receivable and similar income	3	**2,099.3**	1,767.0
Interest payable and similar charges	4	**(1,432.9)**	(1,108.4)
Net interest income		**666.4**	658.6
Fair value losses on financial instruments	5	**(1.5)**	(4.4)
Loss on sale of financial instruments	6	**(2.4)**	–
Other operating income	7	**4.7**	3.9
Total income		**667.2**	658.1
Administrative expenses	8	**(258.1)**	(234.6)
Provisions	33	**(2.7)**	(0.4)
Impairment of financial assets	21	**11.7**	(48.8)
Profit before taxation		**418.1**	374.3
Taxation	11	**(110.0)**	(91.7)
Profit for the year		**308.1**	282.6
Other comprehensive expense			
Items which may be reclassified to profit or loss:			
Fair value changes on financial instruments measured at fair value through other comprehensive income (FVOCI):			
Arising in the year	16	**(0.1)**	(0.2)
Tax on items in other comprehensive expense		**–**	0.1
Revaluation of foreign operations		**–**	(0.8)
Other comprehensive expense		**(0.1)**	(0.9)
Total comprehensive income for the year		**308.0**	281.7
Dividend, pence per share	13	**33.6**	32.0
Earnings per share (EPS), pence per share			
Basic	12	**77.6**	66.1
Diluted	12	**75.7**	65.0

The above results are derived wholly from continuing operations.

The notes on pages 201 to 256 form part of these accounts.

The financial statements on pages 197 to 256 were approved by the Board of Directors on 12 March 2025.

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 £m	2023 £m
Assets			
Cash in hand		**0.3**	0.4
Loans and advances to credit institutions	15	**3,405.9**	2,813.6
Investment securities	16	**1,434.4**	621.7
Loans and advances to customers	17	**25,126.3**	25,765.0
Fair value adjustments on hedged assets	23	**(179.3)**	(243.5)
Derivative assets	22	**313.8**	530.6
Other assets	24	**17.8**	27.6
Current taxation asset		**14.8**	0.6
Deferred taxation asset	11	**6.2**	3.9
Property, plant and equipment	25	**54.6**	43.8
Intangible assets	26	**48.8**	26.1
Total assets		**30,243.6**	29,589.8
Liabilities			
Amounts owed to credit institutions	27	**1,935.2**	3,575.0
Amounts owed to retail depositors	28	**23,820.3**	22,126.6
Fair value adjustments on hedged liabilities	23	**(6.1)**	21.9
Amounts owed to other customers	29	**104.9**	63.3
Debt securities in issue	30	**1,018.3**	818.5
Derivative liabilities	22	**81.9**	199.9
Lease liabilities	31	**9.1**	11.2
Other liabilities	32	**56.4**	39.6
Provisions	33	**4.6**	0.8
Deferred taxation liability	11	**13.1**	6.3
Senior notes	34	**722.7**	307.5
Subordinated liabilities	35	**259.8**	259.5
Perpetual Subordinated Bonds	36	**–**	15.2
		28,020.2	27,445.3

	Note	2024 £m	2023 £m
Equity			
Share capital	38	**3.7**	3.9
Share premium	38	**4.5**	3.8
Other equity instruments	39	**150.0**	150.0
Retained earnings		**3,406.4**	3,330.2
Other reserves	40	**(1,341.2)**	(1,343.4)
Shareholders' funds		**2,223.4**	2,144.5
Total equity and liabilities		**30,243.6**	29,589.8

The notes on pages 201 to 256 form part of these accounts. The financial statements on pages 197 to 256 were approved by the Board of Directors on 12 March 2025 and signed on its behalf by

Andy Golding
Chief Executive Officer

Victoria Hyde
Chief Financial Officer

Company number: 11976839

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital £m	Share premium £m	Capital redemption and transfer reserve[1] £m	Own shares[2] £m	Foreign exchange reserve £m	FVOCI reserve £m	Share-based payment reserve £m	Retained earnings £m	Other equity instruments £m	Total £m
As at 1 January 2023	4.3	2.4	(1,355.1)	(2.2)	(1.3)	0.3	13.2	3,389.4	150.0	2,201.0
Profit for the year	–	–	–	–	–	–	–	282.6	–	282.6
Other comprehensive expense	–	–	–	–	(0.8)	(0.2)	–	–	–	(1.0)
Tax on items in other comprehensive expense	–	–	–	–	–	0.1	–	–	–	0.1
Total comprehensive (expense)/income	–	–	–	–	(0.8)	(0.1)	–	282.6	–	281.7
Coupon paid on Additional Tier 1 (AT1) securities	–	–	–	–	–	–	–	(9.0)	–	(9.0)
Dividends paid	–	–	–	–	–	–	–	(185.0)	–	(185.0)
Share-based payments	–	1.4	–	–	–	–	0.6	5.0	–	7.0
Own shares[2]	–	–	–	1.2	–	–	–	(1.2)	–	–
Share repurchase[3]	(0.4)	–	0.4	–	–	–	–	(151.6)	–	(151.6)
Tax recognised in equity	–	–	–	–	–	–	0.4	–	–	0.4
As at 31 December 2023	3.9	3.8	(1,354.7)	(1.0)	(2.1)	0.2	14.2	3,330.2	150.0	2,144.5
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**308.1**	**–**	**308.1**
Other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**308.1**	**–**	**308.0**
Coupon paid on AT1 securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9.0)**	**–**	**(9.0)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(126.4)**	**–**	**(126.4)**
Share-based payments	**–**	**0.7**	**–**	**–**	**–**	**–**	**1.7**	**4.7**	**–**	**7.1**
Own shares[2]	**–**	**–**	**–**	**0.1**	**–**	**–**	**–**	**(0.1)**	**–**	**–**
Share repurchase[3]	**(0.2)**	**–**	**0.2**	**–**	**–**	**–**	**–**	**(101.1)**	**–**	**(101.1)**
Tax recognised in equity	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**
As at 31 December 2024	**3.7**	**4.5**	**(1,354.5)**	**(0.9)**	**(2.1)**	**0.1**	**16.2**	**3,406.4**	**150.0**	**2,223.4**

1. Comprises Capital redemption reserve of £0.8m (2023: £0.6m) and Transfer reserve of £1,355.3m (2023: £(1,355.3)m).
2. The Group has adopted look-through accounting (see note 1 c) and recognised the Employee Benefit Trust (EBT) within OSB GROUP PLC (OSBG).
3. Includes £100.0m (2023: £150.0m) for shares repurchased, £0.4m (2023: £0.8m) for transaction costs and £0.7m (2023: £0.8m) for incentive fees.

Share capital and premium is disclosed in note 38 and the reserves are further analysed in note 40.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit before taxation		**418.1**	374.3
Adjustments for non-cash and other items	47	**246.0**	294.0
Changes in operating assets and liabilities	47	**1,691.0**	(139.5)
Cash generated from operating activities		**2,355.1**	528.8
Net tax paid		**(119.4)**	(103.6)
Net cash generated from operating activities		**2,235.7**	425.2
Cash flows from investing activities			
Maturity and sales of investment securities		**789.1**	366.3
Purchases of investment securities		**(811.2)**	(664.3)
Interest received on investment securities		**36.7**	22.6
Purchases of property, plant and equipment and intangible assets	25,26	**(43.9)**	(25.8)
Net cash from investing activities		**(29.3)**	(301.2)
Cash flows from financing activities			
Financing received	37	**1,736.5**	1,328.6
Financing repaid	37	**(2,716.8)**	(1,430.3)
Interest paid on financing	37	**(273.3)**	(205.4)
Dividends paid	13	**(126.4)**	(185.0)
Share repurchase[1]		**(90.6)**	(152.4)
Coupon paid on AT1 securities		**(9.0)**	(9.0)
Net swap interest paid on subordinated liabilities and senior notes		**(5.0)**	–
Net swap interest paid on structural hedge		**(3.3)**	–
Repayments of principal portion of lease liabilities		**(1.9)**	(2.0)
Proceeds from issuance of shares under employee Save As You Earn (SAYE) schemes		**0.8**	1.4
Net cash from financing activities		**(1,489.0)**	(654.1)

	Note	2024 £m	2023 £m
Net increase/(decrease) in cash and cash equivalents		**717.4**	(530.1)
Cash and cash equivalents at the beginning of the year	14	**2,514.0**	3,044.1
Cash and cash equivalents at the end of the year	14	**3,231.4**	2,514.0
Movement in cash and cash equivalents		**717.4**	(530.1)

1. Includes £89.9m (2023: £150.0m) for shares repurchased, £0.4m (2023: £0.8m) transaction costs and £0.3m (2023: £1.6m) incentive fee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom Endorsement Board (UKEB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of investment securities and derivative contracts and other financial assets held at fair value through profit or loss (FVTPL) or FVOCI (see note 1 m. (ii)).

The financial statements are presented in pounds Sterling. All amounts in the financial statements have been rounded to the nearest £0.1m.

b) Going concern

The Board undertakes regular rigorous assessments of whether the Group is a going concern in light of current and potential future economic conditions and all available information about future risks and uncertainties.

In assessing whether the going concern basis is appropriate, projections for the Group have been prepared, covering its future performance, capital, and liquidity for a period in excess of 12 months from the date of approval of these financial statements. These forecasts have been subject to sensitivity tests utilising a range of stress scenarios, which have been compared to the latest economic scenarios provided by the Group's external economic advisors, as well as reverse stress tests.

The assessments include the following:

- Financial and capital forecasts were prepared utilising the latest economic forecasts provided by the Group's external economic advisers. Reverse stress tests were run to identify combinations of adverse movements in house prices and unemployment levels which would result in the Group breaching its minimum regulatory and total loss-absorbing capital requirements. The reverse stress testing also considered what macroeconomic scenarios would be required for the Group to breach its interim 18% Minimum Requirement for own funds and Eligible Liabilities (MREL) requirement as of these dates. The Directors assessed the likelihood of those reverse stress scenarios occurring within the next 12 months and concluded that the likelihood is remote.
- The latest liquidity and contingent liquidity positions and forecasts were assessed against internal combined stress scenarios with the Group maintaining sufficient liquidity throughout the going concern assessment period.
- The Group continues to assess and mature the resilience of its business operating model and supporting infrastructure in the context of the emerging economic, business and regulatory environment. The Group's Operational Resilience Self-Assessment Report for 2023 was reviewed and endorsed by the Group Risk Committee and approved by the Board in June 2024. The Group is in the process of updating this for 2025 and has identified no material changes to its conclusions. Key areas of focus include the provision of the Group's Important Business Services (IBSs) to minimise the impact of any service disruptions on the firm's customers or the wider financial services industry, and validating the levels of resilience of the third parties that the Group depends upon for delivery of its IBSs. There were no items identified that could threaten the Group's viability over the going concern assessment time horizon.

The Group's financial projections demonstrate that the Group has sufficient capital and liquidity to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority (PRA).

The Board has therefore concluded that the Group has sufficient resources to continue in operational existence for a period in excess of 12 months from the date of approval of these financial statements and, as a result, it is appropriate to prepare these consolidated financial statements on a going concern basis.

c) Basis of consolidation

The Group accounts include the results of OSB GROUP PLC (the Company) and all its subsidiary undertakings. Subsidiaries are those entities, including structured entities, over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Judgement is applied in assessing the relevant factors and conditions in totality when determining whether the Group controls an entity. Specifically, judgement is applied in assessing whether the Group has substantive decision-making rights over the relevant activities and whether it is exercising power as a principal or an agent.

The Group is not deemed to control an entity when it exercises power over an entity in an agency capacity. In determining whether the Group is acting as an agent, the Directors consider the overall relationship between the Group, the investee and other parties to the arrangement with respect to the following factors: (i) the scope of the Group's decision-making power; (ii) the rights held by other parties; (iii) the remuneration to which the Group is entitled; and (iv) the Group's exposure to variability of returns. The determination of control is based on the current facts and circumstances and is continuously assessed.

Where the Group does not retain a direct ownership interest in a securitisation entity, but the Directors have determined that the Group controls those entities, they are treated as subsidiaries and are consolidated. Control is determined to exist if the Group has the power to direct the activities of each entity (for example, managing the performance of the underlying mortgage assets and raising debt on those mortgage assets which is used to fund the Group) and, in addition to this, the Group is exposed to a variable return (for example, retaining the residual risk on the mortgage assets).

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Securitisation structures that do not meet these criteria are not treated as subsidiaries and are excluded from the consolidated accounts. The Group applies the net approach in accounting for securitisation structures where it retains an interest in the securitisation, netting the loan notes held against the deemed loan balance.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Upon consolidation, intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency, so far as is possible, with the policies adopted by the Group.

The Group's EBT is controlled and recognised by the Company using the look-through approach, i.e. as if the EBT is included within the accounts of the Company.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less impairment. A full list of the Company's subsidiaries which are included in the Group's consolidated financial statements can be found in note 2 to the Company's financial statements on page 260 to 262.

d) Foreign currency translation

The financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). Foreign currency transactions are translated into the functional currencies using the exchange rates prevailing at the date of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end.

e) Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Group which are regularly reviewed by the chief operating decision maker to allocate resources to segments and to assess their performance. For this purpose, the chief operating decision maker of the Group is the Board of Directors.

The Group provides loans, asset finance and retail deposits within the UK.

The Group segments its lending business and operates under two segments:

- OneSavings Bank (OSB)
- Charter Court Financial Services (CCFS)

The Group has disclosed relevant risk management tables in note 42 at a sub-segment level to provide detailed analysis of the Group's core lending business.

f) Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments is recognised in profit or loss using the effective interest rate (EIR) method. The EIR is the rate which discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying value of the financial asset or liability.

Interest income on financial assets categorised as stage 1 or 2 is recognised on a gross basis, with interest income on stage 3 assets recognised net of expected credit losses (ECL).

For purchased or originated credit-impaired assets (see note 1 m (vii), interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset improves. See note 1 m (vii). for further information on IFRS 9 stage classifications.

When calculating the EIR, the Group estimates cash flows considering all contractual terms of the instrument and behavioural aspects (for example, prepayment options) but not considering future credit losses. The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the interest rate, together with the discounts or premiums arising on the acquisition of loan portfolios. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial instrument.

The Group monitors the actual cash flows for each portfolio and resets cash flows on a monthly basis, discounted at the EIR to derive a new carrying value, with changes taken to profit or loss as interest income.

The EIR is adjusted where there is a movement in the expected reference interest rate (Sterling Overnight Index Average (SONIA), synthetic London Interbank Offered Rate (LIBOR) or base rate) affecting portfolios with a variable interest rate which will impact future cash flows. The revised EIR is the rate which exactly discounts the revised cash flows to the net carrying value of the loan portfolio.

Interest income on investment securities is included in interest receivable and similar income. Interest on derivatives is included in interest receivable and similar income or interest expense and similar charges following the underlying instrument it is hedging.

Coupons paid on AT1 securities are recognised directly in equity in the period in which they are paid.

g) Fees and commissions

Fees and commissions which are an integral part of the EIR of a financial instrument are recognised as an adjustment to the EIR and recorded in interest income. The Group includes early redemption charges within the EIR.

Fees received on mortgage administration services and mortgage origination activities, which are not an integral part of the EIR, are recorded in other operating income and accounted for in accordance with IFRS 15 Revenue from Contracts with Customers, with income recognised when the services are delivered and the benefits are transferred to clients and customers.

Other fees and commissions are recognised on the accrual basis as services are provided or on the performance of a significant act, net of value added tax (VAT) and similar taxes.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

h) Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss, other comprehensive income (OCI) or directly in equity, consistent with the recognition of items it relates to. The Group recognises tax on coupons paid on AT1 securities directly in profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available to utilise the asset. The recognition of deferred tax asset is mainly dependent on the projections of future taxable profits and future reversals of temporary differences. The current projections of future taxable income indicate that the Group will be able to utilise its deferred tax asset within the foreseeable future.

Deferred tax liabilities are recognised for all taxable temporary differences.

The Company and its tax-paying UK subsidiaries are in a group payment arrangement for corporation tax and show a net corporation tax liability and deferred tax liability accordingly.

The Company and its UK subsidiaries are in the same VAT group.

i) Dividends

Dividends are recognised in equity in the period in which they are paid or, if earlier, approved by shareholders.

j) Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise cash, non-restricted balances with credit institutions and highly liquid financial assets with maturities of less than three months from date of acquisition, subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

k) Property, plant and equipment

Property, plant and equipment comprise freehold land and buildings, major alterations to office premises, computer equipment and fixtures measured at cost less accumulated depreciation. These assets are reviewed for impairment annually, and if they are considered to be impaired, are written down immediately to their recoverable amounts.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful economic lives as follows:

Buildings	50 years
Fixtures & fittings, computer hardware and vehicles	5 years
Leasehold improvements	Shorter of useful life or lease term

For assets under construction (development assets), no depreciation is charged until the asset is available for use.

Land, deemed to be 25% of purchase price of buildings, is not depreciated.

l) Intangible assets

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is a unique and identifiable asset controlled by the Group and will generate future economic benefits. Costs to establish technological feasibility or to maintain existing levels of performance are recognised as an expense. The Group only recognises internally generated intangible assets if all of the following conditions are met:

- an asset is being created that can be identified after establishing the technical and commercial feasibility of the resulting product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Subsequent expenditure on an internally generated intangible asset, after its purchase or completion, is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Software is only recognised if:

- The Group has the contractual right to take possession of the software during the hosting period without significant penalty; and
- It is feasible for the Group to run the software on its own hardware or contract with a party unrelated to the supplier to host the software.

The costs of configuring or customising supplier application software in a Software-as-a-Service (SaaS) arrangement that is determined to be a service contract is recognised as an expense or prepayment. SaaS is an arrangement that provides the Group with the right to receive access to the supplier's application software in the future which is treated as a service contract, rather than a software lease or the acquisition of a software intangible asset. Where the configuration and customisation services are not distinct from the right to receive access to the software, then the costs are recognised as an expense over the term of the arrangement.

Intangible assets are reviewed for impairment at least semi-annually, and if they are considered to be impaired, are written down immediately to their recoverable amounts. Impairment losses previously recognised for intangible assets, other than goodwill, are reversed when there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss reversal is recognised in the Consolidated Statement of Comprehensive Income and the carrying amount of the asset is increased to its recoverable amount.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Intangible assets are amortised on a straight- line basis over their estimated useful lives as follows:

Computer software	5-7 years
Brand (included in Assets arising on Combination)	4 years
Broker relationships (included in Assets arising on Combination)	5 years

For development costs of assets that are under construction, no amortisation is applied until the asset is available for use and is calculated using a full month when available for use.

The Group reviews the amortisation period on an annual basis. If the expected useful life of an asset is different from previous assessments, the amortisation period is changed accordingly.

m) Financial instruments

i. Recognition

The Group initially recognises loans and advances, deposits, debt securities issued, senior notes and subordinated liabilities on the date on which they are originated or acquired. All other financial instruments are accounted for on the trade date which is when the Group becomes a party to the contractual provisions of the instrument.

For financial instruments classified as amortised cost or FVOCI, the Group initially recognises financial assets and financial liabilities at fair value plus transaction income or costs that are directly attributable to its origination, acquisition or issue. Financial instruments classified as amortised cost are subsequently measured using the EIR method.

Transaction costs directly attributable to the acquisition or issue of a financial instrument at FVTPL are recognised in profit or loss as incurred.

ii. Classification

The Group classifies financial instruments based on the business model and the contractual cash flow characteristics of the financial instruments. In accordance with IFRS 9, the Group classifies financial assets into one of three measurement categories:

- Amortised cost – assets in a business model to hold financial assets in order to collect contractual cash flows, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- FVOCI – assets held in a business model which collects contractual cash flows and sells financial assets, where the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
- FVTPL – assets not measured at amortised cost or FVOCI. The Group measures derivatives, an acquired mortgage portfolio and some investment securities under this category.

The Group reassesses its business models each reporting period.

The Group classifies non-derivative financial liabilities as measured at amortised cost.

The Group classifies certain financial instruments as equity where they meet the following conditions:

- the financial instrument includes no contractual obligation to deliver cash or another financial asset on potentially unfavourable conditions;
- the financial instrument is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- the financial instrument is a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Group's sources of debt funding are deposits from retail customers and credit institutions, including collateralised loan advances from the Bank of England (BoE) under the Term Funding Scheme with additional incentives for SMEs (TFSME), asset-backed loan notes issued through the Group's securitisation programmes, subordinated liabilities and senior notes. Cash received under the TFSME is recorded in amounts owed to credit institutions. Financial liabilities, including Tier 2 instruments, are classified as such where the terms allow no absolute discretion over the payment of interest.

During the year equity financial instruments comprised own shares and AT1 securities. AT1 securities are designated as equity instruments and recognised at fair value on the date of issuance in equity along with incremental costs directly attributable to the issuance of equity instruments. Accordingly, the coupons paid on AT1 securities are recognised directly in retained earnings when paid.

iii. Derecognition

The Group offers refinancing options to customers at which point the original mortgage asset is derecognised and a new financial asset is recognised.

The forbearance measures offered by the Group are considered a modification event as the contractual cash flows are renegotiated or otherwise modified. The Group considers the renegotiated or modified cash flows are not a substantial modification from the contractual cash flows and does not consider that forbearance measures give rise to a derecognition event.

Securitisations lead to derecognition of the associated mortgage pool where the Group transfers its right to receive cash flows from the mortgages or assumes an obligation to pay these cash flows to a third party in a qualifying 'pass-through arrangement' and transfers substantially all the risks and rewards of ownership of the pool to a third party. In assessing this latter point, the Group compares its exposure to variability on any retained investment in the securitisation structure to that on the underlying mortgages.

Financial liabilities are derecognised only when the obligation is discharged, cancelled or has expired.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

iv. Offsetting

The Group's derivatives are covered by industry standard master netting agreements. Master netting agreements create a right of set-off that becomes enforceable only following a specified event of default or in other circumstances not expected to arise in the normal course of business. These arrangements do not qualify for offsetting and as such the Group reports derivatives on a gross basis.

Collateral in respect of derivatives is subject to the standard industry terms of International Swaps and Derivatives Association (ISDA) Credit Support Annex. This means that the cash received or given as collateral can be pledged or used during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral. Collateral paid or received does not qualify for offsetting and is recognised in loans and advances to credit institutions and amounts owed to credit institutions, respectively.

v. Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, less principal payments or receipts, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment of assets.

vi. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures its investment securities and Perpetual Subordinated Bonds (PSBs) at fair value using quoted market prices where available.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

The Group uses SONIA curves to value its derivatives. The fair value of the Group's derivative financial instruments incorporates credit valuation adjustments (CVA) and debit valuation adjustments (DVA). The DVA and CVA take into account the respective credit ratings of the Group's two banking entities and counterparty and whether the derivative is collateralised or not. Derivatives are valued using discounted cash flow models and observable market data and are sensitive to benchmark interest and basis rate curves.

vii. Identification and measurement of impairment of financial assets

The Group assesses all financial assets for impairment.

Loans and advances to customers

The Group uses the IFRS 9 three-stage ECL approach for measuring impairment. The three impairment stages are as follows:

- **Stage 1** – a 12-month ECL allowance is recognised where there is no significant increase in credit risk (SICR) since initial recognition.
- **Stage 2** – a lifetime ECL allowance is recognised for assets where a SICR is identified since initial recognition. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period for the life of the loan.
- **Stage 3** – requires objective evidence that an asset is credit impaired, at which point a lifetime ECL allowance is recognised.

The Group measures impairment through the use of individual and modelled assessments.

Individual assessment

The Group's provisioning process requires individual assessment for high exposure or higher risk loans, where Law of Property Act (LPA) receivers have been appointed, the property is taken into possession or there are other events that suggest a high probability of credit loss. The individual assessments are carried out for all the loans associated with one counterparty.

The Group estimates cash flows from these loans, including expected interest and principal payments, rental or sale proceeds, selling and other costs.

For all individually assessed loans, should the present value of estimated future cash flows discounted at the original EIR be less than the carrying value of the loan, a provision is recognised for the difference with such loans being classified as impaired. However, should the present value of the estimated future cash flows exceed the carrying value, no provision is recognised. For all remaining individually assessed loans, should a full loss be expected, the provision is set to the carrying value.

The Group applies a modelled assessment to all loans with no individually assessed provision.

IFRS 9 modelled impairment

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability weighted. The ECL calculation is a product of an individual loan's probability of default (PD), exposure at default (EAD) and loss given default (LGD) discounted at the EIR. The ECL drivers of PD, EAD and LGD are modelled at an account level. The assessment of whether a SICR has occurred is based on quantitative relative and absolute PD thresholds and a suite of qualitative triggers.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Significant increase in credit risk (movement to stage 2)

The Group's transfer criteria determine what constitutes a SICR, which results in an exposure being moved from stage 1 to stage 2.

At the point of initial recognition, a loan is assigned a PD estimate. For each monthly reporting date thereafter, an updated PD estimate is computed. The Group's transfer criteria analyse relative and absolute changes in PD versus the PD assigned at the point of origination, together with qualitative triggers using both internal indicators, such as forbearance, and external information, such as changes in income and adverse credit information to assess for SICR. In the event that given early warning triggers have not already identified SICR, an account more than 30 days past due is considered to have experienced a SICR.

A borrower will move back into stage 1 only if the SICR definition is no longer triggered.

Definition of default (movement to stage 3)

The Group uses a number of quantitative and qualitative criteria to determine whether an account meets the definition of default and therefore moves to stage 3. The criteria currently include:

- If an account is more than 90 days past due.
- Accounts triggering an unlikeliness to pay indicator, which include possession, distressed restructuring forbearance, and internal behavioural alerts such as default within a borrower's broader relationship with the bank or external behavioural alerts such as bankruptcy or individual voluntary arrangement (IVA).

A borrower will move out of stage 3 when its credit risk improves such that it no longer meets the 90 days past due and unlikeliness to pay criteria and following this has completed an internally approved 12-month probation period. The borrower will move to stage 1 or stage 2 dependent on whether the SICR applies.

Forward-looking macroeconomic scenarios

The risk of default and ECL assessments take into consideration the expectations of economic changes that are deemed to be reasonably possible.

The Group conducts analysis to determine the most significant factors which may influence the likelihood of an exposure defaulting in the future. The macroeconomic factors relate to the House Price Index (HPI), unemployment rate (UR), Consumer Price Index (CPI), Gross Domestic Product (GDP), Commercial Real Estate Index (CRE) and the BoE Base Rate (BBR).

The Group has developed an approach for factoring probability-weighted macroeconomic forecasts into ECL calculations, adjusting PD and LGD estimates. The macroeconomic scenarios feed directly into the ECL calculation, as the adjusted PD, lifetime PD and LGD estimates are used within the individual account ECL allowance calculations.

The Group sources economic forecast information from an appropriately qualified third party when determining scenarios. The Group considers four probability-weighted scenarios, base, upside, downside and severe downside scenarios. The expected scenarios, management actions and results are discussed and approved by the Board.

The base case is also utilised within the Group's impairment forecasting process which in turn feeds the wider business planning processes. The ECL models are also used to set the Group's credit risk appetite thresholds and limits.

Period over which ECL is measured

The ECL is measured from the initial recognition of the asset which is the date at which the loan is originated or the date a loan is purchased and at each balance sheet date thereafter. The maximum period considered when measuring ECL (either 12 months or lifetime ECL) is the maximum contractual period over which the Group is exposed to the credit risk of the asset. For modelling purposes, the Group considers the contractual maturity of the loan product and then considers the behavioural trends of the asset.

Purchased or originated credit impaired (POCI)

Acquired loans that meet the Group's definition of default (90 days past due or an unlikely to pay position) at acquisition are treated as POCI assets. These assets attract a lifetime ECL allowance over the full term of the loan, even when these loans no longer meet the definition of default post-acquisition. The Group does not originate credit-impaired loans.

Write-off

Loans are written off against the related provision when the underlying security is sold and there is a shortfall amount remaining. Subsequent recoveries of amounts previously written off are taken through profit and loss. Accounts that are derecognised for accounting purposes will continue to be serviced and corresponding collection procedures are only discontinued following approval from the Group Chief Credit Officer.

Intercompany loans

Intercompany receivables in the Company financial statements are assessed for ECL based on an assessment of the PD and LGD, discounted to a net present value.

Other financial assets

Other financial assets comprise cash balances with the BoE and other credit institutions and high-grade investment securities. The Group deems the likelihood of default across these counterparties as low and does not recognise a provision against the carrying balances.

Share repurchase

Upon Board authorisation of a share repurchase programme and signing an irrevocable agreement, a share repurchase liability is recognised in other liabilities with the offset in retained earnings. Each share repurchase reduces the provision. Upon share cancellation, share capital is debited with a credit to the capital redemption reserve equal to the nominal value of £0.01 for each share cancelled.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

n) Loans and advances to customers

Loans and advances to customers are predominantly mortgage loans and advances to customers with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near term. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the EIR method, less impairment losses. Where exposures are hedged by derivatives, designated and qualifying as fair value hedges, the fair value adjustment for the hedged risk to the carrying value of the hedged loans and advances is reported in fair value adjustments for hedged assets.

Loans and the related provision are written off when there is a shortfall remaining after the underlying security is sold. Subsequent recoveries of amounts previously written off are taken through profit or loss.

Loans and advances to customers over which the Group transfers its rights to the collateral thereon to the BoE under the TFSME and Index Long-Term Repo (ILTR) schemes are not derecognised from the Consolidated Statement of Financial Position, as the Group retains substantially all the risks and rewards of ownership, including all cash flows arising from the loans and advances and exposure to credit risk. The Group classifies TFSME and ILTR as amortised cost under IFRS 9 Financial Instruments.

Loans and advances to customers include a small acquired mortgage portfolio where the contractual cash flows include payments that are not SPPI and as such are measured at FVTPL.

Loans and advances to customers include the Group's asset finance lease lending. Finance leases are initially measured at an amount equal to the net investment in the lease, using the interest rate implicit in the finance lease. Direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

o) Investment securities

Investment securities include securities held for liquidity purposes (UK treasury bills, UK Gilts, Covered bonds and Residential Mortgage-Backed Securities (RMBS)). These assets are non-derivatives that are classified on an individual basis as amortised cost, FVOCI or FVTPL.

p) Sale and repurchase agreements

Financial assets sold subject to repurchase agreements (repo) continue to be recognised in the financial statements if they fail the derecognition criteria of IFRS 9 described in paragraph m) iii above. The financial assets that are retained in the financial statements are reflected as loans and advances to customers or investment securities and the counterparty liability is included in amounts owed to credit institutions or other customers. Financial assets purchased under agreements to resell at a predetermined price where the transaction is financing in nature (reverse repo) are accounted for as loans and advances to credit institutions. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreement using the EIR method.

q) Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk. The Group does not hold or issue derivative financial instruments for proprietary trading.

The Group also uses derivatives to hedge the interest rate risk inherent in irrevocable offers to lend. This exposes the Group to movements in the fair value of derivatives until the loan is drawn. The changes to fair value are recognised in profit or loss in the period.

r) Hedge accounting

The Group has chosen to continue to apply the hedge accounting requirements of International Accounting Standards (IAS) 39 instead of the requirements in Chapter 6 of IFRS 9. The Group uses fair value hedge accounting for a portfolio hedge of interest rate risk.

The hedging strategy of the Group is divided into portfolio hedges, where the hedged item is a homogeneous portfolio of assets (mortgage lending) or liabilities (savings products), and micro hedges, where the hedged item is a distinctly identifiable asset or liability (debt issuance). The Group applies fair value hedge accounting for both its portfolio and micro hedges.

i. Portfolio hedges

Portfolio hedge accounting allows for hedge effectiveness testing and accounting over an entire portfolio of financial assets or liabilities. The Group applies fair value portfolio hedge accounting to its fixed rate portfolio of mortgages and savings accounts. The hedged portfolio is analysed into repricing time periods based on expected repricing dates, utilising the Group Assets and Liabilities Committee (ALCO) approved prepayment curve. Interest rate swaps are designated against the repricing time periods to establish the hedge relationship.

ii. Micro hedges

The Group's micro hedging strategy entails hedge accounting on an individual instrument-by-instrument basis, which in some instances may be implemented through partial term fair value hedging where the instrument may be exercised early. The Group applies fair value micro hedge accounting to manage its exposure to the interest rate risk arising from some of its fixed rate debt issuances. Interest rate swaps are assigned to specific issuances of fixed rate notes with terms that closely align with the hedged item.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

iii. Hedge effectiveness

Hedge effectiveness is calculated as a percentage of the fair value movement of the interest rate swap against the fair value movement of the hedged item over the period tested.

The Group considers the following as key sources of hedge ineffectiveness:

- the mismatch in maturity date of the swap and hedged item, as swaps with a given maturity date cover a portfolio of hedged items which may mature throughout the month;
- the actual behaviour of the hedged item differing from expectations, such as early repayments or withdrawals and arrears;
- minimal movements in the yield curve leading to ineffectiveness where hedge relationships are sensitive to small value changes; and
- the mismatch in the swap interest rate and rate used to value the hedged item where the swap rate is higher than the contractual rate of the hedged item.

Where there is an effective hedge relationship for fair value hedges, the Group recognises the change in fair value of each hedged item in profit or loss with the cumulative movement in their value being shown separately in the Consolidated Statement of Financial Position as fair value adjustments on hedged assets and liabilities. The fair value changes of both the derivative and the hedge substantially offset each other to reduce profit volatility.

The Group discontinues hedge accounting when the derivative ceases through expiry, when the derivative is cancelled or the underlying hedged item matures, is sold or is repaid.

If a derivative no longer meets the criteria for hedge accounting or is cancelled whilst still effective, including LIBOR-linked derivatives cancelled as a result of Interbank Offered Rate (IBOR) reforms, the fair value adjustment relating to the hedged assets or liabilities within the hedge relationship prior to the derivative becoming ineffective or being cancelled remains on the Consolidated Statement of Financial Position and is amortised over the remaining life of the hedged assets or liabilities. The rate of amortisation over the remaining life is in line with expected income or cost generated from the hedged assets or liabilities. Each reporting period, the expectation is compared to actual with an accelerated run-off applied where the two diverge by more than set parameters.

s) Debit and credit valuation adjustments

The DVA and CVA are included in the fair value of derivative financial instruments. The DVA is based on the expected loss a counterparty faces due to the risk of the Group's two banking entities defaulting. The CVA reflects the Group's risk of the counterparty's default.

The methodology is based on a standard calculation, taking into account the credit rating of the swap counterparty, time to maturity, the fair value of the swap and any collateral arrangements.

t) Provisions and contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and the amount can be estimated reliably.

Provisions include ECLs on the Group's undrawn loan commitments.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events which are either not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but disclosed.

u) Employee benefits – defined contribution scheme

The Group contributes to defined contribution personal pension plans or defined contribution retirement benefit schemes for all qualifying employees who subscribe to the terms and conditions of the schemes' policies.

Obligations for contributions to defined contribution pension arrangements are recognised as an expense in profit or loss as incurred.

v) Share-based payments

Equity-settled share-based payments to employees providing services are measured at the fair value of the equity instruments at the grant date in accordance with IFRS 2. The fair value excludes the effect of non-market-based vesting conditions.

The cost of the awards is charged on a straight-line basis to profit or loss (with a corresponding increase in the share-based payment reserve within equity) over the vesting period in which the employees become entitled to the awards. The increase within the share-based payment reserve is reclassified to retained earnings upon exercise.

The amount recognised as an expense for non-market conditions and related service conditions is adjusted each reporting period to reflect the actual number of awards expected to be met. The amount recognised as an expense for awards subject to market conditions is based on the proportion that is expected to meet the condition as assessed at the grant date. No adjustment is made to the fair value of each award calculated at grant date.

Share-based payments that are not subject to further vesting conditions (i.e. the Deferred Share Bonus Plan (DSBP) for senior managers) are expensed in the year services are received with a corresponding increase in equity.

Where the allowable cost of share-based options or awards for tax purposes is greater than the cost determined in accordance with IFRS 2, the tax effect of the excess is taken to the share-based payment reserve within equity. The tax effect is reclassified to retained earnings upon vesting.

Employer's national insurance is charged to profit or loss at the share price at the reporting date on the same service or vesting schedules as the underlying options and awards.

Own shares are recorded at cost and deducted from equity and represent shares of OSBG that are held by the EBT.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

w) Leases

The Group's leases are predominantly for property leases where the Group is a lessee. At lease commencement date, the Group recognises the right-of-use asset and lease liability on the statement of financial position, except for leases of low-value assets and short-term leases of 12 months or less are recognised directly in profit or loss on a straight-line basis over the lease term.

Lease liability payments are recognised within financing activities in the Consolidated Statement of Cash Flows.

The Group assesses the likely impact of early terminations in recognising the right-of-use asset and lease liability where an option to terminate early exists.

For modifications that increase the length of a lease; the modified lease term is determined, and the lease liability remeasured by discounting the revised lease payments using a revised discount rate, at the effective date of the lease modification; a corresponding adjustment is made to the right-of-use asset. Where modifications decrease the length of a lease, the lease liability and right-of-use asset are reduced in proportion to the reduction in the lease term, with any gain or loss recognised in profit or loss.

x) Adoption of new standards

International financial reporting standards issued and adopted for the first time in the year ended 31 December 2024

The following amendments to IFRS issued by the International Accounting Standards Board (IASB) are applicable for the first time this year:

- Non-current Liabilities with Covenants
- Classification of Liabilities as Current or Non-current
- Supplier Finance Arrangements
- Lease Liability in a Sale and Leaseback

None of the above have a material impact on the Group's financial statements.

Exemptions

The Group has applied the temporary exception issued by IASB from the accounting requirements for deferred taxes in IAS 12 'Income Taxes'. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar 2 income taxes.

International financial reporting standards issued but not yet effective which are applicable to the Group

In April 2024, the IASB released IFRS 18 Presentation and Disclosure in Financial Statements which is designed to give more comparability between entities in the presentation and classification of items within the income statement and around management-defined performance measures. The Group is currently assessing the impacts of this standard.

Certain other amendments to accounting standards and interpretations that were not effective on 31 December 2024 have not been early-adopted by the Group. The adoption of these amendments is not expected to have a material impact on the financial statements of the Group in future periods.

2. Judgements in applying accounting policies and critical accounting estimates

In preparing these financial statements, the Group has made judgements, estimates and assumptions which affect the reported amounts within the current and future financial years. Actual results may differ from these estimates.

As set out in the Strategic Report on page 100, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Group has considered the impact of climate-related risks on its financial position and performance, including the impact on ECL and redemption profiles included in EIR. While the effects of climate change represent a source of uncertainty, the Group does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short term. As part of the Group's recognition of climate risk and overall Environmental, Social and Governance (ESG) agenda, the Group considers the physical risks of climate change and has retained a post-model adjustment (PMA) of £0.3m (2023: £0.5m) as of 31 December 2024.

Estimates and judgements are regularly reviewed based on past experience, expectations of future events and other factors.

Judgements

The Group has made the following key judgements in applying the accounting policies:

(i) Loan book impairments

Significant increase in credit risk for classification in stage 2

The Group's SICR rules considers changes in default risk, internal impairment measures, changes in customer credit bureau files, or whether forbearance measures had been applied.

Notes to the Consolidated Financial Statements continued

2. Judgements in applying accounting policies and critical accounting estimates continued

(ii) IFRS 9 classification

Application of the 'business model' requirements under IFRS 9 requires the Group to conclude on the business models that it operates and is a fundamental aspect in determining the classification of the Group's financial assets.

Management assessed the intention for holding financial assets and the contractual terms of those assets, concluding that the Group's business model is a 'held to collect' business model. This conclusion was reached on the basis that the Group originates and purchases loans and advances with the intention to collect contractual cash flows over the life of the originated or purchased financial instrument. The Group considered the PMF 2024-2 securitisation that led to the derecognition of £1,249.9m of mortgages and concluded that the size and frequency of such transactions did not affect the Group's overall business model.

The Group considers whether the contractual terms of a financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding when applying the classification criteria of IFRS 9. The majority of the Group's assets being loans and advances to customers which have been accounted for under amortised cost with the exception of one acquired mortgage book of £12.9m (2023: £13.7m) that is recognised at FVTPL.

(iii) Derecognition of financial assets

Management judgement was required in determining the extent to which the Group retains risks and rewards on mortgage assets transferred as part of the PMF 2024-2 securitisation. The Group transferred £1,249.9m of mortgages to the securitisation special purpose vehicle (SPV), receiving 70% of the Class A notes issued by the SPV and 5% of other tranches. No residual certificates were retained. The Group concluded that substantially all of the risks and rewards of the mortgages were transferred to other note and certificate holders and thus derecognised the mortgages at the point of sale.

Estimates

The Group has made the following estimates in the application of the accounting policies that have a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Loan book impairments

Set out below are details of the critical accounting estimates which underpin loan impairment calculations. Less significant estimates are not discussed as they are not expected to have a material effect in next 12 months. The Group has recognised total impairments of £126.9m (2023: £145.8m) at the reporting date as disclosed in note 20.

Modelled impairment

Modelled provision assessments are also subject to estimation uncertainty, underpinned by a number of estimates being made by management which are utilised within impairment calculations. Key areas of estimation within modelled provisioning calculations include those regarding the LGD and forward-looking macroeconomic scenarios.

Loss given default model

The Group has a number of LGD models, which include estimates regarding propensity to go to possession given default (PPD), forced sale discount, time to sale and sale costs. The LGD is sensitive to the application of the HPI, with an 8% haircut (2023: an 8% haircut) seen to be a reasonable percentage change for a sensitivity when reviewing historical and expected 12-month outcomes. The table below shows the resulting incremental provision required in an 8% house price haircut (2023: an 8% house price haircut) being directly applied to all exposures at 31 December 2024 which not only adjust the sale discount but also the propensity to go to possession.

	2024 £m	2023 £m
OSB	**22.3**	25.6
CCFS	**9.1**	11.6
Group	**31.4**	37.2

The Group's forecasts of HPI movements used in the impairment models are disclosed in the Risk profile performance review on page 64.

Forward-looking macroeconomic scenarios

The forward-looking macroeconomic scenarios affect all model components of the ECL thus the calculation remains sensitive to both the scenarios utilised and their associated probability weightings.

The Group has adopted an approach which utilises four macroeconomic scenarios. These scenarios are provided by a reputable economics advisory firm, providing management and the Board with advice on which scenarios to utilise and the probability weightings to attach to each scenario. A base case forecast is provided, together with a plausible upside scenario. Two downside scenarios are also provided (downside and a severe downside). The Group's macroeconomic scenarios can be found in the Credit Risk section of the Risk profile performance overview on page 64.

Notes to the Consolidated Financial Statements continued

2. Judgements in applying accounting policies and critical accounting estimates continued

Forward-looking macroeconomic scenarios continued

The following tables detail the ECL scenario sensitivity analysis with each scenario weighted at 100% probability. The sensitivity analysis is performed without considering the staging shifts driven by relative or absolute PD thresholds. The purpose of using multiple economic scenarios is to model the non-linear impact of assumptions surrounding macroeconomic factors and ECL calculated:

As at 31 December 2024	Weighted (see note 20)	100% Base case scenario	100% Upside scenario	100% Downside scenario	100% Severe downside scenario
Total loans before provisions, £m	**25,240.3**	**25,240.3**	**25,240.3**	**25,240.3**	**25,240.3**
Modelled ECL, £m	**79.6**	**63.6**	**53.2**	**114.5**	**153.0**
Individually assessed provisions ECL, £m	**37.6**	**37.6**	**37.6**	**37.6**	**37.6**
Post model adjustments ECL, £m	**9.7**	**7.2**	**4.3**	**15.9**	**23.5**
Total ECL, £m	**126.9**	**108.4**	**95.1**	**168.0**	**214.1**
ECL coverage, %	**0.50**	**0.43**	**0.38**	**0.67**	**0.85**

As at 31 December 2023	Weighted (see note 20)	100% Base case scenario	100% Upside scenario	100% Downside scenario	100% Severe downside scenario
Total loans before provisions, £m	25,897.1	25,897.1	25,897.1	25,897.1	25,897.1
Modelled ECL, £m	97.2	76.8	60.5	138.1	206.8
Individually assessed provisions ECL, £m	25.1	25.1	25.1	25.1	25.1
Post model adjustments ECL, £m	23.5	18.3	12.9	34.4	55.0
Total ECL, £m	145.8	120.2	98.5	197.6	286.9
ECL coverage, %	0.56	0.46	0.38	0.76	1.11

The Group's assessment of ECL primarily focuses on scenarios where economic distress is driven by weak demand. These scenarios typically involve low inflation accompanied by falling interest rates.

While the Group acknowledges that economic distress can also stem from supply-side shocks (characterised by high inflation and rising interest rates), the analysis suggested that the impact of such scenarios on the ECL calculation is not currently significant. The Group would continue to monitor the potential impact of supply-driven shocks on ECL and will incorporate these considerations if they become material in future reporting periods.

(ii) Effective interest rate on lending

Estimates are made when calculating the EIR for loan assets. These include the likely customer redemption profiles. Mortgage products offered by the Group include directly attributable net fee income and a period on reversion rates after the fixed/discount period.

Products revert to the standard variable rate (SVR) or base rate plus a margin for the Kent Reliance (OSB) brand, a SONIA/Base rate plus a margin for the Precise (CCFS) brand and a LIBOR replacement rate/base rate for the InterBay brand. Subsequent to origination, changes in actual and expected customer prepayment rates are reflected as increases or decreases in the carrying value of loan assets with a corresponding increase or decrease in interest income. The Group uses historical customer behaviours, expected take-up rate of retention products and macroeconomic forecasts in its assessment of expected prepayment rates. Customer prepayments in a fixed rate or incentive period can give rise to Early Repayment Charge (ERC) income.

Judgement is used in estimating the expected average life of a mortgage, to determine the quantum and timing of redemptions that incur ERCs, the period over which net fee income is recognised and the length of time customers spend on reversion after the fixed/discounted period. Estimates are reviewed regularly and during the second half of 2024, the Group adjusted behavioural assumptions for both the fixed period and the reversionary period across key lending portfolios. Precise borrowers spent c.one month less time on the reversion rate which was shown to be a sustained trend in second half. Borrowers across brands with five year product terms issued prior to 2023 in the lower rate environment have terms which are now favourable to the current market and their propensity to prepay in the fixed term was reduced. Borrowers' behaviour can be variable as base rate and market dynamics change, and we will continue to monitor their behaviour for any potential impact on the measurement of EIR. The adverse EIR adjustment was £15.9m (2023: adverse EIR adjustment of £210.7m) which reduced net interest income and loans and advances to customers. The adjustment of £210.7m in 2023 was due to a revised estimate of shorter time spent by Precise customers on reversion, following observed behaviour of quicker refinancing, amid rising BBR-linked reversion rates compared to previously observed behavioural trends.

A two months' movement in the weighted average time spent in the reversion period for Precise customers is considered to be a reasonably possible change in assumption in a dynamic interest rate environment and an uncertain macroeconomic outlook. The impact of a -/+ two months movement in time spent on reversion by Precise customers is -/+ £26.9m. £20.8m of this total sensitivity relates to the £3.8bn of loans with product terms issued up to the end of 2022. These loans are from the annual cohorts identified as having been written in a low-rate environment. The remaining £6.1m sensitivity relates to the £6.1bn in loans with product terms issued from 2023 onwards, written in a higher-rate environment, where the step-up in reversion is smaller. Over time, the overall sensitivity will continue to decline as loans from the low-rate environment reach the end of their fixed period.

Notes to the Consolidated Financial Statements continued

2. Judgements in applying accounting policies and critical accounting estimates continued

As base rate increased throughout 2022 and 2023, using the EIR approach resulted in additional monthly net interest income as the benefit of time spent on a reversion rate became greater. Forward rates are used in the EIR calculation and a decrease greater than the current expected forward rate curve leads to a decrease in monthly net interest income. Based on the loans and advances to customers balance as at 31 December 2024, if there was a 50bps parallel shift downwards in the forward curve, it is estimated that this would decrease monthly interest income by £1.4m across all mortgage portfolios.

3. Interest receivable and similar income

	2024 £m	2023 £m
At amortised cost:		
On OSB mortgages[1]	**858.6**	757.6
On CCFS mortgages[2]	**627.4**	431.1
On finance leases	**17.9**	12.3
On investment securities	**30.7**	12.5
On other liquid assets	**173.7**	159.6
Amortisation of fair value adjustments on CCFS loan book at Combination	**(24.4)**	(57.4)
Amortisation of fair value adjustments on hedged assets[3]	**20.5**	(2.6)
	1,704.4	1,313.1
At FVTPL:		
Net income on derivative financial instruments – lending activities	**384.3**	442.8
On investment securities	**1.6**	–
	385.9	442.8
At FVOCI:		
On investment securities	**9.0**	11.1
	2,099.3	1,767.0

1. Includes adverse EIR behavioural adjustment of £3.1m (2023: £1.0m favourable).
2. Includes adverse EIR behavioural adjustment of £12.8m (2023: £211.7m adverse).
3. The amortisation relates to hedged assets where the hedges were terminated before maturity and were effective at the point of termination.

4. Interest payable and similar charges

	2024 £m	2023 £m
At amortised cost:		
On retail deposits	**1,118.1**	762.3
On BoE borrowings	**113.8**	196.5
On debt securities in issue	**62.7**	21.5
On senior notes	**63.5**	9.1
On subordinated liabilities	**25.3**	17.1
On wholesale borrowings	**17.7**	29.9
On Perpetual Subordinated Bonds	**0.5**	0.7
On lease liabilities	**0.3**	0.2
Amortisation of fair value adjustments on CCFS customer deposits at Combination	**–**	(0.5)
Amortisation of fair value adjustments on hedged liabilities[1]	**–**	(0.6)
	1,401.9	1,036.2
At FVTPL:		
Net expense on derivative financial instruments – savings activities	**20.5**	71.5
Net expense on derivative financial instruments – subordinated liabilities and senior notes	**7.2**	0.7
Net expense on derivative financial instruments – structural hedge	**3.3**	–
	1,432.9	1,108.4

1. The amortisation relates to hedged liabilities where the hedges were terminated before maturity and were effective at the point of termination.

Notes to the Consolidated Financial Statements continued

5. Fair value losses on financial instruments

	2024 £m	2023 £m
Fair value changes in hedged assets	**31.7**	580.3
Hedging of assets	**(53.6)**	(590.2)
Fair value changes in hedged liabilities	**37.9**	(82.7)
Hedging of liabilities	**(35.8)**	94.6
Ineffective portion of hedges	**(19.8)**	2.0
Net gains/(losses) on unmatched swaps[1]	**21.2**	(11.1)
Amortisation of inception adjustments[2]	**(5.5)**	(4.3)
Amortisation of acquisition-related inception adjustments[3]	**2.3**	6.4
Amortisation of de-designated hedge relationships[4]	**(0.9)**	–
Fair value movements on mortgages at FVTPL	**0.7**	0.6
Fair value movements on loans and advances to credit institutions at FVTPL	**0.5**	0.5
Debit and credit valuation adjustment	**–**	1.5
	(1.5)	(4.4)

1. Net gains/(losses) on unmatched swaps include fair value movements of £5.7m (2023: nil) on swaps used for the equity structural hedge (see note 23 for further information). The Group excluded a portion of mortgage hedging swaps from hedge accounting providing an offsetting fair value movement of £5.1m (2023: nil).
2. The amortisation of inception adjustment relates to the amortisation of the hedging adjustments arising when hedge accounting commences, primarily on derivative instruments previously taken out against the mortgage pipeline and on derivative instruments previously taken out against new retail deposits.
3. Relates to hedge accounting assets and liabilities recognised at acquisition. The inception adjustments are being amortised over the life of the derivative instruments acquired at acquisition subsequently designated in hedging relationships.
4. Relates to the amortisation of hedged items where hedge accounting has been discontinued.

6. Loss on sale of financial instruments

In December 2024, the Group completed PMF 2024-2 transaction which securitised £1,249.9m of CCFS Buy-to-Let (BTL) mortgages. The Group recognised a loss on sale of £2.4m from this transaction due to the difference between proceeds received and the carrying value of the items derecognised from the Group's balance sheet.

7. Other operating income

	2024 £m	2023 £m
Interest received on mortgages held at FVTPL	**0.9**	0.9
Fees and commissions receivable	**3.8**	3.0
	4.7	3.9

8. Administrative expenses

	2024 £m	2023 £m
Staff costs	**143.9**	122.2
Support costs	**49.3**	43.0
Professional fees	**25.7**	32.9
Facilities costs	**7.9**	7.9
Depreciation (see note 25)	**6.3**	6.2
Amortisation (see note 26)	**5.0**	5.7
Marketing costs	**5.0**	5.8
Other costs	**15.0**	10.9
	258.1	234.6

Notes to the Consolidated Financial Statements continued

8. Administrative expenses continued

Included in professional fees are amounts paid to the Company's auditor as follows:

	2024 £'000	2023 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**83**	81
Fees payable to the Company's auditor for the audit of the accounts of subsidiaries	**4,038**	3,788
Total audit fees	**4,121**	3,869
Audit-related assurance services[1]	**391**	487
Other assurance services[2]	**330**	366
Other non-audit services[3]	**73**	42
Total non-audit fees	**794**	895
Total fees payable to the Company's auditor	**4,915**	4,764

1. Includes review of interim financial information and profit verifications.
2. Costs comprise assurance reviews of Alternative Performance Measures (APMs), ESG and European Single Electronic Format (ESEF) tagging.
3. Costs primarily comprise work related to the Euro Medium Term Note (EMTN) programme.

Staff costs comprise the following:

	2024 £m	2023 £m
Salaries, incentive pay and other benefits[1]	**119.2**	101.2
Share-based payments	**6.3**	5.6
Social security costs	**12.7**	10.5
Other pension costs	**5.7**	4.9
	143.9	122.2

1. In the fourth quarter, the Group implemented a redundancy programme which affected 139 roles in the UK and India and resulted in £4.5m one-off expense.

During the year £2.7m (2023: £0.4m) of staff costs were capitalised to intangible assets as part of the Group's transformation programme.

The average number of people employed by the Group (including Executive Directors) during the year is analysed below.

	2024	2023
UK	**1,566**	1,461
India	**993**	811
	2,559	2,272

9. Directors' emoluments and transactions

	2024 £'000	2023 £'000
Short-term employee benefits[1]	**3,247**	3,207
Post-employment benefits	**102**	114
Share-based payments[2]	**746**	1,421
	4,095	4,742

1. Short-term employee benefits comprise Directors' salary costs, Non-Executive Directors' fees and other short-term incentive benefits, which are disclosed in the Annual Report on Remuneration.
2. Share-based payments represent the amounts received by Directors for schemes that vested during the year.

In addition to the total Directors' emoluments above, the Executive Directors were granted deferred bonuses of £427k (2023: £642k) in the form of shares.

The Executive Directors received a further share award under the Performance Share Plan (PSP) with a grant date fair value of £1,613k (2023: £1,592k) using a share price of £3.86 (2023: £4.98) (the mid-market quotation on the day preceding the date of grant). These shares vest annually from year three in tranches of 20 per cent, subject to performance conditions discussed in note 10 and the Annual Report on Remuneration.

The Directors of the Company are employed and compensated by OneSavings Bank plc.

No compensation was paid for loss of office during 2024 and 2023.

There were no outstanding loans granted in the ordinary course of business to Directors and their connected persons as at 31 December 2024 and 2023.

The Annual Report on Remuneration and note 10 Share-based payments provide further details on Directors' emoluments.

Notes to the Consolidated Financial Statements continued

10. Share-based payments

The share-based expense for the year includes a charge in respect of the Sharesave Scheme, DSBP and PSP. All charges are included in employee expenses within note 8 Administrative expenses.

A summary of the share-based schemes operated by the Group is set out below.

Sharesave Scheme

The Sharesave Scheme is a share option scheme which is available to all UK-based employees. The Sharesave Scheme allows employees to purchase options by saving a fixed amount of between £10 and £500 per month over a period of three years at the end of which the options, subject to leaver provisions, are usually exercisable. If not exercised, the amount saved is returned to the employee. The Sharesave Scheme has been in operation since 2014 and an invitation to join the scheme is usually extended annually, with the option price calculated using the mid-market price of an OSBG ordinary share over the three dealing days prior to the Invitation Date and applying a discount of 20%.

Deferred Share Bonus Plan

DSBP awards are granted to Executive Directors and certain senior managers to allow a portion of their performance bonuses to be deferred in shares for up to three to seven years for Executive Directors and typically one year for senior managers. There are no further performance or vesting conditions attached to deferred awards for senior managers, which also applies to Executive Directors for awards granted from April 2021. The share awards are subject to clawback provisions. The DSBP awards are expensed in the year services are received with a corresponding increase in equity. Awards granted to Executive Directors in March 2020 and prior, are subject to vesting conditions and are expensed over the vesting period.

DSBP awards for senior managers carry entitlements to dividend equivalents, which are paid when the awards vest. DSBP awards granted from April 2021 to Executive Directors are entitled to dividend equivalents. Awards granted in prior years were not entitled to dividend equivalents.

Performance Share Plan

PSP awards are typically made annually at the discretion of the Group Remuneration and People Committee with Executive Directors and certain senior managers being eligible for awards. The vesting of PSP awards is determined based on a mixture of internal financial performance targets, risk-based measures, and relative total shareholder returns (TSR). During the year, the Group introduced new ESG targets as conditions to the PSP awards. Following changes to the Good Leaver definition enacted in 2024, the Group now recognises the expense related to the PSP scheme over three years (previously three to seven years). The Group took a charge of £0.9m in 2024 related to this change.

The performance conditions that apply to PSP awards are based on a combination of weightings as follows:

	2024	2020–2023	Prior to 2020
EPS %	**30**	35	40
TSR %	**30**	35	40
Risk-based %	**15**	15	–
Return on equity (ROE) %	**15**	15	20
ESG %	**10**	–	–

The PSP conditions are assessed independently. The EPS element assesses the EPS growth rate over the performance period. For the TSR element, the performance of the Company's ordinary shares is measured against the constituents of the FTSE 250 (excluding investment trusts). The risk-based measure is assessed against the risk management performance with regard to all relevant risks. For the ROE element, performance is assessed based on the Group's underlying profit after taxation as a percentage of average shareholders' equity.

The share-based payment expense during the year comprised the following:

	2024 £m	2023 £m
Sharesave Scheme	**0.8**	0.9
Deferred Share Bonus Plan	**2.6**	3.0
Performance Share Plan	**2.9**	1.7
	6.3	5.6

Notes to the Consolidated Financial Statements continued

10. Share-based payments continued

Movements in the number of share awards and their weighted average exercise prices are set out below:

	Sharesave Scheme		Deferred Share Bonus Plan	Performance Share Plan
	Number	Weighted average exercise price, £	Number	Number
As at 1 January 2024	**2,801,587**	**2.91**	**895,162**	**6,747,268**
Granted	**898,516**	**2.96**	**587,681**	**3,501,310**
Exercised/Vested	**(303,627)**	**2.47**	**(531,669)**	**(772,568)**
Forfeited	**(460,747)**	**3.29**	**(6,379)**	**(911,580)**
As at 31 December 2024	**2,935,729**	**2.91**	**944,795**	**8,564,430**
Exercisable at:				
31 December 2024	**81,035**	**3.90**	**–**	**–**

	Sharesave Scheme		Deferred Share Bonus Plan	Performance Share Plan
	Number	Weighted average exercise price, £	Number	Number
As at 1 January 2023	2,147,972	3.08	763,390	5,391,269
Granted	1,851,510	2.72	652,227	2,381,500
Exercised/Vested	(729,619)	2.31	(518,524)	(568,782)
Forfeited	(468,276)	3.90	(1,931)	(456,719)
As at 31 December 2023	2,801,587	2.91	895,162	6,747,268
Exercisable at:				
31 December 2023	200,676	2.31	–	–

For the share-based awards granted during the year, the weighted average grant date fair value was 272 pence (2023: 275 pence).

The range of exercise prices and weighted average remaining contractual life of outstanding awards are as follows:

	2024		2023	
Exercise price	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
Sharesave Scheme				
229–429 pence (2023: 229–429 pence)	**2,935,729**	**2.0**	2,801,587	2.3
Deferred Share Bonus Plan				
Nil	**944,795**	**1.1**	895,162	1.1
Performance Share Plan				
Nil	**8,564,430**	**2.5**	6,747,268	2.5
	12,444,954	**2.3**	10,444,017	2.3

Sharesave Scheme

	2024	2023	2022	2021	2020		2019	2018
Contractual life, years	**3**	3	3	3	3	5	5	5
Share price at issue, £	**3.70**	3.40	5.36	5.13	2.86	2.86	3.32	4.19
Exercise price, £	**2.96**	2.72	4.29	3.96	2.29	2.29	2.65	3.35
Expected volatility, %	**51.9**	46.5	31.4	37.9	57.6	57.6	31.9	16.5
Risk-free rate, %	**3.7**	4.8	5.3	1.3	0.1	0.2	0.8	1.4
Dividend yield, %	**8.1**	9.9	7.3	4.5	3.3	3.3	4.8	4.4
Grant date fair value, £	**1.28**	0.85	0.68	1.46	1.22	1.34	0.91	0.43

Notes to the Consolidated Financial Statements continued

10. Share-based payments continued

The Sharesave Schemes are not entitled to dividends between the option and exercise date. A Black Scholes model is used to determine the grant date fair value with two inputs:

- Expected volatility - from 2019, the expected volatility is based on the Company's share price. Prior to this the Group used the FTSE 350 diversified financials volatility as insufficient history was available for the Company's share price.
- Risk-free rate – based on long-term Government bonds.
- Dividend yield – based on the average dividend yield across external analyst reports for the quarter prior to scheme grant date.

Deferred Share Bonus Plan

	2020
Contractual life, years	3
Mid-market share price, £	2.58
Dividend yield, %	5.6
Grant date fair value, £	2.21

For awards granted from 2021, there are no further performance or vesting conditions attached to deferred awards, for further details see DSBP above.

For DSBP awards where conditions exist, these schemes carry no rights to dividend equivalents and a Black Scholes model is used to determine the grant date fair value with a dividend yield input applied – based on the average dividend yield across external analyst reports for the quarter prior to scheme grant date.

Performance Share Plan

Non-market performance conditions also exist for the scheme, notably that a participant is employed by the Company over the performance period with good leaver exceptions, and an attrition rate is applied as an estimate of the actual number of awards that will meet the related conditions at the vesting date.

The awards are not entitled to a dividend equivalent between grant date and vesting and a Black Scholes model is used to determine the grant date fair value with a dividend yield input applied – based on the average dividend yield across external analyst reports for the quarter prior to the scheme grant date.

The fair value of the portion of awards that is subject to market conditions (i.e. the relative TSR element of the PSP) is determined at the grant date using a Monte Carlo model.

The inputs into the models are as follows:

	2024	2023	2022	2021	2020
Contractual life, years	**3–7**	3–7	3–7	3–7	3–7
Mid-market share price, £	**3.86**	5.01	5.58	4.94	2.58
Attrition rate, %	**9.7**	6.0	6.9	12.8	7.3
Expected volatility, %	**49.8**	35.4	37.4	59.5	43.9
Dividend yield, %	**7.3**	8.7	4.7	3.8	5.6
Vesting rate – TSR %	**33.0**	62.7	32.3	40.8	27.8
Grant date fair value, £	**2.53**	3.08	4.64	4.26	2.06

11. Taxation

The Group publishes its tax strategy on its corporate website. The table below shows the components of the Group's tax charge for the year:

	2024 £m	2023 £m
Current tax		
Corporation tax	**110.2**	105.7
Corporation tax - prior year adjustments[1]	**(4.8)**	(0.4)
Total current tax charge	**105.4**	105.3
Deferred tax		
Deferred tax	**5.4**	0.7
Deferred tax – prior year adjustments[1]	**5.5**	–
Release of deferred tax on CCFS Combination[2]	**(6.3)**	(14.3)
Total deferred tax charge/(credit)	**4.6**	(13.6)
Total tax charge	**110.0**	91.7

1. Includes a prior year adjustment between deferred tax (debit of £5.5m) and current tax (credit of £5.5m) due to full expensing tax relief claims made in the 2023 tax returns. A further debit of £0.7m in current tax relates to other prior year adjustments (2023: £0.4m of other prior year adjustments).
2. Release of deferred tax on CCFS Combination relates to the unwind of the deferred tax liabilities recognised on the fair value adjustments of the CCFS assets and liabilities at the acquisition date £(6.3)m (2023: £(14.3)m).

Notes to the Consolidated Financial Statements continued

11. Taxation continued

The charge for taxation on the Group's profit before taxation differs from the charge based on the weighted average standard rate of UK Corporation Tax of 25% (2023: 23.5%) as follows:

	2024 £m	2023 £m
Profit before taxation	**418.1**	374.3
Profit multiplied by the standard rate of UK Corporation Tax 25.0% (2023: 23.5%)	**104.5**	88.0
Bank surcharge[1]	**6.6**	8.4
Tax effects of:		
Expenses not deductible for tax purposes	**0.6**	0.3
Securitisation profits not taxable[2]	**(0.8)**	(2.5)
Timing differences on capital items	**(5.1)**	(0.8)
Utilisation of brought forward tax losses	**(0.1)**	(0.3)
Tax adjustments in respect of share-based payments	**0.5**	0.4
Fair value adjustments on acquisition[3]	**6.3**	14.3
Adjustments in respect of earlier years	**(4.8)**	(0.4)
Tax on coupon paid on AT1 securities[4]	**(2.3)**	(2.1)
Total current tax charge	**105.4**	105.3
Movements in deferred taxes	**5.4**	0.7
Deferred tax – prior year adjustments	**5.5**	–
Release of deferred tax on CCFS Combination[3]	**(6.3)**	(14.3)
Total deferred tax charge/(credit)	**4.6**	(13.6)
Total tax charge	**110.0**	91.7

1. Tax charge for the two banking entities of £7.4m (2023: £10.6m) offset by the tax impact of unwinding CCFS Combination items of £0.8m (2023: £2.2m).
2. Securitisation companies are taxed in accordance with the Taxation of Securitisation Companies Regulation 2006, such that they are subject to tax on their retained profits rather than their tax adjusted profit before tax.
3. The unwinding of the fair value adjustments of the CCFS assets and liabilities acquired as part of the CCFS combination are not deductible for tax purposes. A deferred tax liability has been recognised in relation to these amounts which is released as they unwind.
4. The Group has issued AT1 capital instruments that are classified as Hybrid Capital Instruments (HCI) for tax purposes. The coupons paid under HCI are deductible under UK tax legislation despite being charged to equity.

Factors affecting tax charge for the year

The standard rate of UK corporation tax applicable in the period was 25.0% (2023: 23.5%). The Group's banking entities also pay the bank surcharge at 3.0% (2023: 4.25%) on combined profits for the full year above £100.0m (2023: £81.3m).

The effective tax rate for the year ended 31 December 2024, excluding the impact of adjustments in respect of earlier years and the deferred tax rate change, was 26.1% (2023: 24.6%). This is higher than the standard rate of UK corporation tax, principally due to the impact of the bank surcharge payable by the two banking entities, offset by the impact of swap movements in securitisation companies that are not subject to tax, and deductions available for the coupon paid on AT1 instruments that are charged to equity.

Factors that may affect future tax charges

During 2023 the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework Pillar 2 rules in the UK, including a Qualified Domestic Minimum Top-Up Tax rule, were enacted. This legislation seeks to ensure that UK headed multinational groups pay a minimum tax rate of 15 per cent on UK and overseas profits arising after 31 December 2023. Given the headline tax rates in the countries that the Group operates in, and the nature of the Group's business in those countries, these rules are not currently expected to have any impact on the Group.

Deferred taxation asset

The table below shows movements on deferred tax asset during the year.

	Share-based payments £m	Others[1] £m	Total £m
As at 1 January 2023	4.6	1.7	6.3
Profit or loss (charge)/credit	0.2	(0.9)	(0.7)
Transferred from Deferred tax liability[2]	–	(1.7)	(1.7)
Tax taken directly to OCI	–	0.1	0.1
Tax taken directly to equity		(0.1)	(0.1)
As at 31 December 2023	4.8	(0.9)	3.9
Profit or loss (charge)/credit	0.4	0.8	1.2
Transferred to Deferred tax liability[2]	–	1.0	1.0
Tax taken directly to equity	0.1	–	0.1
As at 31 December 2024	**5.3**	**0.9**	**6.2**

1. Others include deferred taxation assets recognised on IFRS 9 transitional adjustments, losses carried forward and accelerated depreciation.
2. £1.0m relating to accelerated depreciation previously shown within the deferred tax asset has been transferred to the deferred tax liability (2023: £1.7m relating to other deferred tax assets previously shown within the deferred tax liability has been transferred to the deferred tax asset).

Notes to the Consolidated Financial Statements continued

11. Taxation continued

As at 31 December 2024, the Group had £3.5m (2023: £3.5m) of losses for which a deferred tax asset has not been recognised as the Group does not expect sufficient future profits in the entity from which the deferred tax asset arises to be available to utilise the losses.

As at 31 December 2024 deferred tax assets of £2.7m (2023: £2.0m) are expected to be utilised within 12 months and £3.5m (2023: £1.8m) utilised after 12 months.

Deferred taxation liability

The deferred tax liability recognised on the Combination relates to the timing differences of the recognition of assets and liabilities at fair value, where the fair values will unwind in future periods in line with the underlying asset or liability. The deferred tax liability has been measured using the relevant rates for the expected periods of utilisation.

	CCFS Combination £m	Accelerated depreciation £m	Total £m
As at 1 January 2023	22.3	–	22.3
Profit or loss credit	(14.3)	–	(14.3)
Transfer to deferred tax asset[1]	(1.7)	–	(1.7)
As at 31 December 2023	6.3	–	6.3
Profit or loss (credit)/charge	**(6.3)**	**6.6**	**0.3**
Profit or loss charge – prior year adjustment	**–**	**5.5**	**5.5**
Transfer from Deferred tax asset[1]	**–**	**1.0**	**1.0**
As at 31 December 2024	**–**	**13.1**	**13.1**

1. £1.0m relating to accelerated depreciation previously shown within the deferred tax asset has been transferred to the deferred tax liability (2023: £1.7m relating to other deferred tax assets previously shown within the deferred tax liability has been transferred to the deferred tax asset).

As at 31 December 2024 deferred tax liabilities of £1.1m (2023: £3.8m) are expected to be due within 12 months and £12.0m (2023: £2.5m) due after 12 months.

12. Earnings per share

EPS is based on the profit for the year and the weighted average number of ordinary shares in issue. Basic EPS are calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted EPS take into account share options and awards which can be converted to ordinary shares.

For the purpose of calculating EPS, profit attributable to ordinary shareholders is arrived at by adjusting profit for the year for the coupon on securities classified as equity:

	2024 £m	2023 £m
Profit after tax	**308.1**	282.6
Less: coupon paid on AT1 securities classified as equity	**(9.0)**	(9.0)
Profit attributable to ordinary shareholders	**299.1**	273.6

	2024	2023
Weighted average number of shares, millions		
Basic	**385.6**	414.2
Dilutive impact of share-based payment schemes	**9.5**	7.0
Diluted	**395.1**	421.2
Earnings per share, pence per share		
Basic	**77.6**	66.1
Diluted	**75.7**	65.0

Notes to the Consolidated Financial Statements continued

13. Dividends

	2024		2023	
	£m	Pence per share	£m	Pence per share
Final dividend for the prior year	**85.6**	**21.8**	93.8	21.8
Special dividend for the prior year	**–**	**–**	50.3	11.7
Interim dividend for the current year	**40.8**	**10.7**	40.9	10.2
	126.4		185.0	

The Directors recommend a final dividend of £85.2m, 22.9 pence per share (2023: £85.7m, 21.8 pence per share) payable on 13 May 2025 with an ex-dividend date of 27 March 2025 and a record date of 28 March 2025. This dividend is not reflected in these financial statements as it is subject to approval by shareholders at the Annual General Meeting on 8 May 2025.

If the final dividend is approved, this will make up the total dividend for 2024 of £126.0m, 33.6 pence per share (2023: £126.6m, 32.0 pence per share).

A summary of the Company's distributable reserves is shown below:

	2024 £m	2023 £m
Retained earnings	**1,354.2**	1,358.6
Own shares[1]	**(0.9)**	(1.0)
Distributable reserves	**1,353.3**	1,357.6

1. Own shares comprises own shares held in the Group's EBT of £0.9m (2023: £1.0m) which are recognised within OSBG under look-through accounting.

Further additional distributable reserves can be realised over time from dividend receipts from profits generated from the subsidiaries including two regulated banks within the Group.

14. Cash and cash equivalents

The following table analyses the cash and cash equivalents disclosed in the Consolidated statement of cash flows:

	2024 £m	2023 £m
Cash in hand	**0.3**	0.4
Unencumbered loans and advances to credit institutions	**3,231.1**	2,513.6
	3,231.4	2,514.0

15. Loans and advances to credit institutions

	2024 £m	2023 £m
Unencumbered		
BoE call account	**3,053.9**	2,256.3
Call accounts	**58.5**	92.2
Cash held in special purpose vehicles (SPVs)[1]	**99.5**	147.8
Term deposits	**19.2**	17.3
Encumbered		
BoE cash ratio deposit[2]	**–**	69.6
Cash held in SPVs[1]	**40.6**	31.8
Cash margin given	**134.2**	198.6
	3,405.9	2,813.6

1. Cash held in SPVs is ring-fenced for use in managing the Group's securitised debt facilities under the terms of securitisation agreements. Cash held in SPVs is treated as unencumbered in proportion to the retained interest in the SPV, based on the nominal value of the bonds held by the Group to total bonds in the securitisation, and is included in cash and cash equivalents. Cash retained in SPVs designated as cash reserve credit enhancement is treated as encumbered in proportion to the external holdings in the SPV and excluded from cash and cash equivalents.
2. The Cash Ratio Deposit was a scheme that funded the BoE's monetary policy and financial stability functions. On 1 March 2024 the scheme was replaced by an annual BoE Levy.

Notes to the Consolidated Financial Statements continued

16. Investment securities

	2024 £m	2023 £m
Held at amortised cost		
RMBS loan notes	**742.1**	325.4
Covered bond	**56.2**	–
	798.3	325.4
Held at FVOCI		
UK Sovereign debt	**226.0**	296.0
	226.0	296.0
Held at FVTPL		
RMBS loan notes	**410.1**	0.3
	1,434.4	621.7

At 31 December 2024, the Group had no RMBS loan notes (2023: nil) sold under repos.

The Directors consider that the primary purpose of holding investment securities is prudential. These securities are held as liquid assets with the intention of use on a continuing basis in the Group's activities and are classified as amortised cost, FVOCI and FVTPL in accordance with the Group's business model for each security.

The credit risk on investment securities held at amortised cost has not significantly increased since initial recognition and is categorised as stage 1. At 31 December 2024, there were no ECLs on investment securities (2023: nil).

Movements during the year in investment securities held by the Group are analysed as follows:

	2024 £m	2023 £m
As at 1 January	**621.7**	412.9
Additions[1]	**1,597.3**	664.3
Disposals and maturities[2]	**(789.1)**	(456.3)
Movement in accrued interest	**4.6**	1.0
Changes in fair value	**(0.1)**	(0.2)
As at 31 December	**1,434.4**	621.7

1. Additions include £786.1m of notes received as part of PMF 2024-2 securitisation. In 2023 additions included £233.9m UK Treasury bills which had a maturity of less than three months from date of acquisition.
2. 2023 Disposals and maturities include £323.9m of UK Treasury bills which had a maturity of less than three months from date of acquisition.

At 31 December 2024, investment securities included investments in unconsolidated structured entities (see note 42) of £92.6m (2023: £100.7m) notes in PMF 2020-1B and £472.5m (2023: nil) notes in PMF 2024-2. These investments represent the maximum exposure to loss from unconsolidated structured entities.

17. Loans and advances to customers

	2024 £m	2023 £m
Held at amortised cost:		
Loans and advances (see note 18)	**24,923.4**	25,674.4
Finance leases (see note 19)	**316.9**	222.7
	25,240.3	25,897.1
Less: Expected credit losses (see note 20)	**(126.9)**	(145.8)
	25,113.4	25,751.3
Held at FVTPL:		
Residential mortgages	**12.9**	13.7
	25,126.3	25,765.0

18. Loans and advances

	2024			2023		
	OSB £m	CCFS £m	Total £m	OSB £m	CCFS £m	Total £m
Gross carrying amount						
Stage 1	**12,029.3**	**7,539.0**	**19,568.3**	11,048.7	9,313.8	20,362.5
Stage 2	**2,411.8**	**1,935.5**	**4,347.3**	2,712.6	1,819.3	4,531.9
Stage 3	**653.2**	**294.1**	**947.3**	491.9	217.2	709.1
Stage 3 (POCI)	**27.8**	**32.7**	**60.5**	33.4	37.5	70.9
	15,122.1	**9,801.3**	**24,923.4**	14,286.6	11,387.8	25,674.4

The mortgage loan balances pledged as collateral for liabilities are:

	2024 £m	2023 £m
BoE under TFSME and ILTR	**3,745.2**	6,092.4
Securitisation	**995.9**	841.7
	4,741.1	6,934.1

Notes to the Consolidated Financial Statements continued

18. Loans and advances continued

The Group's securitisation programmes and use of TFSME and ILTR result in certain assets being encumbered as collateral against such funding. As at 31 December 2024, the percentage of the Group's gross loans and advances to customers that are encumbered was 19% (2023: 27%).

The table below shows the movement in loans and advances to customers by IFRS 9 stage during the year:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m
As at 1 January 2023	18,563.9	4,416.3	501.7	83.0	23,564.9
Originations[1]	4,561.7	–	–	–	4,561.7
Acquisitions[2]	175.8	–	–	–	175.8
Repayments and write-offs[3]	(2,041.6)	(447.2)	(127.1)	(12.1)	(2,628.0)
Transfers:					
– To Stage 1	1,534.7	(1,520.4)	(14.3)	–	–
– To Stage 2	(2,299.0)	2,347.5	(48.5)	–	–
– To Stage 3	(133.0)	(264.3)	397.3	–	–
As at 31 December 2023	20,362.5	4,531.9	709.1	70.9	25,674.4
Originations[1]	**3,771.6**	**–**	**–**	**–**	**3,771.6**
Acquisitions[2]	**5.9**	**–**	**–**	**–**	**5.9**
Disposals[4]	**(1,126.1)**	**(124.5)**	**(0.2)**	**–**	**(1,250.8)**
Repayments and write-offs[3]	**(2,669.7)**	**(469.2)**	**(128.4)**	**(10.4)**	**(3,277.7)**
Transfers:					
– To Stage 1	**1,244.4**	**(1,210.5)**	**(33.9)**	**–**	**–**
– To Stage 2	**(1,874.4)**	**1,933.5**	**(59.1)**	**–**	**–**
– To Stage 3	**(145.9)**	**(313.9)**	**459.8**	**–**	**–**
As at 31 December 2024	**19,568.3**	**4,347.3**	**947.3**	**60.5**	**24,923.4**

1. Originations include further advances and drawdowns on existing commitments.
2. The Group repurchased £5.9m (2023: £175.8m) of own-originated UK residential and Buy-to-Let mortgages from deconsolidated SPVs at par.
3. Repayments and write-offs include customer redemptions and £10.7m (2023: £33.6m) of write-offs during the year.
4. Disposals include loans and advances to customers derecognised as part of the PMF 2024-2 securitisation.

The contractual amount outstanding on loans and advances that were written off during the reporting period and were still subject to collections and recovery activity was £1.9m at 31 December 2024 (2023: £0.3m).

As at 31 December 2024, loans and advances of £280.8m (2023: £126.7m) were in a probation period before they can move out of Stage 3, see note 1 m (vii). for further details.

Where a borrower has multiple facilities, all facilities are considered in default when a minimum threshold of the borrower's exposure has been classified as defaulted. As at 31 December 2024, loans and advances of £72.0m (2023: £55.7m) were in this category of default.

19. Finance leases

The Group provides asset finance lending through InterBay Asset Finance Limited.

	2024 £m	2023 £m
Gross investment in finance leases, receivable		
Less than one year	**120.3**	83.6
Between one and two years	**97.7**	68.6
Between two and three years	**74.0**	51.7
Between three and four years	**42.2**	31.4
Between four and five years	**18.9**	12.0
More than five years	**4.8**	2.3
	357.9	249.6
Unearned finance income	**(41.0)**	(26.9)
Net investment in finance leases	**316.9**	222.7
Net investment in finance leases, receivable		
Less than one year	**102.0**	71.7
Between one and two years	**85.6**	60.4
Between two and three years	**67.4**	47.1
Between three and four years	**39.3**	29.7
Between four and five years	**18.0**	11.6
More than five years	**4.6**	2.2
	316.9	222.7

The Group has recognised £4.1m of ECLs on finance leases as at 31 December 2024 (2023: £3.0m). During the year, originations in InterBay Asset Finance Limited amounted to £182.1m (2023: £130.5m).

Notes to the Consolidated Financial Statements continued

20. Expected credit losses

The ECL has been calculated based on various scenarios as set out below:

	2024			2023		
	ECL provision	Weighting	Weighted ECL provision	ECL provision	Weighting	Weighted ECL provision
	£m	%	£m	£m	%	£m
Scenarios						
Upside	**53.2**	**30**	**16.0**	60.5	30	18.2
Base case	**63.6**	**40**	**25.4**	76.8	40	30.7
Downside scenario	**114.5**	**20**	**22.9**	138.1	20	27.6
Severe downside scenario	**153.0**	**10**	**15.3**	206.8	10	20.7
Total weighted provisions			**79.6**			97.2
Other provisions:						
Individually assessed provisions			**37.6**			25.1
Post model adjustments			**9.7**			23.5
Total provision			**126.9**			145.8

The Group held £9.7m (2023: £23.5m) of ECL due to post model adjustments for risks not sufficiently accounted for in the IFRS 9 framework.

The Group continued to recognise the increases in credit risk due to the cost of borrowing as stresses persist and interest rates have remained elevated and are expected to remain higher for longer. This resulted in a PMA £2.1m of provision held (2023: £9.4m) noting that the component associated with cost of living risks has been removed due to robust wage growth which has aligned with inflation. The Group continued to observe an elongated time to sale, which was in excess of modelled expectations and observations prior to the pandemic which accounted for £6.3m (2023: £10.0m) as a PMA. Physical risk relating to climate change and concerns around cladding are less material however continue to be recognised through the PMA framework.

The Group's ECL by segment and IFRS 9 stage is shown below:

	2024			2023		
	OSB £m	CCFS £m	Total £m	OSB £m	CCFS £m	Total £m
Stage 1	**11.8**	**1.9**	**13.7**	15.8	6.6	22.4
Stage 2	**29.6**	**9.7**	**39.3**	39.2	15.1	54.3
Stage 3	**58.6**	**13.1**	**71.7**	55.1	11.6	66.7
Stage 3 (POCI)	**1.1**	**1.1**	**2.2**	1.0	1.4	2.4
	101.1	**25.8**	**126.9**	111.1	34.7	145.8

The table above shows the movement in the ECL by IFRS 9 stage during the year. ECLs on originations and acquisitions reflect the IFRS 9 stage of loans originated or acquired during the year as at 31 December and not the date of origination. Re-measurement of loss allowance relates to existing loans which did not redeem during the year and includes the impact of loans moving between IFRS 9 stages.

Notes to the Consolidated Financial Statements continued

20. Expected credit losses continued

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m
As at 1 January 2023	7.2	50.9	68.3	3.6	130.0
Originations	10.2	–	–	–	10.2
Acquisitions	1.2	–	–	–	1.2
Repayments and write-offs	(0.6)	(4.1)	(39.7)	(0.7)	(45.1)
Re-measurement of loss allowance	(9.7)	30.1	29.9	0.2	50.5
Transfers:					
– To Stage 1	13.0	(12.4)	(0.6)	–	–
– To Stage 2	(0.8)	2.2	(1.4)	–	–
– To Stage 3	(0.2)	(6.7)	6.9	–	–
Changes in assumptions and model parameters	2.1	(5.7)	3.3	(0.7)	(1.0)
As at 31 December 2023	22.4	54.3	66.7	2.4	145.8
Originations	**6.1**	**–**	**–**	**–**	**6.1**
Acquisitions	**0.1**	**–**	**–**	**–**	**0.1**
Disposals[1]	**(0.6)**	**(0.3)**	**–**	**–**	**(0.9)**
Repayments and write-offs	**(2.4)**	**(5.0)**	**(15.4)**	**(0.3)**	**(23.1)**
Re-measurement of loss allowance	**(24.3)**	**13.0**	**18.5**	**(0.3)**	**6.9**
Transfers:					
– To Stage 1	**15.3**	**(13.4)**	**(1.9)**	**–**	**–**
– To Stage 2	**(2.3)**	**3.9**	**(1.6)**	**–**	**–**
– To Stage 3	**(0.2)**	**(9.0)**	**9.2**	**–**	**–**
Changes in assumptions and model parameters	**(0.4)**	**(4.2)**	**(3.8)**	**0.4**	**(8.0)**
As at 31 December 2024	**13.7**	**39.3**	**71.7**	**2.2**	**126.9**

1. Disposals include ECL on the loans and advances to customers derecognised as part of the PMF 2024-2 securitisation.

The table below shows the stage 2 ECL balances by transfer criteria:

	2024			2023		
	Carrying value £m	ECL £m	Coverage %	Carrying value £m	ECL £m	Coverage %
Criteria:						
Relative/absolute PD movement	**3,998.9**	**35.7**	**0.89**	4,343.5	53.2	1.22
Qualitative measures	**283.6**	**3.3**	**1.16**	139.3	0.8	0.57
30 days past due backstop	**70.4**	**0.3**	**0.43**	55.1	0.3	0.54
Total	**4,352.9**	**39.3**	**0.90**	4,537.9	54.3	1.20

The Group has a number of qualitative measures to determine whether a SICR has taken place. These triggers utilise both internal performance information, to analyse whether an account is in distress but not yet in arrears, and external credit bureau information, to determine whether the customer is experiencing financial difficulty with an external credit obligation.

21. Impairment of financial assets

The (credit)/charge for impairment of financial assets in the Consolidated Statement of Comprehensive Income comprises:

	2024 £m	2023 £m
Write-offs in year	**10.7**	33.6
(Decrease)/increase in ECL provision	**(22.4)**	15.2
	(11.7)	48.8

The (credit)/charge for provisions of £(11.7)m (2023: £48.8m) shown in the Consolidated Statement of Comprehensive Income also includes a less than £0.1m credit (2023: £4.6m) in respect of insurance recoveries.

Notes to the Consolidated Financial Statements continued

22. Derivatives

The table below reconciles the gross amount of derivative contracts to the carrying balance shown in the Consolidated Statement of Financial Position:

As at 31 December 2024	Gross amount of recognised financial assets /(liabilities) £m	Net amount of financial assets /(liabilities) presented in the Consolidated statement of financial position £m	Contracts subject to master netting agreements not offset in the Consolidated statement of financial position £m	Cash collateral paid/ (received) not offset in the Consolidated statement of financial position £m	Net amount £m
Derivative assets:					
Interest rate risk hedging – product[1]	**312.7**	**312.7**	**(75.7)**	**(163.8)**	**73.2**
Interest rate risk hedging – structural hedge	**1.1**	**1.1**	**(1.1)**	**–**	**–**
	313.8	**313.8**	**(76.8)**	**(163.8)**	**73.2**
Derivative liabilities:					
Interest rate risk hedging – product[1]	**(77.0)**	**(77.0)**	**75.7**	**–**	**(1.3)**
Interest rate risk hedging – structural hedge	**(4.9)**	**(4.9)**	**1.1**	**3.8**	**–**
	(81.9)	**(81.9)**	**76.8**	**3.8**	**(1.3)**
As at 31 December 2023					
Derivative assets:					
Interest rate risk hedging – product[1]	530.6	530.6	(45.7)	(212.8)	272.1
Derivative liabilities:					
Interest rate risk hedging – product[1]	(199.9)	(199.9)	45.7	216.1	61.9

1. Product relates to the hedging of loan assets, retail deposits and debt issued, including pipeline hedges.

Derivative assets and liabilities include an initial margin of £131.7m (2023: £198.4m) with swap counterparties. Margin is posted daily in respect of derivatives transacted with swap counterparties.

Included within the Group's derivative assets is £72.6m (2023: £112.0m) and derivative liabilities £1.2m (2023: nil) relating to derivative contracts not covered by master netting agreements on which no cash collateral has been paid.

The table below profiles the maturity of nominal amounts for interest rate risk hedging derivatives based on contractual maturity:

As at 31 December 2024	Total nominal £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m
Derivative assets	**16,474.8**	**1,555.4**	**4,390.7**	**10,249.0**	**279.7**
Derivative liabilities	**11,291.4**	**711.0**	**4,696.8**	**5,773.6**	**110.0**
	27,766.2	**2,266.4**	**9,087.5**	**16,022.6**	**389.7**
As at 31 December 2023					
Derivative assets	17,568.6	812.3	8,181.3	8,560.0	15.0
Derivative liabilities	8,913.6	1,148.0	2,300.0	5,108.6	357.0
	26,482.2	1,960.3	10,481.3	13,668.6	372.0

The Group has 1,111 (2023: 944) derivative contracts with an average fixed rate of 3.71% (2023: 2.70%).

Notes to the Consolidated Financial Statements continued

23. Hedge accounting

	2024 £m	2023 £m
Hedged assets		
Current hedge relationships	**(165.3)**	(253.1)
Swap inception adjustment	**23.5**	40.4
Cancelled hedge relationships	**(33.2)**	(30.8)
De-designated hedge relationships	**(4.3)**	–
Fair value adjustments on hedged assets	**(179.3)**	(243.5)
Hedged liabilities		
Current hedge relationships	**9.0**	(22.2)
Swap inception adjustment	**(2.9)**	0.3
Fair value adjustments on hedged liabilities	**6.1**	(21.9)

In the first half of 2024, the Group commenced the implementation of an equity structural hedge comprising of a series of receive fixed rate swaps, to reduce earnings volatility due to interest rate changes arising from the portion of the balance sheet funded by equity. The Group continued to hedge its fixed rate mortgage portfolio in full with pay fixed rate swaps. The equity structural hedge was not designated as a hedge under IAS 39 and, to minimise fair value volatility through the income statement, an equivalent portion of the existing mortgage hedge was de-designated. The equity structural hedge has a weighted average life of 2.5 years and the notional amount was £1,409.9m as at 31 December 2024.

The swap inception adjustment relates to hedge accounting adjustments arising when hedge accounting commences, reflecting the change in fair value on the hedged item due to the hedged risk that occurred prior to being designated in a hedge accounting relationship. The Group uses the associated swap value as a proxy for this initial value, based on derivative instruments previously taken out on the mortgage pipeline or new retail deposits.

De-designated hedge relationships relate to hedge accounting adjustments on failed or discontinued hedge relationships which are amortised over the remaining lives of the original hedged items.

Cancelled hedge relationships predominantly represent the unamortised fair value adjustment for interest rate risk hedges that have been cancelled and replaced due to IBOR transition, securitisation activities, the inception of the equity structural hedge and legacy long-term fixed rate mortgages (c. 25 years at origination).

The table below analyses the Group's portfolio hedge accounting for fixed rate loans and advances to customers:

	2024		2023	
Loans and advances to customers	Hedged item £m	Hedging instrument £m	Hedged item £m	Hedging instrument £m
Carrying amount of hedged item/ nominal value of hedging instrument	**13,123.0**	**13,809.9**	15,390.4	15,425.6
Cumulative fair value adjustments of hedged item/fair value of hedging instrument	**(165.3)**	**217.6**	(253.1)	312.7
Changes in the fair value adjustment of hedged item/hedging instrument used for recognising the hedge ineffectiveness for the period	**31.7**	**(53.6)**	580.3	(590.5)
Cumulative fair value on cancelled hedge relationships	**(33.2)**	**–**	(30.8)	–

In the Consolidated Statement of Financial Position, £265.9m (2023: £469.9m) of hedging instruments were recognised within derivative assets; and £48.3m (2023: £157.2m) within derivative liabilities.

The movement in cancelled hedge relationships is as follows:

Hedged assets	2024 £m	2023 £m
As at 1 January	**(30.8)**	(5.2)
New cancellations[1]	**(22.9)**	(23.0)
Amortisation	**20.5**	(2.6)
As at 31 December	**(33.2)**	(30.8)

1. The new cancellations are from the securitisation of mortgages during the year where the Group cancels swaps which were effective prior to the event, replacing these with new swaps within SPV structures, with the designated hedge moved to cancelled hedge relationships to be amortised over the remaining original life of the swap. Additionally, in 2024, cancellations occurred due to the commencement of the structural hedge programme.

Notes to the Consolidated Financial Statements continued

23. Hedge accounting continued

The table below analyses the Group's portfolio hedge accounting for fixed rate amounts owed to retail depositors:

Customer deposits	2024 Hedged item £m	2024 Hedging instrument £m	2023 Hedged item £m	2023 Hedging instrument £m
Carrying amount of hedged item/ nominal value of hedging instrument	**8,368.8**	**8,393.9**	8,955.5	8,947.0
Cumulative fair value adjustments of hedged item/fair value of hedging instrument	**6.5**	**(4.3)**	(6.7)	16.9
Changes in the fair value adjustment of hedged item/hedging instrument used for recognising the hedge ineffectiveness for the period	**24.9**	**(22.8)**	(67.2)	78.8

In the Consolidated Statement of Financial Position, £3.6m (2023: £40.3m) of hedging instruments were recognised within derivative assets; and £7.9m (2023: £23.4m) within derivative liabilities.

The table below analyses the Group's 'micro' hedge accounting for fixed rate senior notes and subordinated liabilities:

Senior notes and subordinated liabilities	2024 Hedged item £m	2024 Hedging instrument £m	2023 Hedged item £m	2023 Hedging instrument £m
Carrying amount of hedged item/ nominal value of hedging instrument	**765.0**	**765.0**	365.0	365.0
Cumulative fair value adjustments of hedged item/fair value of hedging instrument	**2.5**	**(2.7)**	(15.5)	15.6
Changes in the fair value adjustment of hedged item/hedging instrument used for recognising the hedge ineffectiveness for the period	**13.0**	**(13.0)**	(15.5)	15.8

The Group has elected to partially hedge the senior notes up to the optional redemption date which reflects management's expectations about the exercise of the call option.

In the Consolidated Statement of Financial Position, £5.9m (2023: £15.6m) of hedging instruments were recognised within derivative assets, and £8.6m (2023: nil) within derivative liabilities.

24. Other assets

	2024 £m	2023 £m
Falling due within one year		
Prepayments	**15.1**	9.9
Other assets	**1.1**	11.9
Falling due more than one year		
Prepayments	**1.0**	5.8
Other assets	**0.6**	–
	17.8	27.6

Notes to the Consolidated Financial Statements continued

25. Property, plant and equipment

	Freehold land and buildings £m	Development Asset £m	Leasehold improvements £m	Equipment and fixtures £m	Right of use assets: Property leases £m	Right of use assets: Other leases £m	Total £m
Cost							
As at 1 January 2023	20.0	–	3.0	16.5	13.8	4.6	57.9
Additions[1]	0.3	–	–	5.7	2.0	1.2	9.2
Disposals and write-offs[2]	–	–	–	(3.3)	–	(0.1)	(3.4)
Foreign exchange difference	–	–	–	(0.1)	–	–	(0.1)
As at 31 December 2023	20.3	–	3.0	18.8	15.8	5.7	63.6
Additions[1]	**–**	**11.8**	**0.6**	**3.8**	**0.9**	**–**	**17.1**
Transfer during the year	**3.7**	**(4.1)**	**0.3**	**0.1**	**–**	**–**	**–**
Disposals and write-offs[2]	**–**	**–**	**–**	**(2.9)**	**–**	**–**	**(2.9)**
As at 31 December 2024	**24.0**	**7.7**	**3.9**	**19.8**	**16.7**	**5.7**	**77.8**
Accumulated depreciation							
As at 1 January 2023	1.7	–	1.2	8.9	4.9	0.3	17.0
Charged in year	0.3	–	0.3	3.5	1.9	0.2	6.2
Disposals and write-offs[2]	–	–	–	(3.3)	–	(0.1)	(3.4)
As at 31 December 2023	2.0	–	1.5	9.1	6.8	0.4	19.8
Charged in year	**0.3**	**–**	**0.3**	**3.3**	**2.4**	**–**	**6.3**
Disposals and write-offs[2]	**–**	**–**	**–**	**(2.9)**	**–**	**–**	**(2.9)**
As at 31 December 2024	**2.3**	**–**	**1.8**	**9.5**	**9.2**	**0.4**	**23.2**
Net book value							
As at 31 December 2024	**21.7**	**7.7**	**2.1**	**10.3**	**7.5**	**5.3**	**54.6**
As at 31 December 2023	18.3	–	1.5	9.7	9.0	5.3	43.8

1. Additions include property lease modifications of £0.5m (2023: £0.5m) of right of use assets.
2. During the year the Group derecognised fully depreciated assets.

Notes to the Consolidated Financial Statements continued

26. Intangible assets

	Development costs[1] £m	Computer software and licences £m	Assets arising on Combination £m	Total £m
Cost				
As at 1 January 2023	3.8	14.1	21.5	39.4
Additions	19.1	0.7	–	19.8
Transfer during the year	(2.2)	2.2	–	–
Disposals and write-offs[2]	–	(3.4)	(0.1)	(3.5)
As at 31 December 2023	20.7	13.6	21.4	55.7
Additions	**27.5**	**0.2**	**–**	**27.7**
Transfer during the year[3]	**(32.3)**	**32.3**	**–**	**–**
Disposals and write-offs[2]	**–**	**(1.3)**	**(21.4)**	**(22.7)**
As at 31 December 2024	**15.9**	**44.8**	**–**	**60.7**
Accumulated amortisation				
As at 1 January 2023	1.3	8.4	17.7	27.4
Charged in year	0.7	2.8	2.2	5.7
Disposals and write-offs[2]	–	(3.4)	(0.1)	(3.5)
As at 31 December 2023	2.0	7.8	19.8	29.6
Transfer during the year	**(2.0)**	**3.3**	**(1.3)**	**–**
Charged in year	**–**	**2.1**	**2.9**	**5.0**
Disposals and write-offs[2]	**–**	**(1.3)**	**(21.4)**	**(22.7)**
As at 31 December 2024	**–**	**11.9**	**–**	**11.9**
Net book value				
As at 31 December 2024	**15.9**	**32.9**	**–**	**48.8**
As at 31 December 2023	18.7	5.8	1.6	26.1

1. Development costs are largely related to the transformation project.
2. During the year the Group derecognised fully amortised assets.
3. Transfer during the year includes the capital expenditure relating to the Savings product that was launched in October 2024.

The Directors have considered the carrying value of intangible assets and determined that there are no indications of impairment at the year end.

27. Amounts owed to credit institutions

	2024 £m	2023 £m
BoE TFSME	**1,394.9**	3,352.0
BoE ILTR	**380.3**	10.1
Commercial repo	**–**	0.1
	1,775.2	3,362.2
Cash collateral and margin received	**160.0**	212.8
	1,935.2	3,575.0

28. Amounts owed to retail depositors

	2024			2023		
	OSB £m	CCFS £m	Total £m	OSB £m	CCFS £m	Total £m
Fixed rate deposits	**9,016.1**	**6,340.2**	**15,356.3**	8,846.6	7,493.9	16,340.5
Variable rate deposits	**4,509.3**	**3,954.7**	**8,464.0**	3,399.9	2,386.2	5,786.1
	13,525.4	**10,294.9**	**23,820.3**	12,246.5	9,880.1	22,126.6

29. Amounts owed to other customers

	2024 £m	2023 £m
Fixed rate deposits	**102.3**	58.8
Variable rate deposits	**2.6**	4.5
	104.9	63.3

Notes to the Consolidated Financial Statements continued

30. Debt securities in issue

	2024 £m	2023 £m
Asset-backed loan notes at amortised cost	**1,018.3**	818.5
Amount due for settlement within 12 months	**2.3**	109.5
Amount due for settlement after 12 months	**1,016.0**	709.0
	1,018.3	818.5

The asset-backed loan notes are secured on fixed and variable rate mortgages and are redeemable in part from time to time, but such redemptions are mainly from the net principal received from borrowers in respect of underlying mortgage assets. The maturity date of the funds matches the contractual maturity date of the underlying mortgage assets. The Group expects that a large proportion of the underlying mortgage assets, and therefore these notes, will be repaid within five years.

Where the Group owns the call rights for a transaction, it may repurchase the asset-backed loan notes on any interest payment date on or after the call dates, or on any interest payment date when the current balance of the mortgages outstanding is less than or equal to 10% of the principal amount outstanding on the loan notes on the date they were issued.

Interest is payable at fixed margins above SONIA.

The asset-backed loan notes were issued through the following funding vehicles:

	2024 £m	2023 £m
PMF 2024-1 plc	**441.2**	–
CMF 2024-1 plc	**283.1**	–
CMF 2023-1 plc	**193.5**	291.3
Canterbury Finance No.4 plc	**100.5**	167.5
Keys Warehouse No.1 Limited	**–**	250.2
CMF 2020-1 plc	**–**	109.5
	1,018.3	818.5

31. Lease liabilities

	2024 £m	2023 £m
As at 1 January	**11.2**	9.9
New leases	**0.6**	3.3
Lease modification	**(0.8)**	–
Lease repayments	**(2.2)**	(2.2)
Interest accruals	**0.3**	0.2
As at 31 December	**9.1**	11.2

During the year, the Group incurred expenses of £0.2m (2023: £0.1m) in relation to short-term leases.

32. Other liabilities

	2024 £m	2023 £m
Falling due within one year		
Accruals	**33.8**	26.5
Deferred income	**0.2**	0.4
Other creditors	**12.4**	12.7
Share repurchase liability	**10.0**	–
	56.4	39.6

On 15 August 2024, the Board authorised an ordinary share repurchase programme of up to £50.0m, recognising a £50.3m (including incentive fee of £0.3m) reduction in retained earnings and a share repurchase liability. As at 31 December 2024, 10,721,471 shares had been purchased by the Group's agent under the programme at a total cost of £40.3m, reducing the share repurchase liability to £10.0m. Other creditors include £0.5m for 114,098 shares purchased by the agent prior to 31 December 2024 for which the Group has completed payment in January 2025. Any share repurchases made under this programme were announced to the market each day in line with regulatory requirements, see note 38 for further details.

Notes to the Consolidated Financial Statements continued

33. Provisions and contingent liabilities

The Group is reviewing and enhancing its collections processes and how mortgage customers in arrears are managed as well as undertaking a retrospective review of the Group's application of forbearance measures and associated outcomes for certain cohorts of customers. This review has led to the Group recognising a provision of £3.0m based on its estimate of cost and redress due on accounts reviewed as at 31 December 2024.

The Group recognised a provision of £1.1m (2023: nil) relating to dismantling costs. This was capitalised to the cost of the associated right-of-use asset.

The Group operates in a highly regulated environment and in the normal course of business, may from time to time receive complaints and claims or be involved in legal proceedings that could lead to a provision or contingent liability. This environment continues to evolve through legislation, regulatory guidance and court rulings and the Group actively monitors these developments. At the reporting date the Group considered that it had no material provisions or contingent liabilities save as here.

An analysis of the Group's provisions is presented below:

	Other regulatory provision £m	ECL on undrawn loan facilities £m	Dismantling cost £m	Total £m
As at 1 January 2023	–	0.4	–	0.4
Profit or loss charge	–	0.4	–	0.4
As at 31 December 2023	–	0.8	–	0.8
Additions	**–**	**–**	**1.1**	**1.1**
Profit or loss charge/(credit)	**3.0**	**(0.3)**	**–**	**2.7**
As at 31 December 2024	**3.0**	**0.5**	**1.1**	**4.6**

34. Senior notes

The Group's outstanding senior notes are as follows:

	Reset date	Spread	2024 £m	2023 £m
Fixed rate				
Senior notes 2028 (9.5%)	7 September 2027	4.985%	**307.7**	307.5
Senior notes 2030 (8.875%)	16 January 2029	5.252%	**415.0**	–
			722.7	307.5

The senior notes comprise fixed rate notes denominated in pounds Sterling and are listed on the official list of the Financial Conduct Authority (FCA) and admitted to trading on the main market of the London Stock Exchange plc.

The principal terms of the senior notes are as follows:

- **Interest:** Interest on the senior notes is fixed at an initial rate until the reset date. If the senior notes are not redeemed prior to the reset date, the interest rate will be reset and fixed based on a benchmark gilt rate plus the specified spread.
- **Redemption:** The Issuer may redeem the senior notes in whole (but not in part) in its sole discretion on the reset date. Optional redemption may also take place for certain regulatory or tax reasons. Any optional redemption requires the prior consent of the PRA.
- **Ranking:** The senior notes constitute direct, unsubordinated and unsecured obligations of OSBG and rank at least *pari passu*, without any preference, among themselves as senior notes. The notes rank behind the claims of depositors, but in priority to holders of Tier 1 and Tier 2 capital instruments as well as equity holders of OSBG.

The table below shows a reconciliation of the Group's senior notes during the year:

	2024 £m	2023 £m
As at 1 January	**307.5**	–
Addition[1]	**398.0**	298.4
Movement in accrued interest	**17.2**	9.1
As at 31 December	**722.7**	307.5

1. Addition includes £2.0m (2023: £1.6m) towards transaction costs which has been amortised through the EIR of the loan notes.

Notes to the Consolidated Financial Statements continued

35. Subordinated liabilities

The Group's outstanding subordinated liabilities are summarised below:

	Reset date	Spread	2024 £m	2023 £m
Fixed rate				
Subordinated liabilities 2033 (9.993%)	27 July 2028	6.296%	**259.8**	259.5

All subordinated liabilities are denominated in pounds sterling and are listed on the official list of the FCA and admitted to trading on the main market of the London Stock Exchange plc.

The principal terms of the subordinated debt liabilities are as follows:

- **Interest:** Interest on the notes is fixed at an initial rate until the reset date. If the notes are not redeemed prior to the reset date, the interest rate will be reset and fixed based on a benchmark gilt rate plus the specified spread.
- **Redemption:** The Issuer may redeem the Tier 2 notes in whole (but not in part) in its sole discretion on any day from (and including) 27 April 2028 to (and including) 27 July 2028 (the reset date) as specified in the terms of the agreement. Optional redemption may also take place for certain regulatory or tax reasons. Any optional redemption requires the prior consent of the PRA.
- **Ranking:** The notes constitute direct, unsecured and subordinated obligations of OSBG and rank at least pari passu, without any preference, among themselves as Tier 2 capital. The notes rank behind the claims of depositors and other unsecured and unsubordinated creditors, but rank in priority to holders of Tier 1 capital instruments and of equity holders of OSBG.

The table below shows a reconciliation of the Group's subordinated liabilities during the year:

	2024 £m	2023 £m
As at 1 January	**259.5**	–
Addition[1]	**–**	248.7
Movement in accrued interest	**0.3**	10.8
As at 31 December	**259.8**	259.5

1. 2023 addition includes £1.3m towards transaction costs which has been amortised through the EIR of the loan notes.

36. Perpetual subordinated bonds

	2024 £m	2023 £m
Sterling PSBs (4.6007%)	**–**	15.2

On 27 August 2024, the PSBs originally issued in February 2011 (ISIN: GB00B67JQX63) were redeemed and cancelled. The listing of these PSBs was cancelled on the Official List of the FCA and on the Main Market of the London Stock Exchange.

37. Reconciliation of cash flows from financing activities

The table below shows a reconciliation of the Group's liabilities classified as financing activities within the Consolidated Statement of Cash Flows:

	Amounts owed to credit institutions (see note 27) £m	Debt securities in issue (see note 30) £m	Senior notes (see note 34) £m	Subordinated liabilities (see note 35) £m	PSBs (see note 36) £m	Total £m
As at 1 January 2023	4,543.2	265.9	–	–	15.2	4,824.3
Cash movements						
Principal drawdowns	189.9	591.6	298.4	248.7	–	1,328.6
Principal repayments	(1,390.2)	(40.1)	–	–	–	(1,430.3)
Interest paid	(178.0)	(20.4)	–	(6.3)	(0.7)	(205.4)
Non-cash movements						
Interest charged	197.3	21.5	9.1	17.1	0.7	245.7
As at 31 December 2023	3,362.2	818.5	307.5	259.5	15.2	4,762.9
Cash movements						
Principal drawdowns	**594.4**	**744.1**	**398.0**	**–**	**–**	**1,736.5**
Principal repayments	**(2,153.4)**	**(548.4)**	**–**	**–**	**(15.0)**	**(2,716.8)**
Interest paid	**(142.7)**	**(58.6)**	**(46.3)**	**(25.0)**	**(0.7)**	**(273.3)**
Non-cash movements						
Interest charged	**114.7**	**62.7**	**63.5**	**25.3**	**0.5**	**266.7**
As at 31 December 2024	**1,775.2**	**1,018.3**	**722.7**	**259.8**	**–**	**3,776.0**

Notes to the Consolidated Financial Statements continued

38. Share capital

Ordinary shares	Number of shares issued and fully paid	Nominal value £m	Premium £m
As at 1 January 2023	429,868,625	4.3	2.4
Shares cancelled under repurchase programme	(38,243,031)	(0.4)	–
Shares issued under OSBG employee share plans	1,562,087	–	1.4
As at 31 December 2023	393,187,681	3.9	3.8
Shares cancelled under repurchase programme	**(22,595,996)**	**(0.2)**	**–**
Shares issued under OSBG employee share plans	**1,554,107**	**–**	**0.7**
As at 31 December 2024	**372,145,792**	**3.7**	**4.5**

The Group commenced a share repurchase programme on 14 March 2024 (2023: 17 March 2023) which allowed the Group to repurchase a maximum of 43,024,375 shares (2023: 43,024,375 shares), restricted by a total cost of £50.0m (2023: £150.0m). On completion, 11,988,623 shares (2023: 38,243,031), representing 3.0% (2023: 8.9%) of the issued share capital, were repurchased and cancelled at an average price of £4.17 (2023: £3.92) per share and a total cost of £50.0m (2023: £150.0m) excluding transaction costs.

The Group commenced a further share repurchase programme on 6 September 2024. As at 31 December 2024, 10,721,471 shares were repurchased at an average price of £3.76 per share and total cost of £40.3m, of which 10,607,373 shares have been cancelled representing 2.7% of the issued share capital. The programme allows the Group to repurchase a maximum of 39,358,310 shares, restricted by a total cost of £50.0m excluding transaction costs.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

All ordinary shares issued in the current and prior year were fully paid.

39. Other equity instruments

The Group's other equity instruments are as follows:

Additional Tier 1 securities	2024 £m	2023 £m
6% Perpetual subordinated contingent convertible securities	**150.0**	150.0

AT1 Securities

On 5 October 2021, OSBG issued AT1 securities which comprise £150.0m of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities that qualify as AT1 capital under CRD IV. The securities will be subject to full conversion into ordinary shares of OSBG in the event that the Group's Common Equity Tier 1 (CET1) capital ratio falls below 7%. The securities pay interest at a rate of 6% per annum until the first reset date of 7 April 2027, with the reset interest rate equal to 539.3 basis points over the 5-year Gilt Rate (benchmark gilt) for such a period. Interest is paid semi-annually in April and October.

OSBG may, at any time, cancel any interest payment at its full discretion and must cancel interest payments in certain circumstances specified in the terms and conditions of the securities. The securities are perpetual with no fixed redemption date. OSBG may at its option, redeem the Securities, in whole but not in part, (i) on any day falling in the period commencing on (and including) 7 October 2026 and ending on (and including) the First Reset Date or (ii) on any Reset Date thereafter at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

40. Other reserves

The Group's other reserves are as follows:

	2024 £m	2023 £m
Share-based payment	**16.2**	14.2
Capital redemption & transfer	**(1,354.5)**	(1,354.7)
Own shares	**(0.9)**	(1.0)
FVOCI	**0.1**	0.2
Foreign exchange	**(2.1)**	(2.1)
	(1,341.2)	(1,343.4)

Notes to the Consolidated Financial Statements continued

40. Other reserves continued

Capital redemption and transfer reserve

The capital redemption reserve represents the shares cancelled through the Group's share repurchase programme.

On 27 November 2020, a new ultimate parent company was inserted into the Group, being OSBG. The share capital generated from issuing 447,304,198 nominal shares at £3.04 per share, replacing the nominal shares of £0.01 in OSB previously recognised in share capital at the consolidation level, created a transfer reserve of £1,355.3m.

Own shares

The Company has adopted the look-through approach for the EBT, including the EBT within the Company. As at 31 December 2024, the EBT held 134,349 OSBG shares (2023: 188,106 OSBG shares). The Group and Company show these shares as a deduction from equity, being the cost at which the shares were acquired of £0.9m (2023: £1.0m).

FVOCI reserve

The FVOCI reserve represents the cumulative net change in the fair value of investment securities measured at FVOCI.

Foreign exchange reserve

The foreign exchange reserve relates to the revaluation of the Group's Indian subsidiary, OSB India Private Limited.

41. Financial commitments and guarantees

a) The Group had £4.9m (2023: £0.1m) of contracted capital expenditure commitments not provided for as at 31 December 2024.

b) The Group had £0.1m (2023: £0.4m) of minimum lease commitments under leases for low-value assets and short-term leases of 12 months or less.

c) Undrawn loan facilities:

	2024 £m	2023 £m
OSB mortgages	**697.9**	580.2
CCFS mortgages	**289.1**	391.8
Asset finance	**–**	27.4
	987.0	999.4

Undrawn loan facilities are approved loan applications which have not yet been exercised. They are payable on demand and are usually drawn down or expire within three months.

d) The Group did not have any issued financial guarantees as at 31 December 2024 (2023: nil).

42. Risk management

Overview

Financial instruments form the vast majority of the Group's assets and liabilities. The Group manages risk on a consolidated basis and risk disclosures that follow are provided on this basis.

Types of financial instruments

Financial instruments are a broad definition which includes financial assets, financial liabilities and equity instruments. The main financial assets of the Group are loans to customers and liquid assets, which in turn consist of cash in the BoE call accounts, call accounts with other credit institutions, RMBS, covered bonds and UK sovereign debt. These are funded by a combination of financial liabilities and equity instruments. Financial liability funding comes predominantly from retail deposits and drawdowns under the BoE TFSME and ILTR, supported by debt securities, senior notes, subordinated debts, wholesale and other funding. Equity instruments include own shares and AT1 securities meeting the equity classification criteria. The Group's main activity is mortgage lending; it raises funds or invests in particular types of financial assets to meet customer demand and manage the risks arising from its operations. The Group does not trade in financial instruments for speculative purposes.

The Group uses derivative instruments to manage its financial risks. Derivatives are used by the Group solely to reduce (hedge) the risk of loss arising from changes in market rates. Derivatives are not used for speculative purposes.

Types of derivatives and uses

The derivative instruments used by the Group in managing its risk exposures are interest rate swaps. Interest rate swaps convert fixed interest rates to floating or vice versa. As with other derivatives, the underlying product is not sold and payments are based on notional principal amounts.

Unhedged fixed rate liabilities create the risk of paying above-the-market rate if interest rates subsequently decrease. Unhedged fixed rate mortgages and liquid assets bear the opposite risk of income below-the-market rate when rates go up. While fixed rate assets and liabilities naturally hedge each other to a certain extent, this hedge is usually never perfect because of maturity mismatches and principal amounts.

The Group uses swaps to convert its instruments, such as mortgages, deposits and issued debt, from fixed or base rate-linked rates to reference linked variable rates. This ensures a guaranteed margin between the interest income and interest expense, regardless of changes in the market rates.

Types of risk

The principal financial risks to which the Group is exposed are credit, liquidity and market risks, the latter comprising interest and exchange rate risk. In addition to financial risks, the Group is exposed to various other risks, most notably operational, conduct and compliance/regulatory, which are covered in the Risk review on pages 46 to 69.

Notes to the Consolidated Financial Statements continued

42. Risk management continued

Credit risk

Credit risk is the risk that losses may arise as a result of the Group's borrowers or market counterparties failing to meet their obligations to repay.

The Group has adopted the Standardised Approach for assessment of credit risk regulatory capital requirements. This approach considers risk weightings as defined under Basel II and Basel III principles.

The classes of financial instruments to which the Group is most exposed are loans and advances to customers, loans and advances to credit institutions, cash in the BoE call account, call and current accounts with other credit institutions and investment securities. The maximum credit risk exposure equals the total carrying amount of the above categories plus off-balance sheet undrawn committed mortgage facilities.

The change, during the year and cumulatively, in the fair value of investments in debt securities and loans and advances to customers at FVOCI and FVTPL that is attributable to changes in credit risk is not material.

Credit risk – loans and advances to customers

Credit risk associated with mortgage lending is largely driven by the housing market and level of unemployment. A recession and/or high interest rates could cause pressure within the market, resulting in rising levels of arrears and repossessions.

All loan applications are assessed in accordance with the Group's Lending Policy. Changes to the policy are approved by the Group Risk Committee, with mandates set for the approval of loan applications.

The Group Credit Committee and ALCO regularly monitor lending activity, taking appropriate actions to reprice products and adjust lending criteria in order to control risk and manage exposure. Where necessary and appropriate, changes to the Lending Policy are recommended to the Group Risk Committee.

The following tables show the Group's maximum exposure to credit risk and the impact of collateral held as security, capped at the gross exposure amount, by impairment stage. Capped collateral excludes the impact of forced sale discounts and costs to sell. The collateral value is determined by indexing against HPI data.

	OSB		CCFS		Total	
2024	Gross carrying amount £m	Capped collateral held £m	Gross carrying amount £m	Capped collateral held £m	Gross carrying amount £m	Capped collateral held £m
Stage 1	**12,338.1**	**12,290.5**	**7,539.0**	**7,538.4**	**19,877.1**	**19,828.9**
Stage 2	**2,417.4**	**2,416.0**	**1,935.5**	**1,935.0**	**4,352.9**	**4,351.0**
Stage 3	**655.7**	**649.6**	**294.1**	**294.1**	**949.8**	**943.7**
Stage 3 (POCI)	**27.8**	**27.4**	**32.7**	**32.6**	**60.5**	**60.0**
	15,439.0	**15,383.5**	**9,801.3**	**9,800.1**	**25,240.3**	**25,183.6**
2023						
Stage 1	11,263.0	11,228.7	9,313.8	9,313.8	20,576.8	20,542.5
Stage 2	2,718.6	2,717.0	1,819.3	1,818.6	4,537.9	4,535.6
Stage 3	494.3	488.8	217.2	217.2	711.5	706.0
Stage 3 (POCI)	33.4	33.0	37.5	37.4	70.9	70.4
	14,509.3	14,467.5	11,387.8	11,387.0	25,897.1	25,854.5

The Group's main form of collateral held is property, based in the UK and the Channel Islands.

Notes to the Consolidated Financial Statements continued

42. Risk management continued

The Group uses indexed loan to value (LTV) ratios to assess the quality of the uncapped collateral held. Property values are updated to reflect changes in the HPI. A breakdown of loans and advances to customers by indexed LTV is as follows:

	2024				2023			
	OSB £m	CCFS £m	Total £m	%	OSB £m	CCFS £m	Total £m	%
Band								
0%–50%	**2,375.0**	**1,091.3**	**3,466.3**	**14**	2,454.7	1,105.5	3,560.2	14
50%–60%	**2,291.2**	**1,312.7**	**3,603.9**	**14**	2,275.8	1,454.5	3,730.3	14
60%–70%	**4,548.2**	**3,035.8**	**7,584.0**	**30**	4,414.4	3,244.0	7,658.4	30
70%–80%	**4,624.2**	**3,881.3**	**8,505.5**	**34**	3,822.1	5,000.9	8,823.0	34
80%–90%	**1,043.7**	**461.5**	**1,505.2**	**6**	1,045.7	573.2	1,618.9	6
90%–100%	**221.0**	**14.8**	**235.8**	**1**	222.0	8.8	230.8	1
>100%	**335.7**	**3.9**	**339.6**	**1**	274.6	0.9	275.5	1
Total loans before provisions	**15,439.0**	**9,801.3**	**25,240.3**	**100**	14,509.3	11,387.8	25,897.1	100

The table below shows the LTV banding for the OSB segments' two major lending streams:

	2024				2023			
OSB	BTL/SME £m	Residential £m	Total £m	%	BTL/SME £m	Residential £m	Total £m	%
Band								
0%–50%	**1,037.4**	**1,337.6**	**2,375.0**	**15**	1,078.1	1,376.6	2,454.7	17
50%–60%	**2,021.2**	**270.0**	**2,291.2**	**15**	2,027.5	248.3	2,275.8	16
60%–70%	**4,345.0**	**203.2**	**4,548.2**	**29**	4,181.4	233.0	4,414.4	30
70%–80%	**4,430.7**	**193.5**	**4,624.2**	**30**	3,616.9	205.2	3,822.1	26
80%–90%	**799.1**	**244.6**	**1,043.7**	**8**	826.3	219.4	1,045.7	7
90%–100%	**190.8**	**30.2**	**221.0**	**1**	174.8	47.2	222.0	2
>100%	**331.6**	**4.1**	**335.7**	**2**	270.1	4.5	274.6	2
Total loans before provisions	**13,155.8**	**2,283.2**	**15,439.0**	**100**	12,175.1	2,334.2	14,509.3	100

Notes to the Consolidated Financial Statements continued

42. Risk management continued

The tables below show the LTV analysis of the OSB BTL/SME sub-segment:

Band 2024	OSB Buy-to-Let[1] £m	Commercial £m	Residential development £m	Funding lines £m	Total £m
0%–50%	**925.7**	**107.0**	**3.9**	**0.8**	**1,037.4**
50%–60%	**1,819.0**	**128.7**	**66.1**	**7.4**	**2,021.2**
60%–70%	**3,951.9**	**207.2**	**184.0**	**1.9**	**4,345.0**
70%–80%	**3,918.8**	**495.5**	**7.0**	**9.4**	**4,430.7**
80%–90%	**562.0**	**237.1**	**–**	**–**	**799.1**
90%–100%	**100.8**	**90.0**	**–**	**–**	**190.8**
>100%	**239.9**	**90.5**	**1.0**	**0.2**	**331.6**
Total loans before provisions	**11,518.1**	**1,356.0**	**262.0**	**19.7**	**13,155.8**

2023	Buy-to-Let[1] £m	Commercial £m	Residential development £m	Funding lines £m	Total £m
0%–50%	968.1	93.4	8.2	8.4	1,078.1
50%–60%	1,857.3	106.6	61.1	2.5	2,027.5
60%–70%	3,800.3	169.7	210.5	0.9	4,181.4
70%–80%	3,271.4	323.6	–	21.9	3,616.9
80%–90%	596.0	230.3	–	–	826.3
90%–100%	68.7	106.1	–	–	174.8
>100%	202.7	66.0	1.0	0.4	270.1
Total loans before provisions	10,764.5	1,095.7	280.8	34.1	12,175.1

1. Includes net investment in finance leases.

The table below shows the LTV analysis of the OSB Residential sub-segment:

OSB	2024 First charge £m	2024 Second charge £m	2024 Total £m	2023 First charge £m	2023 Second charge £m	2023 Total £m
Band						
0%–50%	**1,272.8**	**64.8**	**1,337.6**	1,292.6	84.0	1,376.6
50%–60%	**248.6**	**21.4**	**270.0**	219.9	28.4	248.3
60%–70%	**192.9**	**10.3**	**203.2**	218.3	14.7	233.0
70%–80%	**189.5**	**4.0**	**193.5**	199.5	5.7	205.2
80%–90%	**244.0**	**0.6**	**244.6**	218.1	1.3	219.4
90%–100%	**29.8**	**0.4**	**30.2**	46.8	0.4	47.2
>100%	**3.6**	**0.5**	**4.1**	3.9	0.6	4.5
Total loans before provisions	**2,181.2**	**102.0**	**2,283.2**	2,199.1	135.1	2,334.2

Notes to the Consolidated Financial Statements continued

42. Risk management continued

The tables below show the LTV analysis of the four CCFS sub-segment:

Band	CCFS					
				Second charge lending	Total	
2024	Buy-to-Let £m	Residential £m	Bridging £m	£m	£m	%
0%–50%	**335.2**	**607.7**	**123.8**	**24.6**	**1,091.3**	**11**
50%–60%	**714.9**	**508.1**	**73.1**	**16.6**	**1,312.7**	**13**
60%–70%	**2,024.9**	**896.5**	**101.4**	**13.0**	**3,035.8**	**31**
70%–80%	**3,099.8**	**713.3**	**60.3**	**7.9**	**3,881.3**	**40**
80%–90%	**183.0**	**275.7**	**1.2**	**1.6**	**461.5**	**5**
90%–100%	**7.4**	**3.6**	**3.7**	**0.1**	**14.8**	**–**
>100%	**2.1**	**0.8**	**1.0**	**–**	**3.9**	**–**
Total loans before provisions	**6,367.3**	**3,005.7**	**364.5**	**63.8**	**9,801.3**	**100**
2023						
0%–50%	360.3	573.9	138.1	33.2	1,105.5	10
50%–60%	838.1	527.7	66.8	21.9	1,454.5	13
60%–70%	2,365.6	782.7	79.9	15.8	3,244.0	28
70%–80%	4,098.0	849.2	43.4	10.3	5,000.9	44
80%–90%	271.7	296.0	2.3	3.2	573.2	5
90%–100%	3.5	3.3	2.0	–	8.8	–
>100%	–	0.3	0.6	–	0.9	–
Total loans before provisions	7,937.2	3,033.1	333.1	84.4	11,387.8	100

Forbearance measures undertaken

The Group has a range of options available where borrowers experience financial difficulties that impact their ability to service their financial commitments under the loan agreement. These options are explained in the Risk review on pages 46 to 69.

A summary of the forbearance measures undertaken during the year is shown below. The balances disclosed reflect the year-end balance of the accounts where a forbearance measure was undertaken during the year.

Forbearance type	Number of accounts 2024	As at 31 December 2024 £m	Restated[1] Number of accounts 2023	As at 31 December 2023 £m
Interest-only switch	**1,081**	**127.3**	510	67.5
Interest rate reduction	**1,077**	**85.6**	637	69.8
Term extension	**1**	**0.1**	3	0.2
Payment deferral	**747**	**104.5**	689	101.2
Payment concession (reduced monthly payments)	**72**	**17.4**	72	15.2
Capitalisation of interest	**14**	**2.7**	18	2.7
Full or partial debt forgiveness	**21**	**10.6**	125	4.5
Total	**3,013**	**348.2**	2,054	261.1
Loan type				
First charge owner-occupier	**2,322**	**226.1**	1,299	153.6
Second charge owner-occupier	**169**	**4.9**	294	8.0
Buy-to-Let	**460**	**104.0**	371	82.2
Commercial	**62**	**13.2**	90	17.3
Total	**3,013**	**348.2**	2,054	261.1

1. In 2024 the Group updated its forbearance reporting to standardise the approach used across its entities. To aid comparability, the 2023 figures have been restated to reflect this change. This has the effect of increasing the number of accounts in 2023 by 502 to 2,054 and the 2023 year-end balance by £26.4m to £261.1m.

Notes to the Consolidated Financial Statements continued

42. Risk management continued

Geographical analysis by region

An analysis of loans, excluding asset finance leases, by region is provided below:

	2024				2023			
Region	OSB £m	CCFS £m	Total £m	%	OSB £m	CCFS £m	Total £m	%
East Anglia	**447.4**	**1,084.7**	**1,532.1**	**6**	480.1	1,236.2	1,716.3	7
East Midlands	**756.7**	**674.3**	**1,431.0**	**6**	723.4	774.7	1,498.1	6
Greater London	**6,329.8**	**2,769.6**	**9,099.4**	**36**	6,185.6	3,416.4	9,602.0	37
Guernsey	**17.0**	**–**	**17.0**	**–**	18.2	–	18.2	–
Jersey	**63.2**	**–**	**63.2**	**–**	67.8	–	67.8	–
North East	**224.4**	**282.4**	**506.8**	**2**	195.7	299.6	495.3	2
North West	**1,017.1**	**890.1**	**1,907.2**	**8**	983.4	1,031.0	2,014.4	8
Northern Ireland	**7.9**	**–**	**7.9**	**–**	9.4	–	9.4	–
Scotland	**23.5**	**282.1**	**305.6**	**1**	61.1	298.1	359.2	1
South East	**3,419.1**	**1,577.6**	**4,996.7**	**20**	2,907.8	1,834.0	4,741.8	18
South West	**1,047.7**	**680.1**	**1,727.8**	**7**	959.4	751.2	1,710.6	7
Wales	**345.1**	**289.4**	**634.5**	**3**	327.4	315.0	642.4	3
West Midlands	**907.4**	**755.9**	**1,663.3**	**7**	992.6	851.0	1,843.6	7
Yorks and Humberside	**515.8**	**515.1**	**1,030.9**	**4**	374.7	580.6	955.3	4
Total loans before provisions	**15,122.1**	**9,801.3**	**24,923.4**	**100**	14,286.6	11,387.8	25,674.4	100

Approach to measurement of credit quality

The Group categorises the credit quality of loans and advances to customers into internal risk grades based on the 12-month PD calculated at the reporting date. The PDs include a combination of internal behavioural and credit bureau characteristics and are aligned with capital models to generate the risk grades which are then further grouped into the following credit quality segments:

- Excellent quality – where there is a very high likelihood the asset will be recovered in full with a negligible or very low risk of default.
- Good quality – where there is a high likelihood the asset will be recovered in full with a low risk of default.
- Satisfactory quality – where the assets demonstrate a moderate default risk.
- Lower quality – where the assets require closer monitoring and the risk of default is of greater concern.

Notes to the Consolidated Financial Statements continued

42. Risk management continued

The following tables disclose the credit risk quality ratings of loans and advances to customers by IFRS 9 stage. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period for the life of the loan. Loans and advances to customers initially booked on very low PDs and graded as excellent quality loans can experience SICR and therefore be moved to Stage 2. Similarly, loans and advances to customers initially booked on high PDs having lower credit quality can remain in stage 1 if subsequently SICR is not experienced or triggered. Such loans may still be graded as excellent quality, if they meet the overall criteria.

2024	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m	PD lower range %	PD upper range %
OSB							
Excellent	**5,426.9**	**212.9**	**–**	**–**	**5,639.8**	**–**	**0.3**
Good	**6,199.2**	**1,135.3**	**–**	**–**	**7,334.5**	**0.3**	**2.0**
Satisfactory	**633.0**	**503.1**	**–**	**–**	**1,136.1**	**2.0**	**7.4**
Lower	**79.0**	**566.1**	**–**	**–**	**645.1**	**7.4**	**100.0**
Impaired	**–**	**–**	**655.7**	**–**	**655.7**	**100.0**	**100.0**
POCI	**–**	**–**	**–**	**27.8**	**27.8**	**100.0**	**100.0**
CCFS							
Excellent	**4,623.4**	**622.3**	**–**	**–**	**5,245.7**	**–**	**0.3**
Good	**2,682.2**	**740.7**	**–**	**–**	**3,422.9**	**0.3**	**2.0**
Satisfactory	**220.1**	**242.5**	**–**	**–**	**462.6**	**2.0**	**7.4**
Lower	**13.3**	**330.0**	**–**	**–**	**343.3**	**7.4**	**100.0**
Impaired	**–**	**–**	**294.1**	**–**	**294.1**	**100.0**	**100.0**
POCI	**–**	**–**	**–**	**32.7**	**32.7**	**100.0**	**100.0**
	19,877.1	**4,352.9**	**949.8**	**60.5**	**25,240.3**		

2023	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m	PD lower range %	PD upper range %
OSB							
Excellent	4,609.0	257.1	–	–	4,866.1	–	0.3
Good	6,062.0	1,397.6	–	–	7,459.6	0.3	2.0
Satisfactory	543.1	505.9	–	–	1,049.0	2.0	7.4
Lower	48.9	558.0	–	–	606.9	7.4	100.0
Impaired	–	–	494.3	–	494.3	100.0	100.0
POCI	–	–	–	33.4	33.4	100.0	100.0
CCFS							
Excellent	6,204.6	633.1	–	–	6,837.7	–	0.3
Good	2,934.3	653.7	–	–	3,588.0	0.3	2.0
Satisfactory	168.2	213.5	–	–	381.7	2.0	7.4
Lower	6.7	319.0	–	–	325.7	7.4	100.0
Impaired	–	–	217.2	–	217.2	100.0	100.0
POCI	–	–	–	37.5	37.5	100.0	100.0
	20,576.8	4,537.9	711.5	70.9	25,897.1		

Notes to the Consolidated Financial Statements continued

42. Risk management continued

The tables below show the Group's other financial assets and derivatives by credit risk rating grade. The credit grade is based on the external credit rating of the counterparty; AAA to AA- are rated Excellent; A+ to A- are rated Good; and BBB+ to BBB- are rated Satisfactory.

2024	Excellent £m	Good £m	Satisfactory £m	Total £m
Investment securities	**1,434.4**	**–**	**–**	**1,434.4**
Loans and advances to credit institutions	**3,127.2**	**264.4**	**14.3**	**3,405.9**
Derivative assets	**174.7**	**139.1**	**–**	**313.8**
	4,736.3	**403.5**	**14.3**	**5,154.1**
2023				
Investment securities	621.7	–	–	621.7
Loans and advances to credit institutions	2,446.7	357.7	9.2	2,813.6
Derivative assets	239.7	290.9	–	530.6
	3,308.1	648.6	9.2	3,965.9

Credit risk – loans and advances to credit institutions and investment securities

The Group holds treasury instruments in order to meet liquidity requirements and for general business purposes. The credit risk arising from these investments is closely monitored and managed by the Group's Treasury function. In managing these assets, Group Treasury operates within guidelines laid down in the Group Market and Liquidity Risk Policy approved by ALCO and performance is monitored and reported to ALCO monthly, including through the use of an internally developed rating model based on counterparty credit default swap spreads.

The Group has limited exposure to emerging markets (Indian operations) and non-investment grade debt. ALCO is responsible for approving treasury counterparties.

During the year, the average balance of cash in hand, loans and advances to credit institutions and investment securities on a monthly basis was £4,081.1m (2023: £3,848.3m).

The table below shows the industry sector of the Group's loans and advances to credit institutions and investment securities:

	2024		2023	
	£m	%	£m	%
BoE[1]	**3,053.9**	**63**	2,325.9	68
Other banks	**352.0**	**7**	487.7	14
Central government	**226.0**	**5**	296.0	9
Securitisation	**1,208.4**	**25**	325.7	9
Total	**4,840.3**	**100**	3,435.3	100

1. 2023 Balances with the BoE include £69.6m held in the cash ratio deposit.

The table below shows the geographical exposure of the Group's loans and advances to credit institutions and investment securities:

	2024		2023	
	£m	%	£m	%
United Kingdom	**4,821.1**	**100**	3,418.0	99
India	**19.2**	**–**	17.3	1
Total	**4,840.3**	**100**	3,435.3	100

The Group monitors exposure concentrations against a variety of criteria, including asset class, sector and geography. To avoid refinancing risks associated with any one counterparty, sector or geographical region, the Board has set appropriate limits.

For further information on Credit risk please refer to pages 64.

Notes to the Consolidated Financial Statements continued

42. Risk management continued

Liquidity risk

Liquidity risk is the risk of having insufficient liquid assets to fulfil obligations as they become due or the cost of raising liquid funds becoming too expensive.

The Group's approach to managing liquidity risk is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding in order to retain full public confidence in the solvency of the Group and to enable the Group to meet its financial obligations as they fall due. This is achieved through maintaining a prudent level of liquid assets and control of the growth of the business. The Group has established call accounts with the BoE and has access to its contingent liquidity facilities.

The Board has delegated the responsibility for liquidity management to the Chief Executive Officer, assisted by ALCO, with day-to-day management delegated to Treasury as detailed in the Group Market and Liquidity Risk Policy. The Board is responsible for setting risk appetite limits over the level and maturity profile of funding and for monitoring the composition of the Group financial position.

The Group also monitors a range of triggers which are designed to capture liquidity stresses in advance in order to allow sufficient time for management action to take effect. These are monitored daily, with breaches immediately reported to the Group Chief Risk Officer, Chief Executive Officer, Chief Financial Officer and the Group Treasurer.

The tables below show the maturity profile for the Group's financial assets and liabilities based on contractual maturities at the reporting date:

2024	Carrying amount £m	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m
Financial asset by type						
Cash in hand	0.3	0.3	–	–	–	–
Loans and advances to credit institutions	3,405.9	3,386.5	12.5	6.7	0.2	–
Investment securities	1,434.4	–	606.2	127.2	647.4	53.6
Loans and advances to customers	25,126.3	–	212.6	480.7	1,831.3	22,601.7
Derivative assets	313.8	–	11.3	25.5	274.8	2.2
Total assets	30,280.7	3,386.8	842.6	640.1	2,753.7	22,657.5
Financial liability by type						
Amounts owed to retail depositors	23,820.3	7,314.5	7,267.6	8,125.9	1,112.3	–
Amounts owed to credit institutions	1,935.2	160.0	321.5	1,453.7	–	–
Amounts owed to other customers	104.9	1.4	5.2	98.3	–	–
Derivative liabilities	81.9	–	1.2	9.4	71.2	0.1
Debt securities in issue	1,018.3	–	2.3	–	1,016.0	–
Lease liabilities	9.1	–	0.4	1.4	6.0	1.3
Senior notes	722.7	–	25.3	–	697.4	–
Subordinated liabilities	259.8	–	10.7	–	249.1	–
Total liabilities	27,952.2	7,475.9	7,634.2	9,688.7	3,152.0	1.4
Cumulative liquidity gap		(4,089.1)	(10,880.7)	(19,929.3)	(20,327.6)	2,328.5

Notes to the Consolidated Financial Statements continued

42. Risk management continued

2023	Carrying amount £m	On demand £m	Less than 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m
Financial asset by type						
Cash in hand	0.4	0.4	–	–	–	–
Loans and advances to credit institutions	2,813.6	2,623.7	19.7	–	128.8	41.4
Investment securities	621.7	–	101.2	301.7	218.8	–
Loans and advances to customers	25,765.0	–	249.6	469.1	1,383.1	23,663.2
Derivative assets	530.6	–	6.6	79.4	444.6	–
Total assets	29,731.3	2,624.1	377.1	850.2	2,175.3	23,704.6
Financial liability by type						
Amounts owed to retail depositors	22,126.6	4,220.7	6,119.6	9,110.9	2,675.4	–
Amounts owed to credit institutions	3,575.0	–	106.4	10.0	3,458.6	–
Amounts owed to other customers	63.3	–	45.1	18.2	–	–
Derivative liabilities	199.9	–	6.0	18.9	164.9	10.1
Debt securities in issue	818.5	–	–	–	818.5	–
Lease liabilities	11.2	–	0.4	1.7	7.9	1.2
Senior notes	307.5	–	9.0	–	298.5	–
Subordinated liabilities	259.5	–	10.7	–	248.8	–
PSBs	15.2	–	–	15.2	–	–
Total liabilities	27,376.7	4,220.7	6,297.2	9,174.9	7,672.6	11.3
Cumulative liquidity gap		(1,596.6)	(7,516.7)	(15,841.4)	(21,338.7)	2,354.6

Liquidity risk – undiscounted contractual cash flows

The following tables provide an analysis of the Group's gross contractual undiscounted cash flows, derived using interest rates and contractual maturities at the reporting date and excluding impacts of early payments or non-payments:

2024	Carrying amount £m	Gross inflow/ outflow £m	Up to 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m
Financial asset by type						
Cash in hand	**0.3**	**0.3**	**0.3**	**–**	**–**	**–**
Loans and advances to credit institutions	**3,405.9**	**3,406.0**	**3,399.1**	**6.7**	**0.2**	**–**
Investment securities	**1,434.4**	**1,558.2**	**619.0**	**159.0**	**725.4**	**54.8**
Loans and advances to customers	**25,126.3**	**62,539.2**	**553.6**	**1,849.2**	**9,284.6**	**50,851.8**
Derivative assets	**313.8**	**325.1**	**63.9**	**139.4**	**121.8**	**–**
Total assets	**30,280.7**	**67,828.8**	**4,635.9**	**2,154.3**	**10,132.0**	**50,906.6**
Off-balance sheet loan commitments	**987.0**	**987.0**	**987.0**	**–**	**–**	**–**
Financial liability by type						
Amounts owed to retail depositors	**23,820.3**	**25,520.8**	**15,413.9**	**8,929.7**	**1,177.2**	**–**
Amounts owed to credit institutions	**1,935.2**	**1,991.6**	**484.1**	**1,507.5**	**–**	**–**
Amounts owed to other customers	**104.9**	**104.9**	**1.4**	**5.2**	**98.3**	**–**
Derivative liabilities	**81.9**	**88.4**	**11.6**	**14.3**	**62.5**	**–**
Debt securities in issue	**1,018.3**	**1,177.0**	**32.4**	**95.4**	**1,049.2**	**–**
Lease liabilities	**9.1**	**9.0**	**0.4**	**1.4**	**5.9**	**1.3**
Senior notes	**722.7**	**945.3**	**32.0**	**32.0**	**881.3**	**–**
Subordinated liabilities	**259.8**	**343.7**	**12.5**	**12.5**	**318.7**	**–**
Total liabilities	**27,952.2**	**30,180.7**	**15,988.3**	**10,598.0**	**3,593.1**	**1.3**

Notes to the Consolidated Financial Statements continued

42. Risk management continued

2023	Carrying amount £m	Gross inflow/ outflow £m	Up to 3 months £m	3–12 months £m	1–5 years £m	More than 5 years £m
Financial asset by type						
Cash in hand	0.4	0.4	0.4	–	–	–
Loans and advances to credit institutions	2,813.6	2,813.6	2,643.4	–	128.8	41.4
Investment securities	621.7	678.9	106.4	320.0	252.5	–
Loans and advances to customers	25,765.0	66,593.7	561.8	1,931.8	9,532.1	54,568.0
Derivative assets	530.6	540.7	99.1	247.5	193.6	0.5
Total assets	29,731.3	70,627.3	3,411.1	2,499.3	10,107.0	54,609.9
Off-balance sheet loan commitments	999.4	999.4	999.4	–	–	–
Financial liability by type						
Amounts owed to retail depositors	22,126.6	22,453.2	10,385.4	9,313.9	2,753.9	–
Amounts owed to credit institutions	3,575.0	3,888.6	106.4	122.1	3,660.1	–
Amounts owed to other customers	63.3	63.3	45.1	18.2	–	–
Derivative liabilities	199.9	195.7	2.3	4.7	186.1	2.6
Debt securities in issue	818.5	1,048.4	151.5	103.4	793.5	–
Lease liabilities	11.2	12.6	0.4	1.7	8.3	2.2
Senior notes	307.5	414.1	14.3	14.3	385.5	–
Subordinated liabilities	259.5	368.7	12.5	12.5	343.7	–
PSBs	15.2	15.6	0.3	15.3	–	–
Total liabilities	27,376.7	28,460.2	10,718.2	9,606.1	8,131.1	4.8

The actual repayment profile of retail deposits may differ from the analysis above due to the option of early withdrawal with a penalty.

Cash flows on PSBs are disclosed up to the next interest rate reset date.

The actual repayment profile of loans and advances to customers may differ from the analysis above since many mortgage loans are repaid prior to the contractual end date.

Liquidity risk – asset encumbrance

Asset encumbrance levels are monitored by ALCO. The following tables provide an analysis of the Group's encumbered and unencumbered assets:

	Encumbered		Unencumbered		
2024	Pledged as collateral £m	Other[1] £m	Available as collateral £m	Other £m	Total £m
Cash in hand	**–**	**–**	**0.3**	**–**	**0.3**
Loans and advances to credit institutions	**134.2**	**40.6**	**3,053.9**	**177.2**	**3,405.9**
Investment securities	**22.7**	**–**	**1,411.7**	**–**	**1,434.4**
Loans and advances to customers[2]	**4,741.1**	**–**	**19,101.3**	**1,283.9**	**25,126.3**
Derivative assets	**–**	**–**	**–**	**313.8**	**313.8**
Non-financial assets	**–**	**–**	**–**	**(37.1)**	**(37.1)**
	4,898.0	**40.6**	**23,567.2**	**1,737.8**	**30,243.6**
2023					
Cash in hand	–	–	0.4	–	0.4
Loans and advances to credit institutions	198.6	101.4	2,256.3	257.3	2,813.6
Investment securities	27.1	–	594.6	–	621.7
Loans and advances to customers[2]	6,934.1	–	17,808.8	1,022.1	25,765.0
Derivative assets	–	–	–	530.6	530.6
Non-financial assets	–	–	–	(141.5)	(141.5)
	7,159.8	101.4	20,660.1	1,668.5	29,589.8

1. Represents assets that are not pledged but that the Group believes it is restricted from using to secure funding for legal or other reasons.
2. Unencumbered loans and advances to customers classified as other are restricted for use as collateral. These include property registered outside of UK (Jersey and Guernsey), loans and advances not secured by immovable property and non-performing loans.

Notes to the Consolidated Financial Statements continued

42. Risk management continued

Liquidity risk – liquidity reserves

The tables below analyse the Group's liquidity reserves, where carrying value is considered to be equal to fair value:

	2024 £m	2023 £m
Unencumbered balances with central banks	**3,053.9**	2,256.3
Unencumbered cash and balances with other banks	**177.2**	257.3
Other cash and cash equivalents	**0.3**	0.4
Unencumbered investment securities	**1,411.7**	594.6
	4,643.1	3,108.6

Market risk

Market risk is the risk of an adverse change in the Group's income or the Group's net worth arising from movement in interest rates, exchange rates or other market prices. Market risk exists, to some extent, in all the Group's businesses. The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings and preservation of shareholder value.

Interest rate risk

The primary market risk faced by the Group is interest rate risk. Interest rate risk is the risk of loss from adverse movement in the overall level of interest rates. It arises from mismatches in the timing of repricing of assets and liabilities, both on and off-balance sheet. The Group does not run a trading book, with all interest rate risk residing in the banking book (interest rate risk in the banking book (IRRBB)). Through prudent management, the Group seeks to minimise its IRRBB exposures, typically through matching assets and liabilities with similar tenors, executing offsetting interest rate swaps and maintaining a structural hedge programme.

OSB and CCFS Banks apply an economic value (EV) at risk approach as well as an earnings-at-risk approach for interest rate risk and basis risk. The interest rate sensitivity is impacted by behavioural assumptions used by the Group; the most significant of which are prepayments and mortgage offer pipeline take up. Expected prepayments and offer conversions are monitored and modelled on a regular basis based upon historical analysis.

The EV measure of duration risk quantifies risk by applying six shaped interest rate shocks scenarios to the current forward curve. Scenarios are reviewed on semi-annual basis and approved by ALCO and are based on three 'shapes' of curve movement (parallel, twist, flex) using historical data to calibrate the severity of the shocks applied. The most detrimental net present value to these scenarios is measured against the Board risk appetite of 1.5% of Tier 1 capital. The table below shows the maximum decreases to net interest income under these scenarios after taking into account the effect of hedging:

	2024 £m	2023 £m
OSB	**9.2**	2.3
CCFS	**2.9**	1.8
	12.1	4.1

The earnings measure of duration risk (EaR) quantifies the impact of changes in interest rates to the net interest income of the bank within a given 12-month time horizon. A parallel shock of +/-100bps is applied to interest rate sensitive instruments to determine EaR sensitivity of the Group, assuming a constant balance sheet. EaR risk appetite limits are approved by the Board, and currently set at 4% of full-year net interest income (NII). The table below shows the maximum decreases after taking into account the effect of hedging:

	2024 £m	2023 £m
OSB	**1.1**	6.5
CCFS	**6.5**	9.2
	7.6	15.7

EaR quantifies the impact of changes in interest rates to the net interest income within a given 3-year time horizon. A parallel shock of +/-100bps is applied to interest rate sensitive instruments to determine EaR sensitivity of the Group, assuming a constant balance sheet. EaR risk appetite limits are approved by the Board, and currently set at 4% of 3-year net interest income.

	2024 £m	2023 £m
OSB	**14.2**	24.6
CCFS	**19.0**	25.6
	33.2	50.2

Notes to the Consolidated Financial Statements continued

42. Risk management continued

Basis risk measures the degree to which the bank is sensitive to exposures repricing by varying degrees, even where their duration is the same, due to them being linked to different indices. These indices may be market rates (e.g. BBR or SONIA) or administered (e.g. the Group's SVR, other discretionary variable rates, or that received on call accounts with other banks). The Group measures basis risk using the impact of four scenarios on net interest income over a one-year period, with the largest negative impact across the scenarios being the basis risk exposure assessed against risk appetite. Dislocations between the bases are calculated on a 1 in 20-year confidence interval level and include increasing, decreasing and static base rate environment, as well as a fourth scenario (in a decreasing rate environment) which measures the impact of the timing lag between the repricing of administered rate savings against SVR linked mortgages. The Board has set a limit on basis risk exposure across both banks of 3% of full year net interest income. The table below shows the maximum decreases to net interest income at 31 December 2024 and 2023:

	2024 £m	2023 £m
OSB	**6.7**	7.7
CCFS	**4.1**	4.8
	10.8	12.5

Foreign exchange rate risk

The Group has limited exposure to foreign exchange risk in respect of its Indian operations. A 5% increase in the GBP/INR exchange rate would result in a £0.7m (2023: £0.9m) effect in profit or loss and £1.0m (2023: £0.6m) in equity.

Structured entities

The structured entities consolidated within the Group at 31 December 2024 were Canterbury Finance No.2 plc, Canterbury Finance No.3 plc, Canterbury Finance No.4 plc, Canterbury Finance No.5 plc, CMF 2020-1 plc, CMF 2023-1 plc, Keys Warehouse No.1 Limited, CMF 2024-1 plc and PMF 2024-1 plc. These entities hold legal title to a pool of mortgages which are used as a security for issued debt. The transfer of mortgages fails derecognition criteria because the Group retained the subordinated notes and residual certificates issued and as such did not transfer substantially the risks and rewards of ownership of the securitised mortgages. Therefore, the Group is exposed to credit, interest rate and other risks on the securitised mortgages.

Cash flows generated from the structured entities are ring-fenced and are used to pay interest and principal of the issued debt securities in a waterfall order according to the seniority of the bonds. The structured entities are self-funded and the Group is not contractually or constructively obliged to provide further liquidity or financial support.

The structured entities consolidated within the Group at 31 December 2023 were Canterbury Finance No.2 plc, Canterbury Finance No.3 plc, Canterbury Finance No.4 plc, Canterbury Finance No.5 plc, CMF 2020-1 plc, CMF 2023-1 plc and Keys Warehouse No.1 Limited.

Unconsolidated structured entities

Structured entities, which were sponsored by the Group include Charter Mortgage Funding 2018-1 plc, Precise Mortgage Funding 2019-1B plc, Precise Mortgage Funding 2020-1B plc, PMF 2024-2 plc and Rochester Financing No.3 plc.

The structured entities are considered sponsored by the Group if any of the following conditions are met:

- the Group had a key role in establishing the entity.
- the Group transferred assets to the entity.
- the entity's name includes a reference to the Group.
- the Group provides guarantees on the entity's performance.

These structured entities are not consolidated by the Group, as the Group does not control the entities and is not exposed to the risks and rewards of ownership from the securitised mortgages. The Group has no contractual arrangements with the unconsolidated structured entities other than the investments disclosed in note 16 and servicing the structured entities' mortgage portfolios.

The Group has not provided any support to the unconsolidated structured entities listed and has no obligation or intention to do so.

During 2024 the Group received £8.1m interest income (2023: £5.3m) and £2.1m servicing income (2023: £2.6m) from unconsolidated structured entities.

Notes to the Consolidated Financial Statements continued

43. Financial instruments and fair values

i. Financial assets and financial liabilities

The following tables set out the classification of financial instruments in the Consolidated Statement of Financial Position:

	Note	2024 FVTPL[1] £m	FVOCI £m	Amortised cost £m	Total carrying amount £m
Assets					
Cash in hand		**–**	**–**	**0.3**	**0.3**
Loans and advances to credit institutions	15	**–**	**–**	**3,405.9**	**3,405.9**
Investment securities	16	**410.1**	**226.0**	**798.3**	**1,434.4**
Loans and advances to customers	17	**12.9**	**–**	**25,113.4**	**25,126.3**
Derivative assets	22	**313.8**	**–**	**–**	**313.8**
Other assets[2]	24	**–**	**–**	**1.7**	**1.7**
		736.8	**226.0**	**29,319.6**	**30,282.4**
Liabilities					
Amounts owed to retail depositors	28	**–**	**–**	**23,820.3**	**23,820.3**
Amounts owed to credit institutions	27	**–**	**–**	**1,935.2**	**1,935.2**
Amounts owed to other customers	29	**–**	**–**	**104.9**	**104.9**
Debt securities in issue	30	**–**	**–**	**1,018.3**	**1,018.3**
Derivative liabilities	22	**81.9**	**–**	**–**	**81.9**
Other liabilities[3]	32	**–**	**–**	**56.2**	**56.2**
Senior notes	34	**–**	**–**	**722.7**	**722.7**
Subordinated liabilities	35	**–**	**–**	**259.8**	**259.8**
		81.9	**–**	**27,917.4**	**27,999.3**

1. All FVTPL assets and liabilities are mandatorily measured as such.
2. Balance excludes prepayments.
3. Balance excludes deferred income.

	Note	2023 FVTPL £m	FVOCI £m	Amortised cost £m	Total carrying amount £m
Assets					
Cash in hand		–	–	0.4	0.4
Loans and advances to credit institutions	15	10.7	–	2,802.9	2,813.6
Investment securities	16	0.3	296.0	325.4	621.7
Loans and advances to customers	17	13.7	–	25,751.3	25,765.0
Derivative assets	22	530.6	–	–	530.6
Other assets[1]	24	–	–	11.9	11.9
		555.3	296.0	28,891.9	29,743.2
Liabilities					
Amounts owed to retail depositors	28	–	–	22,126.6	22,126.6
Amounts owed to credit institutions	27	–	–	3,575.0	3,575.0
Amounts owed to other customers	29	–	–	63.3	63.3
Debt securities in issue	30	–	–	818.5	818.5
Derivative liabilities	22	199.9	–	–	199.9
Other liabilities[2]	32	–	–	39.2	39.2
Senior notes	34	–	–	307.5	307.5
Subordinated liabilities	35	–	–	259.5	259.5
PSBs	36	–	–	15.2	15.2
		199.9	–	27,204.8	27,404.7

1. Balance excludes prepayments.
2. Balance excludes deferred income.

The Group has no non-derivative financial assets or financial liabilities classified as held for trading.

The designation at FVTPL for all financial assets is applied at inception.

Notes to the Consolidated Financial Statements continued

43. Financial instruments and fair values continued

ii. Fair values

The following tables summarise the carrying value and estimated fair value of financial instruments not measured at fair value in the Consolidated Statement of Financial Position:

	2024		2023	
	Carrying value £m	Estimated fair value £m	Carrying value £m	Estimated fair value £m
Assets				
Cash in hand	**0.3**	**0.3**	0.4	0.4
Loans and advances to credit institutions	**3,405.9**	**3,405.9**	2,802.9	2,802.9
Investment securities	**798.3**	**796.0**	325.4	325.2
Loans and advances to customers	**25,113.4**	**24,843.5**	25,751.3	24,900.0
Other assets[1]	**1.7**	**1.7**	11.9	11.9
	29,319.6	**29,047.4**	28,891.9	28,040.4
Liabilities				
Amounts owed to retail depositors	**23,820.3**	**23,806.8**	22,126.6	22,125.4
Amounts owed to credit institutions	**1,935.2**	**1,935.2**	3,575.0	3,575.0
Amounts owed to other customers	**104.9**	**104.9**	63.3	63.3
Debt securities in issue	**1,018.3**	**1,018.3**	818.5	818.5
Other liabilities[2]	**56.2**	**56.2**	39.2	39.2
Senior notes	**722.7**	**763.0**	307.5	309.1
Subordinated liabilities	**259.8**	**273.5**	259.5	246.0
PSBs	**–**	**–**	15.2	14.4
	27,917.4	**27,957.9**	27,204.8	27,190.9

1. Balance excludes prepayments.
2. Balance excludes deferred income.

The fair values in these tables are estimated using the valuation techniques below. The estimated fair value is stated as at 31 December and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of each financial instrument.

Cash in hand

This represents physical cash across the Group's branch network where fair value is considered to be equal to carrying value.

Loans and advances to credit institutions

This mainly represents the Group's working capital current accounts and call accounts with central governments and other banks with an original maturity of less than three months. Fair value is not considered to be materially different to carrying value.

Investment securities

Investment securities' fair values are provided by a third party and are based on the market values of the financial instruments.

Loans and advances to customers

This mainly represents secured mortgage lending to customers. The fair value of fixed rate mortgages has been estimated by discounting future cash flows at current market rates of interest. Future cash flows include the impact of ECL. The interest rate on variable rate mortgages is considered to be equal to current market product rates and as such fair value is estimated to be equal to carrying value.

Other assets

Other assets disclosed in the table above exclude prepayments and the fair value is considered to be equal to carrying value.

Amounts owed to retail depositors

The fair value of fixed rate retail deposits has been estimated by discounting future cash flows at current market rates of interest. Retail deposits at variable rates and deposits payable on demand are considered to be at current market rates and as such fair value is estimated to be equal to carrying value.

Amounts owed to credit institutions

This mainly represents amounts drawn down under the BoE TFSME, ILTR and commercial repos. Fair value is considered to be equal to carrying value.

Amounts owed to other customers

This represents saving products to corporations and local authorities. The fair value of fixed rate deposits is estimated by discounting future cash flows at current market rates of interest. Deposits at variable rates are considered to be at current market rates and the fair value is estimated to be equal to carrying value.

Notes to the Consolidated Financial Statements continued

43. Financial instruments and fair values continued

Debt securities in issue

While the Group's debt securities in issue are listed, the quoted prices for an individual note may not be indicative of the fair value of the issue as a whole, due to the specialised nature of the market in such instruments and the limited number of investors participating in it. Fair value is not considered to be materially different to carrying value.

Other liabilities

Other liabilities disclosed in the table above exclude deferred income and the fair value is considered to be equal to carrying value.

Senior notes, Subordinated liabilities and PSBs

The senior notes, subordinated liabilities and PSBs are listed on the London Stock Exchange with fair value being the quoted market price at the reporting date.

iii. Fair value classification

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following tables provide an analysis of financial assets and financial liabilities measured at fair value in the Consolidated Statement of Financial Position grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

2024	Carrying amount £m	Principal amount £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets						
Investment securities	**636.1**	**638.3**	**226.0**	**409.8**	**0.3**	**636.1**
Loans and advances to customers	**12.9**	**14.9**	**–**	**–**	**12.9**	**12.9**
Derivative assets	**313.8**	**16,474.8**	**–**	**313.8**	**–**	**313.8**
	962.8	**17,128.0**	**226.0**	**723.6**	**13.2**	**962.8**
Financial liabilities						
Derivative liabilities	**81.9**	**11,291.4**	**–**	**81.9**	**–**	**81.9**

2023	Carrying amount £m	Principal amount £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets						
Loans and advances to credit institutions	10.7	10.1	–	10.7	–	10.7
Investment securities	296.3	300.3	296.0	–	0.3	296.3
Loans and advances to customers	13.7	16.3	–	–	13.7	13.7
Derivative assets	530.6	17,568.6	–	530.6	–	530.6
	851.3	17,895.3	296.0	541.3	14.0	851.3
Financial liabilities						
Derivative liabilities	199.9	8,913.6	–	199.9	–	199.9

Level 1: Fair values that are based entirely on quoted market prices (unadjusted) in an actively traded market for identical assets and liabilities that the Group has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on readily available observable market prices, this makes them most reliable, reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

Level 2: Fair values that are based on one or more quoted prices in markets that are not active or for which all significant inputs are taken from directly or indirectly observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are no quoted prices available for similar instruments in active markets.

Level 3: Fair values for which any one or more significant input is not based on observable market data and the unobservable inputs have a significant effect on the instrument's fair value. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determining the fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instruments being valued, determination of the probability of counterparty default and prepayments, determination of expected volatilities and correlations and the selection of appropriate discount rates.

Notes to the Consolidated Financial Statements continued

43. Financial instruments and fair values continued

The following tables provide an analysis of financial assets and financial liabilities not measured at fair value in the Consolidated Statement of Financial Position grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

2024	Carrying amount £m	Principal amount £m	Estimated fair value Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets						
Cash in hand	**0.3**	**0.3**	**–**	**0.3**	**–**	**0.3**
Loans and advances to credit institutions	**3,405.9**	**3,400.1**	**–**	**3,405.9**	**–**	**3,405.9**
Investment securities	**798.3**	**793.2**	**–**	**796.0**	**–**	**796.0**
Loans and advances to customers	**25,113.4**	**25,313.6**	**–**	**2,183.0**	**22,660.5**	**24,843.5**
Other assets[1]	**1.7**	**1.7**	**–**	**1.7**	**–**	**1.7**
	29,319.6	**29,508.9**	**–**	**6,386.9**	**22,660.5**	**29,047.4**
Financial liabilities						
Amounts owed to retail depositors	**23,820.3**	**23,412.5**	**–**	**8,464.0**	**15,342.8**	**23,806.8**
Amounts owed to credit institutions	**1,935.2**	**1,913.0**	**–**	**1,935.2**	**–**	**1,935.2**
Amounts owed to other customers	**104.9**	**103.1**	**–**	**–**	**104.9**	**104.9**
Debt securities in issue	**1,018.3**	**1,016.2**	**–**	**1,018.3**	**–**	**1,018.3**
Other liabilities[2]	**56.2**	**56.2**	**–**	**56.2**	**–**	**56.2**
Senior notes	**722.7**	**700.0**	**–**	**763.0**	**–**	**763.0**
Subordinated liabilities	**259.8**	**250.0**	**–**	**273.5**	**–**	**273.5**
	27,917.4	**27,451.0**	**–**	**12,510.2**	**15,447.7**	**27,957.9**

1. Balance excludes prepayments.
2. Balance excludes deferred income.

2023	Carrying amount £m	Principal amount £m	Estimated fair value Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets						
Cash in hand	0.4	0.4	–	0.4	–	0.4
Loans and advances to credit institutions	2,802.9	2,785.8	–	2,802.9	–	2,802.9
Investment securities	325.4	323.7	–	325.2	–	325.2
Loans and advances to customers	25,751.3	25,928.2	–	2,112.9	22,787.1	24,900.0
Other assets[1]	11.9	11.9	–	11.9	–	11.9
	28,891.9	29,050.0	–	5,253.3	22,787.1	28,040.4
Financial liabilities						
Amounts owed to retail depositors	22,126.6	21,766.3	–	5,786.2	16,339.2	22,125.4
Amounts owed to credit institutions	3,575.0	3,524.8	–	3,575.0	–	3,575.0
Amounts owed to other customers	63.3	61.6	–	–	63.3	63.3
Debt securities in issue	818.5	818.2	–	818.5	–	818.5
Other liabilities[2]	39.2	39.2	–	39.2	–	39.2
Senior notes	307.5	300.0	–	309.1	–	309.1
Subordinated liabilities	259.5	250.0	–	246.0	–	246.0
PSBs	15.2	15.0	–	14.4	–	14.4
	27,204.8	26,775.1	–	10,788.4	16,402.5	27,190.9

1. Balance excludes prepayments.
2. Balance excludes deferred income.

44. Pension scheme

Defined contribution scheme

The amount charged to profit or loss in respect of contributions to the Group's defined contribution and stakeholder pension arrangements is the contribution payable in the year. The total pension cost in the year amounted to £5.7m (2023: £4.9m).

Notes to the Consolidated Financial Statements continued

45. Operating segments

The Group segments its lending business and operates under two segments in line with internal reporting to the Board:

- OSB
- CCFS

The Group applies consistent accounting policies across all segments. The Group separately discloses the impact of Combination accounting but does not consider this a business segment.

The financial position and results of operations of the above segments are summarised below:

2024	OSB £m	CCFS £m	Combination £m	Total £m
Balances at the reporting date				
Gross loans and advances to customers	**15,439.0**	**9,814.2**	**–**	**25,253.2**
Expected credit losses	**(101.1)**	**(25.8)**	**–**	**(126.9)**
Loans and advances to customers	**15,337.9**	**9,788.4**	**–**	**25,126.3**
Capital expenditure	**43.7**	**0.2**	**–**	**43.9**
Depreciation and amortisation	**7.5**	**3.1**	**0.7**	**11.3**
Profit or loss for the year				
Net interest income/(expense)	**389.0**	**301.6**	**(24.2)**	**666.4**
Other (expense)/income	**(3.5)**	**3.1**	**1.2**	**0.8**
Total income/(expense)	**385.5**	**304.7**	**(23.0)**	**667.2**
Impairment of financial assets	**2.9**	**9.9**	**(1.1)**	**11.7**
Contribution to profit	**388.4**	**314.6**	**(24.1)**	**678.9**
Administrative expenses	**(149.9)**	**(107.5)**	**(0.7)**	**(258.1)**
Provisions	**(2.7)**	**–**	**–**	**(2.7)**
Profit/(loss) before taxation	**235.8**	**207.1**	**(24.8)**	**418.1**
Taxation[1]	**(65.3)**	**(51.6)**	**6.9**	**(110.0)**
Profit/(loss) for the year	**170.5**	**155.5**	**(17.9)**	**308.1**

1. The taxation on Combination credit includes release of deferred taxation on CCFS Combination relating to the unwind of the deferred tax liabilities recognised on the fair value adjustments of the CCFS assets and liabilities at the acquisition date of £6.3m and the release of other deferred tax assets on Combination adjustments of £0.6m.

2023	OSB £m	CCFS £m	Combination £m	Total £m
Balances at the reporting date				
Gross loans and advances to customers	14,509.3	11,377.2	24.3	25,910.8
Expected credit losses	(111.1)	(35.8)	1.1	(145.8)
Loans and advances to customers	14,398.2	11,341.4	25.4	25,765.0
Capital expenditure	25.6	0.2	–	25.8
Depreciation and amortisation	6.9	3.3	1.7	11.9
Profit or loss for the year				
Net interest income/(expense)	473.8	240.9	(56.1)	658.6
Other (expense)/income	(3.1)	(3.8)	6.4	(0.5)
Total income/(expense)	470.7	237.1	(49.7)	658.1
Impairment of financial assets	(41.6)	(6.9)	(0.3)	(48.8)
Contribution to profit	429.1	230.2	(50.0)	609.3
Administrative expenses	(132.5)	(100.4)	(1.7)	(234.6)
Provisions	(0.3)	(0.1)	–	(0.4)
Profit/(loss) before taxation	296.3	129.7	(51.7)	374.3
Taxation[1]	(75.6)	(30.7)	14.6	(91.7)
Profit/(loss) for the year	220.7	99.0	(37.1)	282.6

1. The taxation on Combination credit includes release of deferred taxation on CCFS Combination relating to the unwind of the deferred tax liabilities recognised on the fair value adjustments of the CCFS assets and liabilities at the acquisition date of £14.3m and the release of other deferred tax assets on Combination adjustments of £0.3m.

Notes to the Consolidated Financial Statements continued

46. Country by country reporting (CBCR)

CBCR was introduced through Article 89 of CRD IV, aimed at the banking and capital markets industry. The name, nature of activities and geographic location of the Group's companies are presented below:

Jurisdiction	Country	Name	Activities
UK[1]	England	OSB GROUP PLC	Holding company
		OneSavings Bank plc	Mortgage lending and deposit taking
		5D Finance Limited	Mortgage servicer and provider
		Broadlands Finance Limited	Mortgage administration services
		CCFSG Holdings Limited (formerly: Charter Court Financial Services Group Plc)[2]	Intermediate holding company
		Charter Court Financial Services Limited	Mortgage lending and deposit taking
		Charter Mortgages Limited	Mortgage administration and analytical services
		Easioption Limited	Intermediate holding company
		Exact Mortgage Experts Limited	Group service company
		Guernsey Home Loans Limited	Mortgage provider
		Heritable Development Finance Limited	Mortgage originator and servicer
		Inter Bay Financial I Limited	Intermediate holding company
		InterBay Asset Finance Limited	Asset finance and mortgage provider
		Interbay Funding, Ltd	Mortgage servicer
		Interbay ML, Ltd	Mortgage provider
		Jersey Home Loans Limited	Mortgage provider
		Prestige Finance Limited	Mortgage originator and servicer
		Reliance Property Loans Limited	Mortgage provider
		Rochester Mortgages Limited	Mortgage provider
	Guernsey	Guernsey Home Loans Limited	Mortgage provider
	Jersey	Jersey Home Loans Limited	Mortgage provider

1. Guernsey Home Loans Limited (Guernsey) and Jersey Home Loans Limited (Jersey) are incorporated in Guernsey and Jersey respectively but are considered to be located in the UK as they are managed and controlled in the UK with no permanent establishments in Guernsey or Jersey.

Notes to the Consolidated Financial Statements continued

46. Country by country reporting (CBCR) continued

Jurisdiction	Country	Name	Activities
UK	England	Canterbury Finance No. 2 plc	Special purpose vehicle
		Canterbury Finance No. 3 plc	
		Canterbury Finance No. 4 plc	
		Canterbury Finance No. 5 plc	
		CMF 2020-1 plc	
		Keys Warehouse No.1 Limited	
		CMF 2023-1 plc	
		CMF 2024-1 plc	
		PMF 2024-1 plc	
UK	England	WSE Bourton Road Limited	Land lease investment
India	India	OSB India Private Limited	Back office processing

2. On 18 March 2024 Charter Court Financial Services Group Plc changed its name to CCFSG Holdings Limited.

Other disclosures required by the CBCR directive are provided below:

2024	UK	India	Consolidation[2]	Total
Average number of employees	**1,566**	**993**	**–**	**2,559**
Turnover[1], £m	**666.1**	**21.9**	**(20.8)**	**667.2**
Profit/(loss) before tax, £m	**417.1**	**3.5**	**(2.5)**	**418.1**
Corporation tax paid, £m	**118.5**	**0.9**	**–**	**119.4**
2023				
Average number of employees	1,461	811	–	2,272
Turnover[1], £m	657.3	18.7	(17.9)	658.1
Profit/(loss) before tax, £m	373.5	3.1	(2.3)	374.3
Corporation tax paid, £m	102.8	0.8	–	103.6

1. Turnover represents total income before impairment of financial and intangible assets, regulatory provisions and operating costs, but after net interest income, gains and losses on financial instruments and other operating income.
2. Relates to a management fee to Indian subsidiaries from OneSavings Bank plc for providing back-office processing.

Notes to the Consolidated Financial Statements continued

46. Country by country reporting (CBCR) continued

The tables below reconcile tax charged and tax paid during the year.

2024	UK £m	India £m	Total £m
Tax charge	**109.1**	**0.9**	**110.0**
Effects of:			
Other timing differences	**0.9**	**–**	**0.9**
Tax outside of profit or loss	**(0.2)**	**–**	**(0.2)**
Prior year tax included within tax charge	**4.8**	**–**	**4.8**
Tax in relation to future periods prepaid	**3.9**	**–**	**3.9**
Tax paid	**118.5**	**0.9**	**119.4**

2023	UK £m	India £m	Total £m
Tax charge	90.9	0.8	91.7
Effects of:			
Other timing differences	13.6	–	13.6
Tax outside of profit or loss	(0.5)	–	(0.5)
Prior year tax included within tax charge	0.4	–	0.4
Tax in relation to future periods prepaid	(1.6)	–	(1.6)
Tax paid	102.8	0.8	103.6

47. Adjustments for non-cash items and changes in operating assets and liabilities

	2024 £m	2023 £m
Adjustments for non-cash and other items		
Depreciation and amortisation	**11.3**	11.9
Interest on investment securities	**(41.3)**	(23.6)
Interest on subordinated liabilities	**25.3**	17.1
Interest on PSBs	**0.5**	0.7
Interest on securitised debt	**62.7**	21.5
Interest on senior notes	**63.5**	9.1
Interest on financing debt	**114.7**	197.3
Impairment (credit)/ charge on loans	**(11.7)**	48.8
Administrative expenses	**–**	0.8
Provisions	**2.7**	0.4
Net expense on derivative financial instruments – subordinated liabilities and senior notes	**7.2**	–
Net expense on derivative financial instruments – structural hedge	**3.3**	–
Fair value losses on financial instruments	**1.5**	4.4
Share-based payments	**6.3**	5.6
Total adjustments for non-cash and other items	**246.0**	294.0
Changes in operating assets and liabilities		
Decrease in loans and advances to credit institutions	**125.7**	112.5
Increase in loans and advances to customers[1]	**(135.0)**	(2,200.5)
Increase in amounts owed to retail depositors	**1,693.7**	2,370.8
Decrease in cash collateral and margin received	**(52.8)**	(336.9)
Net decrease/(increase) in other assets	**9.8**	(12.6)
Net decrease in derivatives and hedged items	**1.7**	(23.2)
Net increase/(decrease) in amounts owed to other customers	**41.6**	(49.8)
Net increase in other liabilities	**6.3**	0.9
Exchange differences on working capital	**–**	(0.7)
Total changes in operating assets and liabilities	**1,691.0**	(139.5)

1. The movement in loans and advances to customers has been adjusted to reflect the effect of £786.1m (2023: nil) of non-cash consideration received initially as part of the PMF 2024-1 securitisation. The classification of the cash consideration received, included in the movement, reflects the operating nature of the assets sold.

Notes to the Consolidated Financial Statements continued

48. Controlling party

As at 31 December 2024 there was no controlling party of the ultimate parent company of the Group, OSB GROUP PLC.

49. Transactions with key management personnel

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. During the year, there were no related party transactions between the key management personnel and the Group other than as described below.

The Directors and Group Executive team are considered to be key management personnel.

Directors' remuneration is disclosed in note 9 and in the Directors' Remuneration Report on page 158. The Group Executive team are all employees of OSB, the table below shows the aggregate remuneration for members of the team who are non-directors:

	2024 £'000	2023 £'000
Short-term employee benefits	**4,770**	4,451
Post-employment benefits	**232**	62
Share-based payments	**1,371**	1,291
	6,373	5,804

Key management personnel and connected persons held deposits with the Group of £1.6m (2023: £2.3m).

50. Capital management

The Group's capital management approach is to provide a sufficient capital base to cover business risks and support future business development. The Group remained, throughout the year, compliant with its capital requirements as set out by the PRA, the Group's primary prudential supervisor.

The Group manages and reports its capital at a number of levels including Group level and for the two regulated banking entities within the Group, on an individual consolidation basis (OSB solo) and on an individual entity basis (Charter Court Financial Services Limited). OSB solo consists of OneSavings Bank plc and its UK subsidiaries except for the CCFS entities acquired in 2019. The capital position of the two regulated banking entities is not separately disclosed.

The Group's capital management is based on the three 'pillars' of Basel III.

Under Pillar 1, the Group calculates its minimum capital requirements based on 8% of risk-weighted assets.

Under Pillar 2, the Group, and its regulated entities, complete an annual self-assessment of risks known as the Internal Capital Adequacy Assessment Process (ICAAP). The PRA applies additional requirements to this assessment amount to cover risks under Pillar 2 to generate a Total Capital Requirement and also sets capital buffers for the Group.

Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess information on the Group's capital, risk exposures and risk assessment process. The Group's Pillar 3 disclosures can be found on the Group's website.

On 12 September 2024, the PRA issued its final rules on the implementing Basel 3.1 in the UK and subsequently delayed the implementation date by one year until 1st January 2027. The Group has taken account of this in planning for future capital requirements.

The ultimate responsibility for capital adequacy rests with the Board of Directors. The Group's ALCO is responsible for the management of the capital process within the risk appetite defined by the Board, including approving policy, overseeing internal controls and setting internal limits over capital ratios.

The Group actively manages its capital position and reports this on a regular basis to the Board and senior management via ALCO and other governance committees. Capital requirements are included within budgets, forecasts and strategic plans with initiatives being executed against this plan.

Notes to the Consolidated Financial Statements continued

50. Capital management continued

The Group's Pillar 1 capital information is presented below:

	(Unaudited) 2024 £m	(Unaudited) 2023 £m
Common Equity Tier 1 (CET1) capital		
Called up share capital	**3.7**	3.9
Share premium[1]	**4.5**	3.8
Retained earnings	**3,406.4**	3,330.2
Foreseeable dividends	**(85.2)**	(85.7)
Other reserves[1]	**(1,341.2)**	(1,343.4)
CET1 capital: instruments and reserves	**1,988.2**	1,908.8
Regulatory Adjustments		
Prudent valuation adjustment[2]	**(0.4)**	(0.5)
Intangible assets	**(48.8)**	(26.1)
Deferred tax asset	**(0.2)**	(0.3)
COVID-19 ECL transitional adjustment[3]	**7.6**	23.8
Total CET1 capital	**1,946.4**	1,905.7
AT1 capital		
AT1 securities	**150.0**	150.0
Total Tier 1 capital	**2,096.4**	2,055.7
Tier 2 capital		
Tier 2 securities	**250.0**	250.0
Total Tier 2 capital	**250.0**	250.0
Total regulatory capital	**2,346.4**	2,305.7
Risk-weighted assets (unaudited)	**11,915.7**	11,845.6

1. The share-based payment reserve which was previously presented alongside share premium has been re-presented as part of other reserves. Also, transfer reserve which was previously presented separately has been re-presented as part of other reserves.
2. The Group has adopted the simplified approach under the Prudent Valuation rules, recognising a deduction equal to sum of absolute value equal to 0.1% (2023: 0.1%) of fair value assets and liabilities excluding offsetting fair-valued assets and liabilities.
3. The COVID-19 ECL transitional adjustment relates to 25% (2023: 50%) of the Group's increase in stage 1 and stage 2 ECL following the impacts of COVID-19 and for which transitional rules are being adopted for regulatory capital purposes.

The movement in CET1 during the year was as follows:

	(Unaudited) 2024 £m	(Unaudited) 2023 £m
As at 1 January	**1,905.7**	1,920.7
Movement in retained earnings	**76.2**	(59.2)
Share premium from Sharesave Scheme vesting	**0.7**	1.4
Movement in other reserves	**2.0**	1.3
Movement in foreseeable dividends	**0.5**	58.3
IFRS 9 transitional adjustment	**–**	(1.4)
COVID-19 ECL transitional adjustment	**(16.2)**	(2.1)
Movement in prudent valuation adjustment	**0.1**	0.5
Net increase in intangible assets	**(22.7)**	(14.1)
Movement in deferred tax asset for carried forward losses	**0.1**	0.3
As at 31 December	**1,946.4**	1,905.7

The Group's MREL information is presented below:

	(Unaudited) 2024 £m	(Unaudited) 2023 £m
Total regulatory capital	**2,346.4**	2,305.7
Eligible liabilities	**700.0**	300.0
Total own funds and eligible liabilities	**3,046.4**	2,605.7

On 16 January 2024, the Group issued a further £400.0m (2023: £300.0m) of senior unsecured callable notes through OSB GROUP PLC which, while not included in total regulatory capital, are eligible to meet MREL.

The Group has been given a preferred resolution strategy of a single point of entry bail-in at the holding company level by the PRA and has begun compliance with the interim MREL requirement of 18% of Risk Weighted Assets (RWAs).

The end-state MREL requirement applies from July 2026 and is the higher of:

(i) two times the sum of Pillar 1 and Pillar 2A plus regulatory buffers; or

(ii) if subject to a leverage ratio, two times the applicable requirement plus regulatory buffers.

51. Events after the reporting date

The Board has authorised a share repurchase of up to £100.0m of shares in the market from 14 March 2025. Any purchases made under this programme will be announced to the market each day in line with regulatory requirements.

Company Statement of Financial Position

As at 31 December 2024

	Note	2024 £m	2023 £m
Assets			
Investments in subsidiaries and intercompany loans	2	**2,584.5**	2,160.1
Current taxation asset		**0.8**	0.1
Total assets		**2,585.3**	2,160.2
Liabilities			
Other liabilities	3	**10.5**	–
Senior notes	4	**722.7**	307.5
Subordinated liabilities	4	**259.8**	259.5
		993.0	567.0
Equity			
Share capital	4	**3.7**	3.9
Share premium	4	**4.5**	3.8
Other equity instruments	4	**150.0**	150.0
Retained earnings		**1,354.2**	1,358.6
Other reserves	6	**79.9**	76.9
Shareholders' funds		**1,592.3**	1,593.2
Total equity and liabilities		**2,585.3**	2,160.2

The profit after tax for the year ended 31 December 2024 of OSBG was £227.7m (2023: £343.0m). As permitted by section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the Company.

The notes on pages 260 to 263 form an integral part of the Company financial statements.

The financial statements were approved by the Board of Directors on 12 March 2025 and were signed on its behalf by:

Andy Golding
Chief Executive Officer

Victoria Hyde
Chief Financial Officer

Company number: 11976839

Company Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital £m	Share premium £m	Capital redemption and transfer reserve[1] £m	Own shares[2] £m	Share-based payment reserve £m	Other equity instruments £m	Retained earnings £m	Total £m
As at 1 January 2023	4.3	2.4	65.9	(2.2)	10.2	150.0	1,359.3	1,589.9
Profit for the year	–	–	–	–	–	–	343.0	343.0
Dividend paid	–	–	–	–	–	–	(185.0)	(185.0)
Share-based payments	–	1.4	–	–	1.4	–	3.1	5.9
Own shares[2]	–	–	–	1.2	–	–	(1.2)	–
Coupon paid on AT1 securities	–	–	–	–	–	–	(9.0)	(9.0)
Share repurchase[3]	(0.4)	–	0.4	–	–	–	(151.6)	(151.6)
As at 31 December 2023	3.9	3.8	66.3	(1.0)	11.6	150.0	1,358.6	1,593.2
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**227.7**	**227.7**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(126.4)**	**(126.4)**
Share-based payments	**–**	**0.7**	**–**	**–**	**2.7**	**–**	**4.5**	**7.9**
Own shares[2]	**–**	**–**	**–**	**0.1**	**–**	**–**	**(0.1)**	**–**
Coupon paid on AT1 securities	**–**	**–**	**–**	**–**	**–**	**–**	**(9.0)**	**(9.0)**
Share repurchase[3]	**(0.2)**	**–**	**0.2**	**–**	**–**	**–**	**(101.1)**	**(101.1)**
As at 31 December 2024	**3.7**	**4.5**	**66.5**	**(0.9)**	**14.3**	**150.0**	**1,354.2**	**1,592.3**

1. Includes Capital redemption reserve of £0.8m (2023: £0.6m) and Transfer reserve of £65.7m (2023: £65.7m).
2. The Company has adopted look-through accounting (see note 1 c) to the Group's consolidated financial statements) and recognised the EBT within OSBG.
3. Includes £100.0m (2023: £150.0m) for shares repurchased, £0.4m (2023: £0.8m) for transaction costs and £0.7m (2023: £0.8m) for incentive fee.

Company Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit before taxation		**227.7**	342.9
Adjustments for non-cash and other items:			
Interest on subordinated liabilities		**25.3**	17.1
Interest on senior notes		**63.5**	9.1
Administrative expenses		**–**	0.8
Changes in operating assets and liabilities:			
Change in intercompany loans[1]		**(417.2)**	(565.7)
Cash used in operating activities		**(100.7)**	(195.8)
Net tax paid		**(0.8)**	–
Net cash used in operating activities		**(101.5)**	(195.8)
Cash flows from investing activities			
Change in investments in subsidiaries		**–**	–
Net cash from investing activities		**–**	–
Cash flows from financing activities			
Issuance of subordinated liabilities	5	**–**	248.7
Issuance of senior notes	5	**398.0**	298.4
Interest paid on financing	5	**(71.3)**	(6.3)
Share repurchase[2]		**(90.6)**	(152.4)
Dividend paid		**(126.4)**	(185.0)
Coupon paid on AT1 securities		**(9.0)**	(9.0)
Proceeds from issuance of shares under employee SAYE scheme		**0.8**	1.4
Net cash from financing activities		**101.5**	195.8

	Note	2024 £m	2023 £m
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at the beginning of the year		**–**	–
Cash and cash equivalents at the end of the year[3]		**–**	–
Movement in cash and cash equivalents		**–**	–
Cash flows from operating activities include:			
Dividends received from subsidiary[4]		**218.7**	335.0

1. Includes less than £0.1m (2023: less than £0.1m) of current taxation asset surrendered to OSB.
2. Includes £89.9m (2023: £150.0m) for shares repurchased, £0.4m (2023: £0.8m) transaction costs and £0.3m (2023: £1.6m) incentive fee.
3. The Company's bank balance is swept to OneSavings Bank plc daily resulting in a nil balance.
4. The Company's principal activity is to hold the investment in its wholly owned subsidiary, OneSavings Bank plc. Dividends received are treated as operating income.

Notes to the Company Financial Statements

For the year ended 31 December 2024

1. Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with IFRS as adopted by the UK.

The financial statements have been prepared on the historical cost basis. The financial statements are presented in pounds Sterling. All amounts in the financial statements have been rounded to the nearest £0.1m (£m). The functional currency of the Company is pounds Sterling, which is the currency of the primary economic environment in which the Company operates.

The principal accounting policies adopted are the same as those set out in note 1 to the Group's consolidated financial statements, aside from accounting policy in note 1v share-based payments. For the Company, the cost of the awards is recognised on a straight-line basis to investment in subsidiaries (with a corresponding increase in the share-based payment reserve within equity) over the vesting period in which the employees become unconditionally entitled to the awards.

There are no critical judgements and estimates that apply to the Company.

2. Investments in subsidiaries and intercompany loans

The Company holds an investment in ordinary shares of £1,452.1m (2023: £1,445.0m) and in AT1 securities of £90.0m (2023: £90.0m) in its direct subsidiary, OneSavings Bank plc (OSB). The Company also holds an investment in AT1 securities of £60.0m (2023: £60.0m) in an indirect subsidiary, Charter Court Financial Services Limited. The investment in shares and AT1 securities are carried at cost.

	Investment in subsidiaries £m	Intercompany loans (payable)/ receivable £m
As at 1 January 2023	1,590.7	(0.8)
Additions[1]	4.3	571.3
Repayments	–	(5.4)
As at 31 December 2023	1,595.0	565.1
Additions[1]	**7.2**	**418.8**
Repayments	**–**	**(1.6)**
As at 31 December 2024	**1,602.2**	**982.3**

1. Additions in investment in subsidiaries include £7.2m relating to share-based payments (2023: includes £4.3m relating to share-based payments).

The transactions with subsidiaries during the year comprise transactions with OSB which include senior notes issuance of £400.0m, £15.5m of accrued interest movement on subordinated liabilities and senior notes. Repayments include £0.8m of share repurchase costs and £0.8m relates to tax funded by OSB (2023: The transactions with subsidiaries comprise a subordinated liabilities issuance of £250m, a senior notes issuance of £300m, £19.6m of accrued interest movement on subordinated liabilities and senior notes and £1.7m of cash received from issuing shares under SAYE. Repayments include £2.4m of share repurchase costs, issuance cost of £1.6m and £1.3m on senior notes and subordinated liabilities respectively funded by OSB).

Investments in AT1 securities are financial assets and intercompany loans are financial liabilities. Intercompany loans are payable on demand and no interest is charged on these loans. Intercompany loans receivable includes subordinated liabilities and senior notes issued by subsidiaries. The rates and other terms and conditions are same as the Company's external issued senior notes and subordinated liabilities. For details see note 34 Senior notes and note 35 Subordinated liabilities of the Group's consolidated financial statements.

A list of the Company's direct and indirect subsidiaries as at 31 December 2024 is shown below:

Direct investments	Activity	Registered office	Ownership
OneSavings Bank plc	Mortgage lending and deposit taking	Reliance House	100%

Indirect investments	Activity	Registered office	Ownership
5D Finance Limited	Mortgage servicer and provider	Reliance House	100%
Broadlands Finance Limited	Mortgage administration services	Charter Court	100%
Canterbury Finance No.2 plc	Special purpose vehicle	Churchill Place	–
Canterbury Finance No.3 plc	Special purpose vehicle	Churchill Place	–
Canterbury Finance No.4 plc	Special purpose vehicle	Churchill Place	–
Canterbury Finance No.5 plc	Special purpose vehicle	Churchill Place	–
CCFSG Holdings Limited (formerly: Charter Court Financial Services Group Plc)[1]	Holding company	Charter Court	100%

Notes to the Company Financial Statements continued

2. Investments in subsidiaries and intercompany loans continued

Indirect investments	Activity	Registered office	Ownership
Charter Court Financial Services Limited	Mortgage lending and deposit taking	Charter Court	100%
Charter Mortgages Limited	Mortgage administration and analytical services	Charter Court	100%
CMF 2020-1 plc	Special purpose vehicle	Churchill Place	–
CMF 2023-1 plc	Special purpose vehicle	Churchill Place	–
CMF 2024-1 plc	Special purpose vehicle	Churchill Place	–
Easioption Limited	Holding company	Reliance House	100%
Exact Mortgage Experts Limited	Group service company	Charter Court	100%
Guernsey Home Loans Limited	Mortgage provider	Reliance House	100%
Guernsey Home Loans Limited (Guernsey)	Mortgage provider	Guernsey	100%
Heritable Development Finance Limited	Mortgage originator and servicer	Reliance House	100%
Inter Bay Financial I Limited	Holding company	Reliance House	100%
InterBay Asset Finance Limited	Asset finance and mortgage provider	Reliance House	100%
Interbay Funding, Ltd	Mortgage servicer	Reliance House	100%
Interbay ML, Ltd	Mortgage provider	Reliance House	100%
Jersey Home Loans Limited	Mortgage provider	Reliance House	100%
Jersey Home Loans Limited (Jersey)	Mortgage provider	Jersey	100%
Keys Warehouse No.1 Limited	Special purpose vehicle	Churchill Place	–
OSB India Private Limited	Back office processing	India	100%
PMF 2024-1 plc	Special purpose vehicle	Churchill Place	–
Prestige Finance Limited	Mortgage originator and servicer	Reliance House	100%
Reliance Property Loans Limited	Mortgage provider	Reliance House	100%
Rochester Mortgages Limited	Mortgage provider	Reliance House	100%
WSE Bourton Road Limited	Land lease investment	OSB House	100%

1. On 18 March 2024 Charter Court Financial Services Group Plc changed its name to CCFSG Holdings Limited.

A list of the Company's direct and indirect subsidiaries as at 31 December 2023 is shown below:

Direct investments	Activity	Registered office	Ownership
OneSavings Bank plc	Mortgage lending and deposit taking	Reliance House	100%

Indirect investments	Activity	Registered office	Ownership
5D Finance Limited	Mortgage servicer and provider	Reliance House	100%
Broadlands Finance Limited	Mortgage administration services	Charter Court	100%
Canterbury Finance No.2 plc	Special purpose vehicle	Churchill Place	–
Canterbury Finance No.3 plc	Special purpose vehicle	Churchill Place	–
Canterbury Finance No.4 plc	Special purpose vehicle	Churchill Place	–
Canterbury Finance No.5 plc	Special purpose vehicle	Churchill Place	–
CCFSG Holdings Limited (formerly: Charter Court Financial Services Group Plc)[1]	Holding company	Charter Court	100%

Notes to the Company Financial Statements continued

2. Investments in subsidiaries and intercompany loans continued

Indirect investments	Activity	Registered office	Ownership
Charter Court Financial Services Limited	Mortgage lending and deposit taking	Charter Court	100%
Charter Mortgages Limited	Mortgage administration and analytical services	Charter Court	100%
CMF 2020-1 plc	Special purpose vehicle	Churchill Place	–
CMF 2023-1 plc	Special purpose vehicle	Churchill Place	–
Easioption Limited	Holding company	Reliance House	100%
Exact Mortgage Experts Limited	Group service company	Charter Court	100%
Guernsey Home Loans Limited	Mortgage provider	Reliance House	100%
Guernsey Home Loans Limited (Guernsey)	Mortgage provider	Guernsey	100%
Heritable Development Finance Limited	Mortgage originator and servicer	Reliance House	100%
Inter Bay Financial I Limited	Holding company	Reliance House	100%
InterBay Asset Finance Limited	Asset finance and mortgage provider	Reliance House	100%
Interbay Funding, Ltd	Mortgage servicer	Reliance House	100%
Interbay ML, Ltd	Mortgage provider	Reliance House	100%
Jersey Home Loans Limited	Mortgage provider	Reliance House	100%
Jersey Home Loans Limited (Jersey)	Mortgage provider	Jersey	100%
Keys Warehouse No.1 Limited	Special purpose vehicle	Churchill Place	–
OSB India Private Limited	Back office processing	India	100%

Indirect investments	Activity	Registered office	Ownership
Prestige Finance Limited	Mortgage originator and servicer	Reliance House	100%
Reliance Property Loans Limited	Mortgage provider	Reliance House	100%
Rochester Mortgages Limited	Mortgage provider	Reliance House	100%
WSE Bourton Road Limited	Land lease investment	OSB House	100%

1. On 18 March 2024 Charter Court Financial Services Group Plc changed its name to CCFSG Holdings Limited.

All investments are in the ordinary share capital of each subsidiary.

OSB India Private Limited is owned 70.28% by OneSavings Bank plc, 29.72% by Easioption Limited and 0.001% by Reliance Property Loans Limited.

SPVs which the Group controls are treated as subsidiaries for accounting purposes.

All of the entities listed above have been consolidated into the Group's consolidated financial statements. The location of the entities listed above are disclosed in note 46 to the Group's consolidated financial statements.

The investment and intercompany receivables are reviewed annually for indicators of impairment. If impairment indicators are identified an impairment review of the investment is conducted which will quantify if the carrying value is in excess of the recoverable amount or an impairment has occurred. In determining recoverable amount, the fair value less costs to sell and the value in use are assessed, with the value in use being an estimate of the present value of future cash flows generated by the investment. Impairment of intercompany receivables is considered within the scope of IFRS 9 for ECL.

The following are the registered offices of the subsidiaries:

Charter Court – 2 Charter Court, Broadlands, Wolverhampton, WV10 6TD

Churchill Place – 5 Churchill Place, 10th Floor, London, E14 5HU

Guernsey – 2nd Floor, Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey GY1 2JP

India – Salarpuria Magnificia No. 78, 9th & 10th floor, Old Madras Road, Bangalore, India, 560016

Jersey – 26 New Street, St Helier, Jersey, JE2 3RA

OSB House – Quayside, Chatham Maritime, Chatham, England, ME4 4QZ

Reliance House – Reliance House, Sun Pier, Chatham, Kent, ME4 4ET

Notes to the Company Financial Statements continued

3. Other liabilities

	2024 £m	2023 £m
Falling due within one year		
Other creditors	**0.5**	–
Share repurchase liability	**10.0**	–
	10.5	–

For details see note 32 Other liabilities of the Group's consolidated financial statements on page 230.

4. Senior notes, subordinated liabilities, share capital, and other equity instruments

For details see note 34 Senior notes, 35 Subordinated liabilities, 38 Share capital and 39 Other equity instruments of the Group's consolidated financial statements from page 231 to 233.

5. Reconciliation of cash flows from financing activities

The tables below show a reconciliation of the Company's liabilities classified as financing activities within the Company statement of cash flows:

	Senior notes (see note 4) £m	Subordinated liabilities (see note 4) £m	Total £m
As at 1 January 2023	–	–	–
Cash movements:			
Principal drawdowns	298.4	248.7	547.1
Interest paid	–	(6.3)	(6.3)
Non-cash movements:			
Interest charged	9.1	17.1	26.2
As at 31 December 2023	307.5	259.5	567.0
Cash movements:			
Principal drawdowns	**398.0**	**–**	**398.0**
Interest paid	**(46.3)**	**(25.0)**	**(71.3)**
Non-cash movements:			
Interest charged	**63.5**	**25.3**	**88.8**
As at 31 December 2024	**722.7**	**259.8**	**982.5**

6. Other reserves

The Company's other reserves are as follows:

	2024 £m	2023 £m
Share-based payment	**14.3**	11.6
Capital redemption and transfer	**66.5**	66.3
Own shares	**(0.9)**	(1.0)
	79.9	76.9

Capital redemption and transfer reserve

The capital redemption reserve represents the shares cancelled through the Group's share repurchase programme.

The transfer reserve represents the difference between the net assets of the Group at the point of insertion of OSBG as the listed holding company and the fair value of the newly issued share capital of OSBG.

For own shares see note 40 of the Group's consolidated financial statements.

7. Directors and employees

The Company has no employees. OneSavings Bank plc provides the Company with employee services and bears the costs, along with other subsidiaries in the Group, associated with the Directors of the Company. These costs are not recharged to the Company.

8. Risk management

The principal financial risks that the Company is exposed to, as a holding company for its subsidiaries, are those that its subsidiaries are exposed to. These risks are managed at Group level, through the Group's risk governance framework reporting to the Group Risk Committee. For further information see note 42 of the Group's consolidated financial statements.

9. Controlling party

As at 31 December 2024 there was no controlling party of OSB GROUP PLC.

Appendices

Appendix 1

Forward-looking statements

This document is not audited and contains certain forward-looking statements with respect to the business, strategy and plans of OSB GROUP PLC (OSBG), its current goals, beliefs, intentions, strategies and expectations relating to its future financial condition, performance and results, and ESG ambitions, targets and commitments described herein. 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 or current 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, including any changes in global trade policies; 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; acts of war and terrorist acts 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, (which may cause actual results to differ materially from those expressed or implied in any forward-looking statement), please see the "Risk review" section above.

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.

Appendix 2

Independent assurance statement by Deloitte LLP to OSB GROUP PLC on selected Alternative Performance Measures

Our assurance conclusion

We have performed an independent reasonable assurance engagement on the Alternative Performance Measures (collectively, the APMs) set out below for the financial year ended 31 December 2024. The assured APMs are highlighted with the symbol Δ throughout the OSB GROUP PLC (OSB Group) 2024 Annual Report and Accounts (ARA). The definition and the basis of preparation for each of the assured APMs is described in the Appendix to the 2024 ARA on pages 271 to 273 (OSB Group's APM Definitions and Basis of Preparation).

Statutory basis

- Gross new lending
- Net interest margin
- Cost to income
- Management expense ratio
- Loan loss ratio
- Dividend per share
- Basic earnings per share
- Return on equity

Underlying basis

- Net interest margin
- Cost to income
- Management expense ratio
- Loan loss ratio
- Basic earnings per share
- Return on equity

In our opinion, the assured APMs for the financial year ended 31 December 2024 have been prepared, in all material respects, in accordance with OSB Group's APM Definitions and Basis of Preparation.

Directors' responsibilities

The Directors are responsible for preparing an Annual Report which complies with the requirements of the Companies Act 2006 and for being satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable.

The Directors are also responsible for:

- selecting APMs with which to describe the entity's performance and appropriate criteria (as set out in the Group's APM Definitions and Basis of Preparation) to measure them;
- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the assured APMs that are free from material misstatement, whether due to fraud or error; and
- preparing, measuring, presenting and reporting the APMs in accordance with the Group's APM Definitions and Basis of Preparation.

Our responsibilities

Our responsibility is to express an opinion on the assured APMs, based on our assurance work. We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB), in order to state whether the Selected KPIs have been prepared, in all material respects, in accordance with the applicable criteria.

We are required to plan and perform our procedures in order to obtain reasonable assurance as to whether the assured APMs have been prepared, in all material respects, in accordance with OSB Group's APM Definitions and Basis of Preparation.

The nature, timing and extent of the assurance procedures selected depended on our judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, of the assured APMs. In making those risk assessments, we considered internal controls relevant to the preparation of the assured APMs.

Based on that assessment we carried out testing which included:

- Agreeing amounts used in the calculation of APMs which are derived or extracted from the audited financial statements of OSB Group for the year ended 31 December 2024 to the financial statements.
- For amounts used in the calculation of APMs which were not derived or extracted from the financial statements of OSB Group for the year ended 31 December 2024 testing, on a sample basis, the underlying data used in determining the assured APMs.
- Checking the mathematical accuracy of the calculations used to prepare the assured APMs and testing whether they were prepared in accordance with OSB Group's APM Definitions and Basis of Preparation.
- Reading the 2024 ARA and assessing whether the assured APMs were presented and described consistently.

We were not asked to give, and therefore have not given any assurance over (i) any APMs other than the assured APMs or (ii) other data in the ARA as part of this engagement.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Appendix 2 continued

Independent assurance statement by Deloitte LLP to OSB GROUP PLC on selected Alternative Performance Measures continued

Our independence and quality control

We have complied with the independence and other ethical requirements of the FRC's Ethical Standard and the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied the International Standard on Quality Management (UK) 1 'ISQM (UK) 1', issued by the Financial Reporting Council. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of our report

This assurance report is made solely to the Directors of OSB GROUP PLC in accordance with the terms of the engagement letter between us. Our work has been undertaken so that we might state to the Directors of OSB GROUP PLC those matters we are required to state to them in an independent reasonable assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than OSB GROUP PLC for our assurance work, for this assurance report or for the conclusions we have formed.

Deloitte LLP, London
12 March 2025

Appendix 3

Independent limited Assurance Report to the Directors of OSB Group PLC

Independent limited Assurance Report by Deloitte LLP to the Directors of OSB Group PLC on the description of activities undertaken to meet the Recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and selected Environmental, Social and Governance metrics (together the "Selected Information") within the Annual Report for the reporting year ended 31 December 2024.

Our assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2024, and as listed below and indicated with a ◆ in the Annual Report has not been prepared, in all material respects, in accordance with the Applicable Criteria defined by the directors as set out here: https://www.osb.co.uk/sustainability/our-environment

Scope of our work

OSB Group PLC has engaged us to perform an independent limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)") and the International Standard on Assurance Engagements 3410 Assurance engagements on greenhouse gas statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board ("IAASB") and our agreed terms of engagement.

The Selected Information in scope of our engagement for the year ended 31 December 2024 as indicated with a ◆ in the Annual Report, is as follows:

Selected Information	Applicable Criteria
Greenhouse Gas ("GHG") emissions: • Total direct (Scope 1) emissions (tonnes CO_2e) • Total indirect (Scope 2) emissions – Market-based (tonnes CO_2e) • Total indirect (Scope 2) emissions – Location-based (tonnes CO_2e)	Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (2004). Plus, any applicable methodology as published by the Company (commonly referred to as a 'basis of reporting').
GHG Intensity: • Scope 1 and 2 (location-based) metric tonnes of CO_2e per full-time employee (FTE) • Scope 1 and 2 (location-based) metric tonnes of CO_2e per £m turnover	

Selected Information	Applicable Criteria
TCFD The description of activities undertaken to meet the Recommendations of the TCFD included within the 2024 Annual Report.	Section D ("Supplemental Guidance for the Financial Sector") part 1 (Banks) of the TCFD Annex entitled "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021), incorporating guidance for All Sectors and Supplemental Guidance for Banks".

The Selected Information, as listed in the above table, needs to be read and understood together with the Applicable Criteria available here: https://www.osb.co.uk/sustainability/our-environment

Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. Inherent limitations exist in all assurance engagements. Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

The self-defined Applicable Criteria, the nature of the Selected Information, and absence of consistent external standards allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact comparability of the Selected Information reported by different organisations and from year to year within an organisation as methodologies develop.

Appendix 3 continued

Independent limited Assurance Report to the Directors of OSB Group PLC continued

Directors' responsibilities

The Directors are responsible for preparing an Annual Report which complies with the requirements of the Companies Act 2006 and for being satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable.

The Directors are also responsible for:

- Selecting and establishing the Applicable Criteria.
- Preparing, measuring, presenting and reporting the Selected Information in accordance with the Applicable Criteria.
- Publishing the Applicable Criteria publicly in advance of, or at the same time as, the publication of the Selected Information.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.
- Providing sufficient access and making available all necessary records, correspondence, information and explanations to allow the successful completion of our limited assurance engagement.

Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent limited Assurance Report to the Directors.

Our independence and competence

In conducting our engagement, we complied with the independence requirements of the FRC's Ethical Standard and the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied the International Standard on Quality Management 1 ("ISQM 1") issued by the International Auditing and Assurance Standards Board. Accordingly, we maintained a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Key procedures performed

We are required to plan and perform our work to address the areas where we have identified that a material misstatement in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement in respect of the Selected Information, we performed the following procedures:

- Performed an assessment of the Applicable Criteria selected to determine whether they were suitable for the engagement circumstances, and, where necessary, discussed with the Directors the need for a 'Basis of Reporting'.
- Performed analytical review procedures to understand the underlying subject matter and identify areas where a material misstatement of the Selected Information was likely to arise.
- Through inquiries of management, obtained an understanding of the Company, its environment, processes and information systems relevant to the preparation of the Selected Information sufficient to identify and further assess risks of material misstatement in the Selected Information, and provide a basis for designing and performing procedures to respond to assessed risks and to obtain limited assurance to support a conclusion.
- Through inquiries of management, obtained an understanding of internal controls relevant to the Selected Information, the quantification process and data used in preparing the Selected Information, the methodology for gathering qualitative information, and the process for preparing and reporting the Selected Information. We did not evaluate the design of particular internal control activities, obtain evidence about their implementation or test their operating effectiveness.
- Through inquiries of management, documented whether an external expert had been used in the preparation of the Selected Information, then evaluated the competence, capabilities and objectivity of that expert in the context of the work performed and also the appropriateness of that work as evidence.
- Inspected documents relating to the Selected Information, including Board Committee minutes and where applicable internal audit outputs to understand the level of management awareness and oversight of the Selected Information.
- Performed procedures over the Selected Information, including recalculation of relevant formulae used in manual calculations and assessment whether the data had been appropriately consolidated.
- Performed procedures over underlying data on a statistical sample basis to assess whether the data had been collected and reported in accordance with the Applicable Criteria, including verifying to source documentation.
- Performed procedures over the Selected Information including assessing management's assumptions and estimates.
- Accumulated misstatements and control deficiencies identified, including assessing whether material.
- Read the narrative accompanying the Selected Information with regard to the Applicable Criteria, and for consistency with our understanding of OSB Group PLC.

Appendix 3 continued

Independent limited Assurance Report to the Directors of OSB Group PLC continued

In relation to TCFD information only, we:

- Reviewed documentation relating to the governance, strategy and financial planning and risk management processes;
- Inquired with those responsible within the organisation to understand:
  - the role of the Board in relation to climate-related risk and opportunities and management's role in assessing and managing climate-related risks and opportunities;
  - the nature of climate-related risk and opportunities identified including time horizons; the impact of climate-related risks and opportunities on the business, strategy and financial planning; and the impact of identified and considered climate scenarios on the strategy; and
  - the process for identifying climate-related risks; the process for managing climate-related risks; and how these processes are integrated into the overall risk management; and
- Evaluated and reviewed the TCFD disclosure for consistency of knowledge and understanding obtained during course of our work.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We performed our engagement to obtain limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. TCFD as applied by all companies includes information based on climate-related scenarios that are subject to inherent uncertainty because of incomplete scientific and economic knowledge about the likelihood, timing, or effect of possible future physical and transitional climate-related impacts. For the avoidance of doubt, the scope of our engagement and our responsibilities did not involve us performing work necessary for any assurance on the reliability, proper compilation or accuracy of the prospective information provided as part of the TCFD scenario analysis and transition plans.

Use of our report

This report is made solely to the Directors of OSB Group PLC in accordance with ISAE 3000 (Revised), and our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of OSB Group PLC those matters we have agreed to state to them in this report and for no other purpose.

Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Company and the Directors of OSB Group PLC, we acknowledge that the Directors of OSB Group PLC may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than OSB Group PLC and the Directors of OSB Group PLC as a body, for our work, for this report, or for the conclusions we have formed.

Deloitte LLP
12 March 2025

Appendix 4

Alternative Performance Measures (APMs)

In this Annual Report, the Group used APMs when presenting underlying results in 2024 and 2023 as Management believe they provide a more consistent basis for comparing the Group's performance between financial periods. Underlying results exclude acquisition-related items.

In 2024, the acquisition-related items were fully amortised and therefore, from 2025 the Group's results will be presented on a statutory basis only.

APMs reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Board. However, APMs in this Annual Report are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Below we provide definitions and the calculation of APMs used throughout this Annual Report.

Net interest margin (NIM)

NIM is defined as net interest income as a percentage of a 13 point average[1] of interest earning assets (cash, investment securities, loans and advances to customers and credit institutions).

It represents the margin earned on loans and advances and liquid assets after swap expense/income and cost of funds.

	2024 £m	2023 £m
Net interest income A	**666.4**	658.6
Add back: acquisition-related items[2]	**24.2**	56.1
Net interest income – underlying B	**690.6**	714.7
13 point average of interest earning assets C	**30,098.7**	28,549.4
13 point average of interest earning assets – underlying D	**30,082.6**	28,498.3
NIM equals A/C	**2.21%**	2.31%
NIM underlying equals B/D	**2.30%**	2.51%

Cost to income ratio

Cost to income ratio is defined as administrative expenses as a percentage of total income. It is a measure of operational efficiency.

	2024 £m	2023 £m
Administrative expenses A	**258.1**	234.6
Add back: acquisition-related items[2]	**(0.7)**	(1.7)
Administrative expenses – underlying B	**257.4**	232.9
Total income C	**667.2**	658.1
Add back: acquisition-related items[2]	**23.0**	49.7
Total income – underlying D	**690.2**	707.8
Cost to income equals A/C	**39%**	36%
Cost to income underlying equals B/D	**37%**	33%

Management expense ratio

Management expense ratio is defined as administrative expenses as a percentage of a 13 point average[1] of total assets. It is a measure of operational efficiency.

	2024 £m	2023 £m
Administrative expenses (as in cost to income ratio above) A	**258.1**	234.6
Administrative expenses – underlying (as in cost to income ratio above) B	**257.4**	232.9
13 point average of total assets C	**30,398.4**	28,767.1
13 point average of total assets – underlying D	**30,383.0**	28,719.7
Management expense ratio equals A/C on an annualised basis	**0.85%**	0.82%
Management expense ratio underlying equals B/D on an annualised basis	**0.85%**	0.81%

Appendix 4 continued

Alternative Performance Measures (APMs) continued

Loan loss ratio

Loan loss ratio is defined as expected credit losses as a percentage of a 13 point average[1] of gross loans and advances. It is a measure of the credit performance of the loan book.

	2024 £m	2023 £m
Impairment of financial assets A	**(11.7)**	48.8
Add back: acquisition-related items[2]	**(1.1)**	(0.3)
Impairment of financial assets – underlying B	**(12.8)**	48.5
13 point average of gross loans C	**26,158.4**	24,855.0
13 point average of gross loans – underlying D	**26,143.0**	24,804.9
Loan loss ratio equals A/C on an annualised basis	**(0.04)%**	0.20%
Loan loss ratio underlying equals B/D on an annualised basis	**(0.05)%**	0.20%

Return on equity (RoE)

RoE is defined as profit attributable to ordinary shareholders, which is profit after tax and after deducting coupons on AT1 securities, gross of tax, as a percentage of a 13 point average[1] of shareholders' equity (excluding £150m of AT1 securities).

	2024 £m	2023 £m
Profit after tax	**308.1**	282.6
Coupons on AT1 securities	**(9.0)**	(9.0)
Profit attributable to ordinary shareholders A	**299.1**	273.6
Add back: acquisition-related items[2]	**17.9**	37.1
Profit attributable to ordinary shareholders – underlying B	**317.0**	310.7
13 point average of shareholders' equity (excluding AT1 securities) C	**2,038.4**	1,964.1
13 point average of shareholders' equity (excluding AT1 securities) – underlying D	**2,026.9**	1,929.9
Return on equity equals A/C on an annualised basis	**15%**	14%
Return on equity underlying equals B/D on an annualised basis	**16%**	16%

Basic earnings per share

Basic earnings per share is defined as profit attributable to ordinary shareholders, which is profit after tax and after deducting coupons on AT1 securities, gross of tax, divided by the weighted average number of ordinary shares in issue.

	2024 £m	2023 £m
Profit attributable to ordinary shareholders (as in RoE ratio above) A	**299.1**	273.6
Profit attributable to ordinary shareholders – underlying (as in RoE ratio above) B	**317.0**	310.7
Weighted average number of ordinary shares in issue C	**385.6**	414.2
Weighted average number of ordinary shares in issue – underlying D	**385.6**	414.2
Basic earnings per share equals A/C	**77.6**	66.1
Basic earnings per share – underlying equals B/D	**82.2**	75.0

1. 13 point average is calculated as an average of opening balance and closing balances for 12 months of the financial year.
2. The acquisition-related items are detailed in the reconciliation of statutory to underlying results in the Financial review.

Appendix 4 continued

Alternative Performance Measures (APMs) continued

Calculation of final dividend

The table below shows the basis of calculation of the Company's recommended final dividend:

	2024 £m	2023 £m
Profit after tax	**308.1**	282.6
Less: coupons on AT1 securities classified as equity	**(9.0)**	(9.0)
Profit attributable to ordinary shareholders	**299.1**	273.6
Add back: amortisation of fair value adjustment	**24.4**	56.8
Add back: amortisation of inception adjustment	**(1.2)**	(6.4)
Add back: amortisation of cancelled swaps	**(0.2)**	(0.7)
Add back: amortisation of intangible assets acquired	**0.7**	1.7
Release of deferred taxation on the above amortisation adjustments	**(6.9)**	(14.6)
Add back: ECL on Combination	**1.1**	0.3
Underlying profit attributable to ordinary shareholders	**317.0**	310.7
Total dividend: 40% (2023: 41%) of underlying profit attributable to ordinary shareholders	**126.0**	126.6
Less: interim dividends paid	**(40.8)**	(40.9)
Recommended final dividend	**85.2**	85.7
Number of ordinary shares in issue	**372,145,792**	393,187,681
Recommended final dividend per share (pence)	**22.9**	21.8

Glossary

AGM	Annual General Meeting
ALCO	Group Assets and Liabilities Committee
BoE	Bank of England
CCFS	Charter Court Financial Services
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CRD IV	Capital Requirements Directive and Regulation
CRO	Chief Risk Officer
DSBP	Deferred Share Bonus Plan
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPS	Earnings Per Share
EU	European Union
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSCS	Financial Services Compensation Scheme
FSD	Forced Sale Discount
FTSE	Financial Times Stock Exchange
HMRC	His Majesty's Revenue and Customs
HPI	House Price Index
IAS	International Accounting Standards
IBOR	Interbank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
ICR	Interest Coverage Ratio
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILTR	Indexed Long-Term Repo
IPO	Initial Public Offering
IRB	Internal Ratings-Based approach to credit risk
ISA	Individual Savings Account
KRFI	Kent Reliance for Intermediaries
KRPS	Kent Reliance Provident Society Limited
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LTIP	Long-Term Incentive Plan
LTV	Loan to value
NIM	Net Interest Margin
NPS	Net Promoter Score
OSB	OneSavings Bank plc
OSBG	OSB GROUP PLC
PD	Probability of Default
PPD	Propensity to go to Possession Given Default
PRA	Prudential Regulation Authority
PSBs	Perpetual Subordinated Bonds
PSP	Performance Share Plan
RMBS	Residential Mortgage-Backed Securities
RoE	Return on equity
RWA	Risk weighted assets
SAYE	Save As You Earn or Sharesave
SDLT	Stamp Duty Land Tax
SICR	Significant Increase in Credit Risk
SID	Senior Independent Director
SME	Small and Medium Enterprises
SONIA	Sterling Overnight Index Average
SRMF	Strategic Risk Management Framework
TFS	Term Funding Scheme
TFSME	Term Funding Scheme with additional incentives for SMEs

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Private shareholders are welcome to contact the Company Secretary
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