OSB GROUP PLC
Preliminary results

For the year ended 31 December 2024

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This announcement contains inside information

13 March 2025

Following the Combination with Charter Court Financial Services Group plc (CCFS) on 4 October 2019, this press release includes results on an underlying basis, in addition to the statutory basis, which Management believe provide a more consistent basis for comparing the Group's results between financial periods. Underlying results exclude acquisition-related items (see the reconciliation in the Financial review). 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.

OSB GROUP PLC (OSBG or the Group), the specialist lending and retail savings group, announces today its results for the year ended 31 December 2024. The Group has also published today its guidance for 2025 and its medium-term aspirations for 2027-29, see below for more details.

Financial and operational highlights

- Underlying profit before tax increased by 4% to £442.9m (2023: £426.0m) and statutory profit before tax increased by 12% to £418.1m (2023: £374.3m)
- Underlying and statutory net loan book decreased by 2% to £25.1bn (2023: £25.7bn and £25.8bn, respectively) due to the £1.25bn securitisation and deconsolidation transaction in December. The underlying net loan book would have increased by 2.5% since 31 December 2023 excluding this transaction
- Underlying and statutory net interest margin (NIM) reduced to 230bps and 221bps (2023: 251bps and 231bps respectively) inclusive of a further adverse EIR adjustment of £15.9m, largely due to lower prevailing spreads to SONIA from mortgages and deposits as products written in prior years reached maturity and the cost of MREL
- Underlying and statutory cost to income ratios increased to 37% and 39% (2023: 33% and 36%, respectively) as a result of continued investment in the transformation programme, redundancy costs and the new Bank of England levy. Core costs increased by 3% in the year
- Underlying and statutory loan loss ratios were (5)bps and (4)bps, respectively (2023: 20bps) due to improved house price outlook in the updated forward-looking macroeconomic scenarios
- Underlying and statutory return on equity of 16% and 15% (2023: 16% and 14%, respectively), broadly stable as higher profit was offset by an increase in the average equity balance
- Basic earnings per share (EPS) increased to 82.2 pence and 77.6 pence on an underlying and statutory basis (2023: 75.0 pence and 66.1 pence) due to higher profit and a lower number of shares in issue following the completion of our share repurchase programmes totalling £100m in the year
- The Common Equity Tier 1 capital ratio of 16.3% and total capital ratio of 19.7% remained strong (2023: 16.1% and 19.5%, respectively)
- A new share repurchase programme of £100m over the next 12 months to commence on 14 March 2025

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- Total dividend of 33.6 pence per share (2023: 32.0 pence) including a recommended final dividend of 22.9 pence per share, in line with our stated commitment to provide a progressive dividend per share

Andy Golding, Group CEO, said:

"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 Group's actions are delivering results, with an improved and attractive blended front book margin for new business originated in 2024, and progress with the planned increase in diversification into our well-established higher yielding specialist segments. The Group focused on reducing EIR sensitivity from changes in customer behaviour at product maturity in our Precise Buy-to-Let book. In December we completed a £1.25bn securitisation of Precise Buy-to-Let loans which was derecognised from the Group's balance sheet and based on observed customer behaviour, we made the decision to reduce the expected time that Precise borrowers spend on the reversion rate from 5 months to 4 months. This led to an adverse EIR adjustment of £15.9m. These actions helped reduce the sensitivity of interest income to a two month reduction in the expected time Precise borrowers spend on the reversion rate to £27m. This is within the business-as-usual levels seen prior to 2023.

2024 marked the second year of our five-year transformation programme, delivery of which will ensure we remain competitive, deliver at scale with cost efficiency and also enhance the experience of dealing with the Group for our customers, our broker partners and our colleagues.

The Group continued to demonstrate strong capital generation and the Board remains committed to returning excess capital to shareholders. The recommended final dividend for 2024 of 22.9 pence per share, together with the interim dividend of 10.7 pence per share, resulted in a progressive total ordinary dividend per share of 33.6 pence, representing a 40% payout ratio. Together with the £100m of share repurchases completed in the year, this represents a total return to shareholders of £226m for the year. In addition, we have announced a further £100m share repurchase programme over the next 12 months commencing on 14 March.

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 total dividend increasing by 5%. In 2026, we expect broadly similar dynamics.

Today, we also set out our medium-term aspirations building on our actions over the next two years where we will focus on growing across all our segments and in particular increasing origination volumes where yields are strong and sustainable such as commercial lending, asset finance, development finance and bridging.

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

Investor update

Along with the 2024 preliminary results, the Group updates the market with its medium-term aspirations, strengthening its position as the UK's leading specialist lender.

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

- Intermediary strategy – trusted leadership with intermediaries, offering a single point of 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 increasing operational leverage – 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
- 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 position as the number one specialist lender, enabling us to deliver 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, whilst lower margin mortgages will continue to roll-off. The Group today guides to the following metrics for these years:

	2025 Guidance	2026 Direction
Net loan book growth	Low-single digit	Modestly higher than 2025
NIM	c.225bps	Similar levels to 2025
Administrative expenses	c.£270m	Modestly higher than 2025
RoTE ratio	Low-teens	
CET1 ratio	14% target post Basel 3.1	
Distributions	5% dividend per share growth per year and commitment to return excess capital	

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. The Group today provides the following medium-term aspirations:

Medium-term aspirations 2027-2029	
Net loan book growth	Mid-single digit if returns meet our requirements
Loan book diversification	Buy-to-Let to comprise ≤ 60% of the loan book whilst all segments to continue to grow
Administrative expenses	Gradually to improve to low 30s% cost to income ratio and positive jaws
RoTE ratio	Mid-teens
CET1 ratio	14% target post Basel 3.1
Distributions	Progressive dividend per share and commitment to return excess capital

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.

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Results presentation
A Preliminary results webcast presentation for analysts will be held at 8.00am on Thursday 13 March, followed by an Investor update commencing at 10.00am

Both presentations will be webcast and available on the OSB Group website at www.osb.co.uk/investors/results-reports-presentations.

The UK dial in number is 020 3936 2999 and the password is 133425 for the 8.00am Preliminary results webcast. Registration is open immediately.

About OSB GROUP PLC

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

OneSavings Bank (OSB)

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

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

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

Charter Court Financial Services Group (CCFS)

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

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

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

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Non-IFRS performance measures
OSBG believes that any non-IFRS performance measures included in this document provide a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which OSBG is most directly able to influence or which are relevant for an assessment of OSBG. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Board. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to the "Alternative performance measures" section below for further details, reconciliations and calculations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.

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Chief Executive'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 pretax 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.

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.

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.

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 3.

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

13 March 2025

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

Segment review

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

OneSavings Bank (OSB) segment

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

Year ended 31-Dec-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**
Profit or loss for the year			
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**

Year ended 31-Dec-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
Profit or loss for the year			
Net interest income	394.4	79.4	473.8
Other income	(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

OSB 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.

This sub-segment comprises 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.

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.

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).

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.

OSB Residential sub-segment

	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.

This sub-segment comprises first charge mortgages to owner-occupiers, secured against a residential home and under shared ownership schemes.

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.

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

Charter Court Financial Services (CCFS) segment

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

As at 31-Dec-2024	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1,2] £m	Total underlying £m	Acquisition-related Items[3] £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)**
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**
Profit or loss account for the year ended 31-Dec-2024								
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**

1. For loans and advances to customers 'Other' relates to acquired loan portfolios.
2. For Profit or loss account, '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.
3. For more details on acquisition-related adjustments, see Reconciliation of statutory to underlying results in the Financial review.

As at 31-Dec-2023	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1, 2] £m	Total underlying £m	Acquisition-related Items[3] £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)
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
Profit or loss account for the year ended 31-Dec-2023								
Net interest income	127.4	75.2	8.8	4.8	24.7	240.9	(56.1)	184.8
Other 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. For loans and advances to customers ‘Other’ relates to acquired loan portfolios.
2. For Profit or loss account, ’Other’ relates to net interest income from acquired loan portfolios, fee income from third party mortgage servicing and gains or losses on the Group’s hedging activities.
3. For more details on acquisition-related adjustments, see Reconciliation of statutory to underlying results in the Financial review.

	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 portfolios.

CCFS segment comprises 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.

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).

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).

OSB GROUP PLC

Preliminary results

for the year ended 31 December 2024

Financial review

Review of the Group's performance on a statutory basis for 2024 and 2023.

Summary Profit or Loss	FY 2024 £m	FY 2023 £m
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]	FY 2024	FY 2023
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

	31-Dec-24 £m	31-Dec-23 £m
Extracts from the Statement of Financial Position		
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%

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

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 Profit or Loss	FY 2024 £m	FY 2023 £m
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 ratios[1]	FY 2024	FY 2023
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 Statement of Financial Position	31-Dec-24 £m	31-Dec-23 £m
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.

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 27.

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).

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.

Impairment of financial assets

	FY 2024	FY 2023	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.

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%	49ppt
Liquidity coverage ratio – OSB	**183%**	208%	(25)ppt
Liquidity coverage ratio – CCFS	**231%**	139%	92ppt

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 and distributions to shareholders of £185.0m of dividend payments and £152.4m of share repurchase 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.

Reconciliation of statutory to underlying results

	FY 2024			FY 2023		
	Statutory results £m	Reverse acquisition-related items £m	Underlying results £m	Statutory results £m	Reverse 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 macroeconomic 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 IFRS 9 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 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.

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.

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.

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.

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 below. 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.

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: broadly stable

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: broadly stable

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.

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

Mitigation
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.

Direction: increased
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
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.

Direction: broadly stable
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

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.

Direction: increased

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.

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: 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: 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: 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: 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.

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: 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: 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: 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.

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: broadly stable
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 wellbeing 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: broadly stable
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.

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: 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: 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: 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.

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: broadly stable
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: broadly stable
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.

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: reduced
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: 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.

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: 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: 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
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.

Climate change
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.

Mitigation
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
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.

Mitigation
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
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.

Mitigation
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 macroeconomic 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.

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:

- 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.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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 £m**
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 £m
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%

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.

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.

Forecast macroeconomic variables over a five-year period

Scenario	Probability weighting (%)	Economic measure	Scenario %				
			Year end 2024	Year end 2025	Year end 2026	Year end 2027	Year end 2028
Base case	40	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
		Bank Base Rate	4.8	3.8	3.1	2.6	2.5
Upside	30	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
		Bank Base Rate	4.8	5.4	4.4	3.4	3.0
Downside	20	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
		Bank Base Rate	4.8	3.0	1.8	1.8	1.8
Severe downside	10	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
		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.

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.

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.

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.

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.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent 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; and
- 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.

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 enabling them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary 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 such steps as are reasonably open to them to safeguard the assets of the Group and to 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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK 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
13 March 2025

OSB GROUP PLC
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 66 to 158 form part of these accounts.

The financial statements on pages 62 to 65 were approved by the Board of Directors on 13 March 2025.

OSB GROUP PLC

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
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 66 to 158 form part of these accounts. The financial statements on pages 62 to 65 were approved by the Board of Directors on 13 March 2025 and signed on its behalf by

Andy Golding
Chief Executive Officer

Victoria Hyde
Chief Financial Officer

Company number: 11976839

OSB GROUP PLC

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital	Share premium	Capital redemption and transfer reserve[1]	Own shares[2]	Foreign exchange reserve	FVOCI reserve	Share-based payment reserve	Retained earnings	Other equity instruments	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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 fee.

Share capital and premium is disclosed in note 38 and the reserves are further analysed in note 40.

OSB GROUP PLC

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)
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.

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 (£m).

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.

1. Accounting policies (continued)

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). 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 82.

1. Accounting policies (continued)

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 are 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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

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 homogenous 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.

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.

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

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.

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 month 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.

1. Accounting policies (continued)

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 Risk review on page 31, 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.

2. Judgements in applying accounting policies and critical accounting estimates (continued)

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.

(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.

2. Judgements in applying accounting policies and critical accounting estimates (continued)

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 47.

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 47.

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

2. Judgements in applying accounting policies and critical accounting estimates (continued)

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.

2. Judgements in applying accounting policies and critical accounting estimates (continued)

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 -/+ 2 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.

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.

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

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.

8. Administrative expenses (continued)

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.

9. Directors' emoluments and transactions (continued)

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.

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.

10. Share-based payments (continued)

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

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**	**-**	**-**

10. Share-based payments (continued)

	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

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).

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).

11. Taxation (continued)

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).

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	Accelerated depreciation	Total
	£m	£m	£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

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.

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.

16. Investment securities (continued)

The credit risk on investment securities held at amortised cost has not significantly increased since initial recognition and are 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	**CCFS**	**Total**	OSB	CCFS	Total
	£m	**£m**	**£m**	£m	£m	£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	2023
	£m	£m
BoE under TFSME and ILTR	**3,745.2**	6,092.4
Securitisation	**995.9**	841.7
	4,741.1	6,934.1

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%).

18. Loans and advances (continued)

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)

20. Expected credit losses

The ECL has been calculated based on various scenarios as set out below:

	2024			2023		
	ECL provision £m	**Weighting %**	**Weighted ECL provision £m**	ECL provision £m	Weighting %	Weighted ECL provision £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

20. Expected credit losses (continued)

The table below 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.

	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.

20. Expected credit losses (continued)

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.

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.

22. Derivatives (continued)

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%).

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).

23. Hedge accounting (continued)

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.

23. Hedge accounting (continued)

The table below analyses the Group's portfolio hedge accounting for fixed rate amounts owed to retail depositors:

	2024		2023	
Customer deposits	**Hedged item £m**	**Hedging instrument £m**	Hedged item £m	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:

	2024		2023	
Senior notes and subordinated liabilities	**Hedged item £m**	**Hedging instrument £m**	Hedged item £m	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

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.

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

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.

33. Provisions and contingent liabilities

The Group is reviewing and enhancing its collections processes and how mortgage customers in arrears are managed and 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.

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**

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.

39. Other equity instruments (continued)

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)

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	2023
	£m	£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.

42. Risk management (continued)

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 Principal risks and uncertainties review on pages 34 to 47.

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.

42. Risk management (continued)

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**	
	Gross carrying amount	**Capped collateral held**	**Gross carrying amount**	**Capped collateral held**	**Gross carrying amount**	**Capped collateral held**
2024	**£m**	**£m**	**£m**	**£m**	**£m**	**£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.

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

42. Risk management (continued)

The tables below show the LTV analysis of the OSB BTL/SME sub-segment:

	OSB				
2024 **Band**	**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					
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:

	2024			2023		
OSB	**First charge** **£m**	**Second charge** **£m**	**Total** **£m**	First charge £m	Second charge £m	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

42. Risk management (continued)

The tables below show the LTV analysis of the four CCFS sub-segment:

	CCFS					
2024 **Band**	**Buy-to-Let** **£m**	**Residential** **£m**	**Bridging** **£m**	**Second charge lending** **£m**	**Total** **£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

42. Risk management (continued)

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 page 52.

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.

			Restated[1]	
Forbearance type	**Number of accounts 2024**	**As at 31 December 2024 £m**	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.

42. Risk management (continued)

Geographical analysis by region

An analysis of loans, excluding asset finance leases, by region is provided below:

	2024				2023			
	OSB	**CCFS**	**Total**		OSB	CCFS	Total	
Region	**£m**	**£m**	**£m**	**%**	£m	£m	£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.

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							
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		

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.

42. Risk management (continued)

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 47 to 53.

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.

42. Risk management (continued)

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

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

42. Risk management (continued)

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

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.

42. Risk management (continued)

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.

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

42. Risk management (continued)

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	2023
	£m	£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	2023
	£m	£m
OSB	**14.2**	24.6
CCFS	**19.0**	25.6
	33.2	50.2

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	2023
	£m	£m
OSB	**6.7**	7.7
CCFS	**4.1**	4.8
	10.8	12.5

42. Risk management (continued)

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.

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:

		2024			
	Note	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.

43. Financial instruments and fair values (continued)

		2023			
	Note	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.

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.

43. Financial instruments and fair values (continued)

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.

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.

43. Financial instruments and fair values (continued)

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						
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.

43. Financial instruments and fair values (continued)

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.

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:

			Estimated fair value			
2024	**Carrying amount £m**	**Principal amount £m**	**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.

43. Financial instruments and fair values (continued)

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).

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.

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45. Operating segments (continued)

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.

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
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

46. Country by country reporting (continued)

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.
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.

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			
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.

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. 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	2023
	£'000	£'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.

50. Capital management (continued)

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.

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.

50. Capital management (continued)

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.

OSB GROUP PLC

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 162 to 167 form an integral part of the Company financial statements.

The financial statements were approved by the Board of Directors on 13 March 2025 and were signed on its behalf by:

Andy Golding
Chief Executive Officer

Victoria Hyde
Chief Financial Officer

Company number: 11976839

OSB GROUP PLC

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.

OSB GROUP PLC

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
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.

OSB GROUP PLC
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 1 v) 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).

2. Investments in subsidiaries and intercompany loans (continued)

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%**
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.

2. Investments in subsidiaries and intercompany loans (continued)

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%**
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%**
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.

2. Investments in subsidiaries and intercompany loans (continued)

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

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 118.

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.

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.

OSB GROUP PLC
Appendix
For the year ended 31 December 2024

Key performance indicators

Underlying results and KPIs for 2024 and 2023 exclude acquisition-related items. The underlying results provide a more consistent basis for comparing the Group's performance between financial periods.

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.

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	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
The 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%

OSB GROUP PLC

Appendix

For the year ended 31 December 2024

Management expense ratio

The 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%

Loan loss ratio

The loan loss ratio is defined as impairment 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 losses – A	(11.7)	48.8
Add back: acquisition-related items[2]	(1.1)	(0.3)
Impairment losses – 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%

OSB GROUP PLC

Appendix

For the year ended 31 December 2024

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 the year ended 31 December
2. The acquisition-related items are detailed in the reconciliation of statutory to underlying results in the Financial review

OSB GROUP PLC

Appendix

For the year ended 31 December 2024

Calculation of 2024 final dividend

The table below shows the basis of calculation of the Company's recommended final dividend for 2024:

	2024 **£m**	2023 £m
Profit after tax	**308.1**	282.6
Less: coupons on AT1 securities classified as equity	**(9.0)**	(9.0)
Statutory 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

OSB GROUP PLC

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For the year ended 31 December 2024

Company information

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Registered in England, company number: 11976839

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