Preliminary results 2024

2024 highlights

Continued discipline in lending	Continued cost discipline to create capacity for investment	Ongoing focus on RoE and capital returns
2.5% Net loan book growth[1,2]	**37%** Cost to income ratio[1]	**£443m** Profit before tax[1]
230bps Net interest margin[1]	**3%** Growth in core administrative expenses	**16%** Return on equity[1]
(5)bps Loan loss ratio[1]	✓ Launched first product on new savings platform ✓ Released new mobile app for intermediaries	**£226m** Total capital return 2x£50m buyback + £126m dividend **£100m** Buyback announced for 2025

1. Underlying 2. Excludes December 2024 securitisation and derecognition transaction, (2)% including

Underlying results

	Underlying P&L[1]			
	2024 £m	2023 £m	Change £m	Change %
Net interest income	690.6	714.7	(24.1)	(3)
Net fair value loss on financial instruments	(2.7)	(10.8)	8.1	(75)
Loss on sale of financial instruments	(2.4)	-	(2.4)	-
Other operating income	4.7	3.9	0.8	21
Total income	690.2	707.8	(17.6)	(2)
Administrative expenses	(257.4)	(232.9)	(24.5)	(11)
Provisions	(2.7)	(0.4)	(2.3)	n/m
Impairment of financial assets	12.8	(48.5)	61.3	n/m
Profit before tax	442.9	426.0	16.9	4
Profit after tax	326.0	319.7	6.3	2
Basic EPS (pence per share)	82.2	75.0	7.2	10
Ordinary dividend per share	33.6	32.0	1.6	5

- Underlying NII reduced by 3% reflecting lower prevailing spreads to SONIA from mortgages and deposits as products written in prior years reached maturity and MREL issuance, partially offset by the non-recurrence of the adverse EIR adjustment
- Core[2] administrative expenses increased by 3%, with total costs increasing by 11% due to investment in transformation, the new BoE levy and redundancy costs
- Impairment credit of £12.8m following an improved HPI in the updated macroeconomic scenarios
- Underlying PBT increased by 4% and underlying EPS increased to 82.2 pence per share
- 5% increase in ordinary dividend per share, consistent with our progressive dividend policy and representing a 40% payout ratio of underlying profit

1. For reconciliation of underlying PBT to statutory PBT, see the Appendix on slide 15 2. Core costs exclude redundancy, new bank levy and transformation

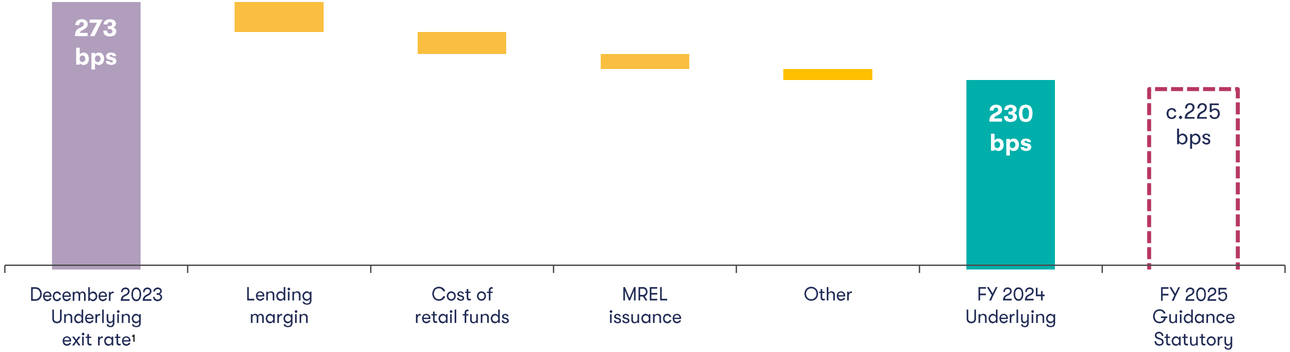
Strong, secured balance sheet

Lending	2024 £m	2023 £m	Change £m	Change %
Statutory net loans and advances to customers	25,126	25,765	639	(2)
Expected credit losses	(127)	(146)	19	13
Funding and liquidity				
Customer deposits	23,820	22,127	1,693	8
Debt securities in issue	1,018	819	199	24
MREL & Tier 2 qualifying debt	983	567	416	73
Term Funding for SMEs	1,395	3,352	(1,957)	(58)
Indexed Long-Term Repo	380	10	370	n/m
Liquid assets	4,841	3,436	1,405	41

	Group		OSB		CCFS	
	2024	2023	2024	2023	2024	2023
3 months + in arrears (%)	1.7	1.4	1.8	1.6	1.5	1.2
Interest coverage ratios (BTL origination) (%)			186	176	160	154
Average book LTV (%):	64	64				
- Buy-to-Let			67	66	67	68
- Residential			48	48	59	59

- Underlying net loan book growth of 2.5%, excluding the derecognition transaction in December, was supported by originations of £4.0bn (2023: £4.7bn) reflecting a disciplined approach to pricing new business
- Customer deposits increased 8%, as the Group continued to repay TFSME drawings
- The increase in debt securities reflects two on-balance sheet securitisations completed in the year
- The Group met its interim MREL requirement following a £400m senior debt issuance in January
- Balances over three months in arrears increased from 1.4% to 1.7%. Arrears as at 31 December plateaued versus Q3 as affordability for remortgaging customers improved
- The Group's weighted average book LTVs remained at 64% with LTV of new business written by the Group unchanged at 68% from the prior year

2024 NIM waterfall

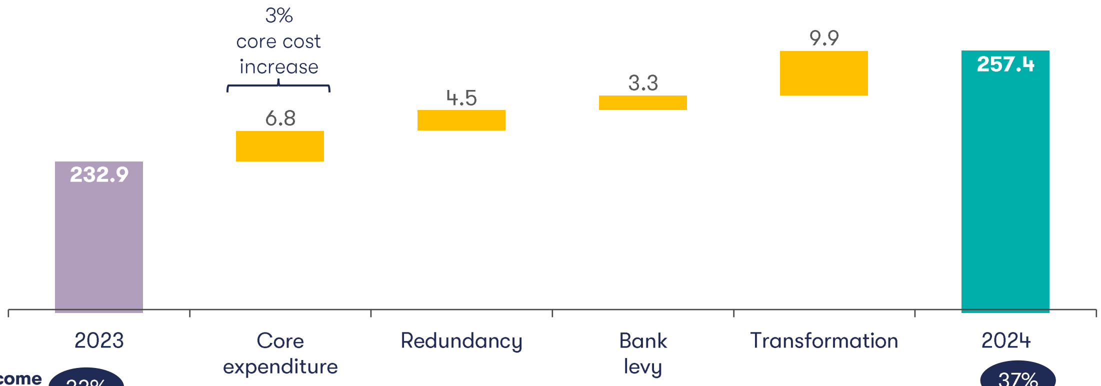


- Underlying 2024 NIM was 43bps lower than the December 2023 exit rate:
  - Lending margin – mortgages redeeming or switching faster onto lower prevailing spreads and a £15.9m (5 bps) adverse EIR adjustment relating to a reduction of one-month in the Precise Buy-to-Let borrowers' reversion assumption
  - Cost of retail funds – continued recycling of the fixed rate deposit book onto tighter spreads to SONIA
  - MREL issuance – reflecting £400m of issuance in January 2024, equivalent to 8bps dilution in the year
  - Other funding – primarily costs related to securitisations in support of TFSME repayment
- **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**
- The impact of a -/+ 2 months movement in time spent on reversion by Precise customers was -/+ £26.9m as at 31 December 2024

1. December 2023 annualised

Cost discipline to create capacity for investment

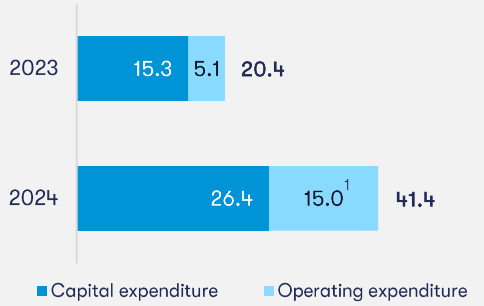
Administrative expenses
£m



Cost income ratio[2] % — 2023: 33% — 2024: 37%

MANEX[2,3] % — 2023: 0.81% — 2024: 0.85%

Annual investment in transformation
£m

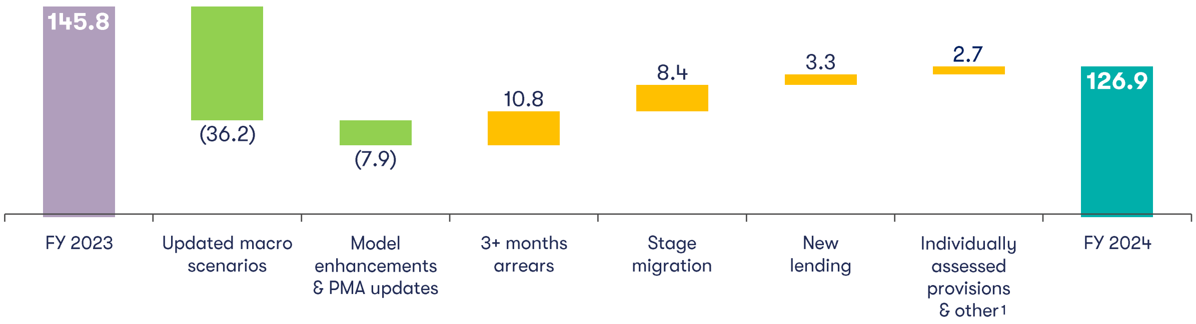


- Core administrative expenditure across UK and India increased by 3%
- Redundancy programme implemented in Q4 2024, affecting 139 roles in the UK and India, with as at 31 December headcount broadly flat to prior year end[4]
- Two years into our transformation programme we have cumulatively expensed £20m[1] through the P&L and recognised £41m of intangible assets on the balance sheet
- **Anticipate c.£270m of administrative expenses in 2025, including investment expenditure and with core costs of £238m in 2024 increasing below the rate of inflation**

1. £0.7m of which relates to amortisation 2. Underlying 3. Management expense ratio 4. Headcount as at 31 December 2024 2,498 (2023: restated 2,506)

Impairment provisions

Expected credit losses £m

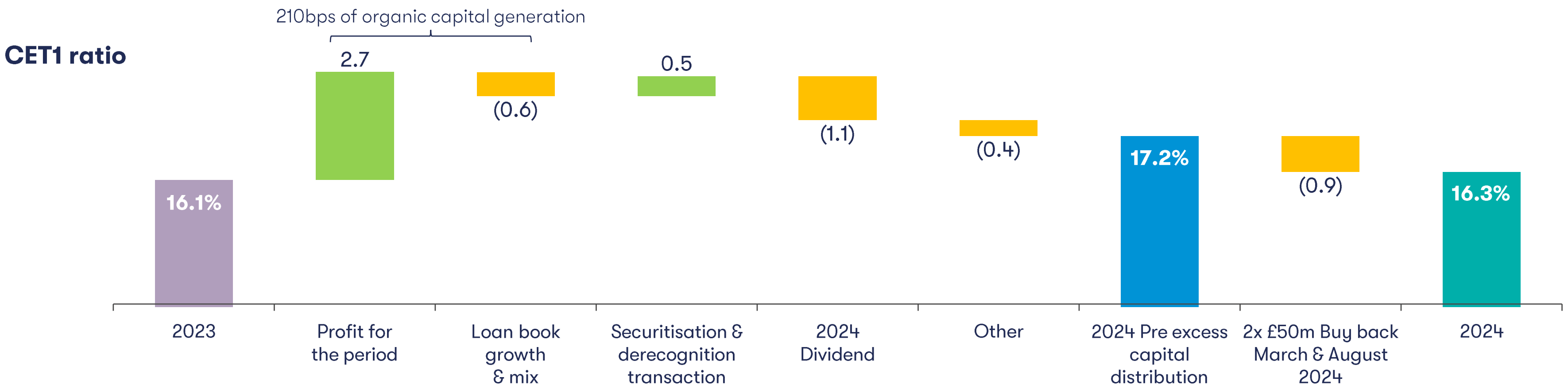


As at 31 December 2024	Gross carrying amount (£m)	Expected credit losses (£m)	Coverage ratio
Stage 1	19,877.1	13.7	0.07%
Stage 2	4,352.9	39.3	0.90%
Stage 3 + POCI	1,010.3	73.9	7.31%
Total	**25,240.3**	**126.9**	**0.50%**
As at 31 December 2023			
Stage 1	20,576.8	22.4	0.11%
Stage 2	4,537.9	54.3	1.20%
Stage 3 + POCI	782.4	69.1	8.83%
Total	**25,897.1**	**145.8**	**0.56%**

- Statutory £11.7m impairment credit representing a (5)bps underlying loan loss ratio due to updated macroeconomic scenarios, particularly house price improvement
- 3+ month arrears stable versus Q3 at 1.7%. The year-on-year increase reflects cost of borrowing pressures
- See the Appendix for the macroeconomic scenarios

1. Excluding write offs and other of £7.2m

Strong capital base



Capital	2024	2023	Change
Risk weighted assets (RWAs) £m	**11,916**	11,846	**1%**
RWAs as % of total assets	**39**	40	**(1)ppt**
Common Equity Tier 1 ratio %	**16.3**	16.1	**20bps**
Total capital ratio %	**19.7**	19.5	**20bps**
Leverage ratio %	**7.7**	7.5	**20bps**

1. Actual implementation of Basel 3.1 delayed by one year to 1 January 2027

Improved profitability delivered 210bps of organic capital generation in 2024, that together with the deconsolidation trade of 50bps supported:

- Progressive full year dividend per share of 33.6 pence (2023: 32.0 pence) reflecting a 40% payout ratio of underlying profit
- Completion of two £50m share repurchases announced in March and August 2024

Announced new £100m share buyback which will commence on 14 March 2025

Implementation[1] of Basel 3.1 now expected to reduce the CET1 ratio by just over 1%, if implemented fully on 31 December 2024

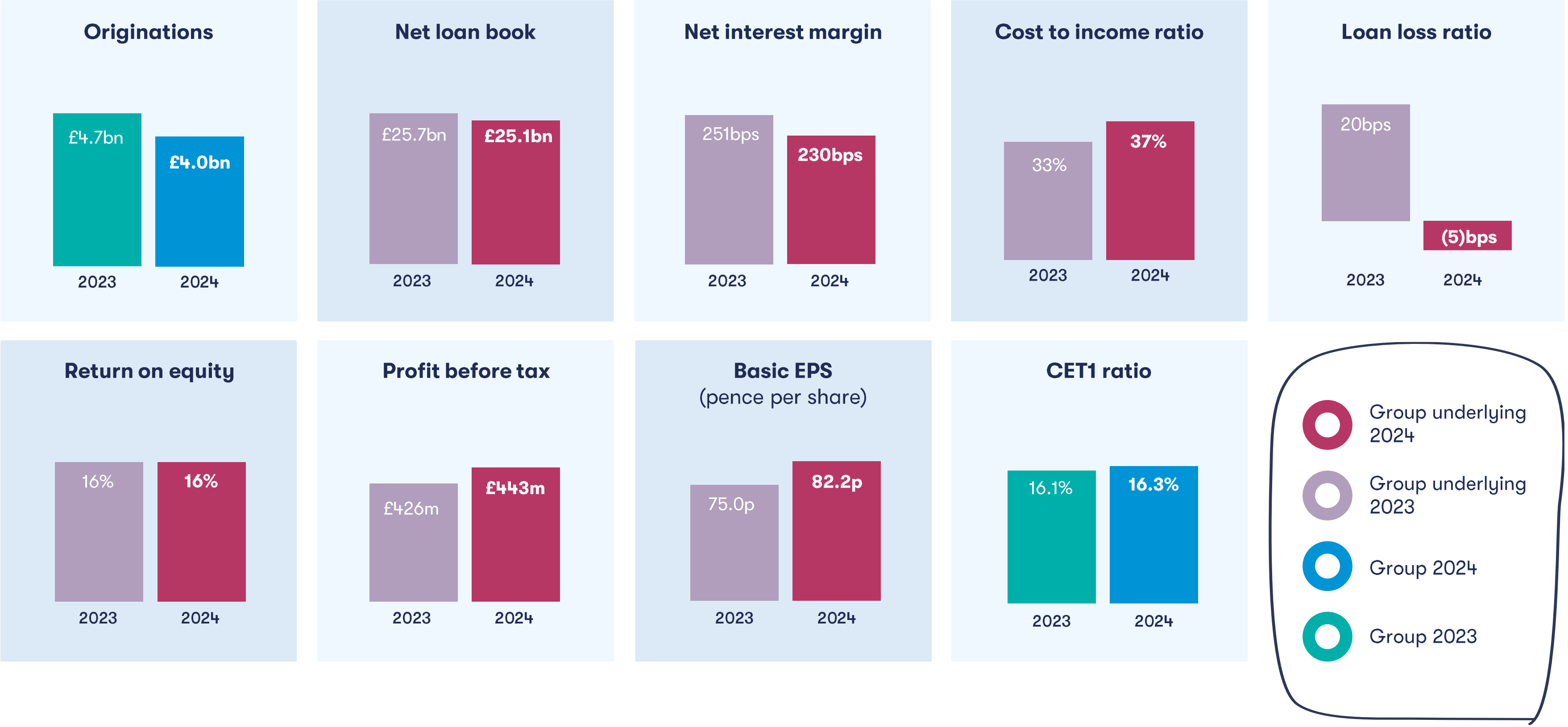
Continue to target a 14% CET1 ratio, post Basel 3.1

2024-2026 Transitional Action Plan underway

	2025 Guidance	2026 Direction
Net loan book growth	Low single digit	Modestly higher than 2025
NIM	c.2.25%	Similar levels to 2025
Administrative expenses	c.£270m	Modestly higher than 2025
RoTE	Low teens	
Distributions	5% dividend share growth per year and commitment to return excess capital	

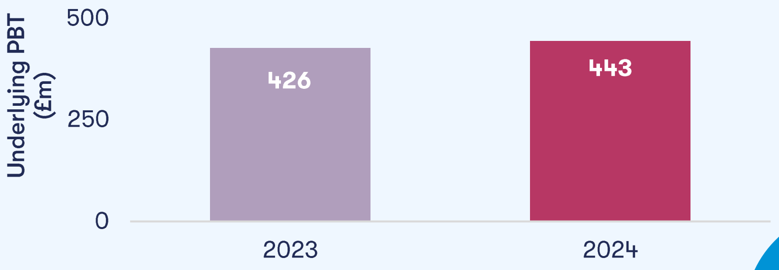
Appendices

Financial highlights

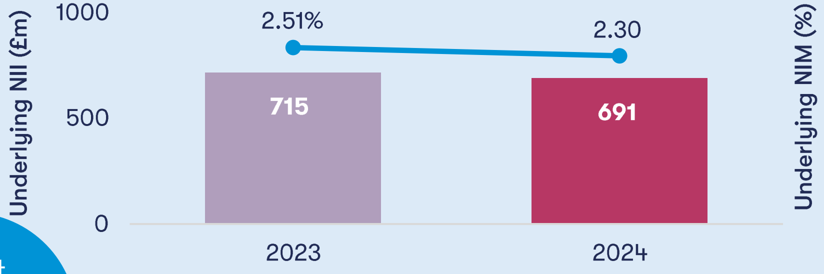


Attractive underlying fundamentals

1. Profit before tax

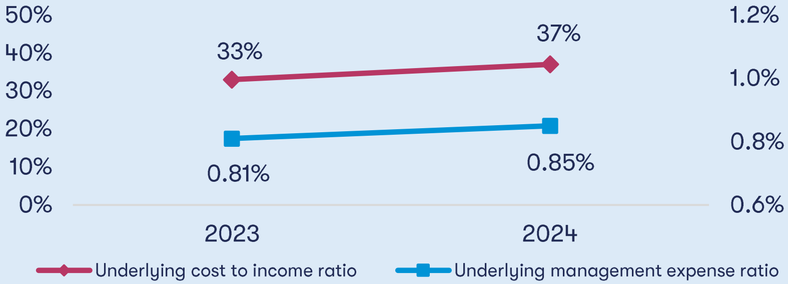


2. NII and NIM

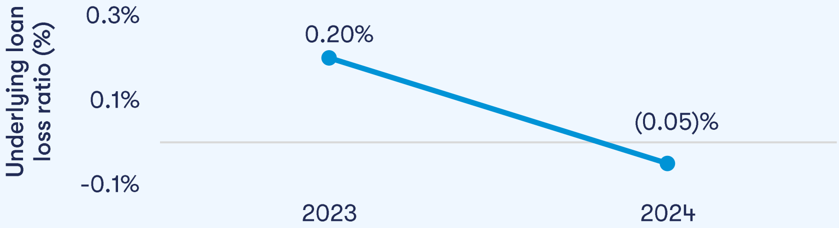


2024 underlying RoE of **16%**

3. Cost discipline and efficiency

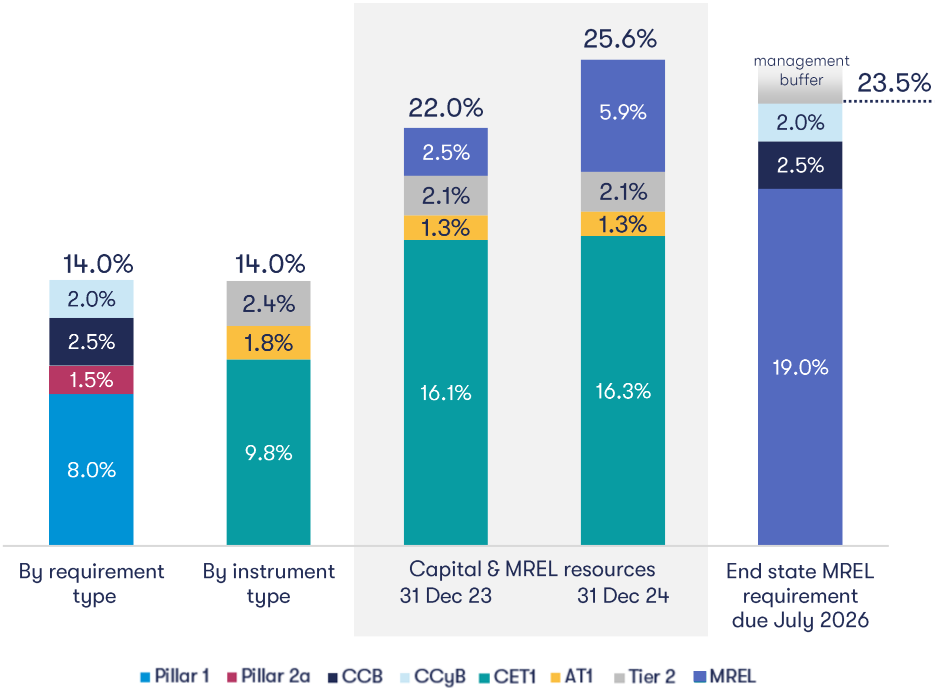


4. Credit performance



Components of Group capital

Capital resources and requirements as a percentage of RWAs[1]



1. May not cast due to rounding

- The Pillar 2a requirement of 1.5% of RWAs includes a static add-on of £17.4m for transformation risk
- Current minimum capital requirement of 9.5% (Pillar 1 and Pillar 2a)
- Optimal mix of instrument type to meet minimum capital requirement includes CET1, AT1 and Tier 2
- In addition, Board and management buffers are maintained above regulatory minimum to support planned growth in-between profit verifications
- The Group is currently well in excess of minimum regulatory capital requirements plus regulatory buffers
- End state MREL requirement applies from July 2026 with interim requirement of 18% of RWAs plus regulatory buffers of 4.5% met in January 2024
- The new implementation date for Basel 3.1 has delayed the potential need for a further MREL debt issuance beyond 2025

Sustainability

In 2024, we furthered our commitment to helping customers, colleagues and communities prosper through deeper integration of ESG into our business operations

Our approach to sustainability is built on three strategic pillars that enable us to advance on our Purpose and our ESG commitments

What we achieved in 2024

Just Transition

A fair and equitable transition to a low carbon economy

41%
reduction in direct emissions (scope 1 and 2)

100%
of electricity from renewable sources

- Published our inaugural Climate Transition Plan
- Reduced our direct emissions through investment and proactive estate management
- Landlord Leaders Community expanded to 111 members

People

Delivering on the needs of people now and into the future

36%
women in senior management

49%
UK colleagues engaged in community activities

- Launched initiatives to enhance education and awareness on DE&I topics
- Extended career development programmes for women to include entry-level management
- Introduced supplementary policies such as our Sexual Harassment policy

Stewardship

Acting responsibly to deliver sustainable value

over £394k
Total benefit to charities and community organisations

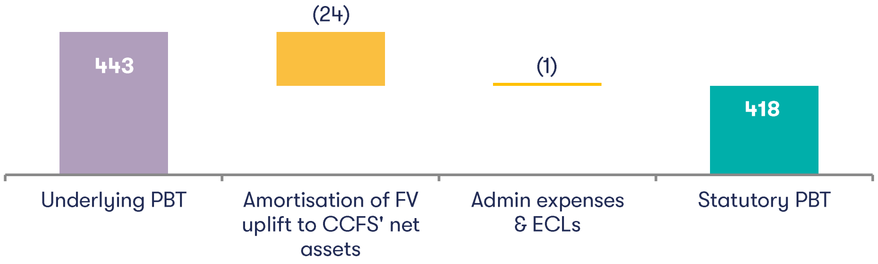
7,038
volunteering hours undertaken

- Completed the implementation of the FCA's Consumer Duty regulation
- Launched the OSB India Network, the latest of the Group's Employee Engagement Networks

Strong statutory results

	Statutory P&L			
	2024 £m	2023 £m	Change £m	Change %
Net interest income	666.4	658.6	7.8	1
Net fair value loss on financial instruments	(1.5)	(4.4)	2.9	66
Loss on sale of financial instruments	(2.4)	-	(2.4)	n/m
Other operating income	4.7	3.9	0.8	21
Total income	**667.2**	**658.1**	**9.1**	**1**
Administrative expenses	(258.1)	(234.6)	(23.5)	(10)
Provisions	(2.7)	(0.4)	(2.3)	n/m
Impairment of financial assets	11.7	(48.8)	60.5	n/m
Profit before tax	**418.1**	**374.3**	**43.8**	**12**
Profit after tax	**308.1**	**282.6**	**25.5**	**9**
Basic EPS (pence per share)	77.6	66.1	11.5	17

Reconciliation of underlying to statutory PBT £m



- NII increased by 1% to £666.4m benefitting from the non-recurrence of the adverse EIR adjustment, partially offset by lower prevailing spreads to SONIA from mortgages and deposits as products written in prior years reached maturity and MREL issuance
- Fair value loss on financial instruments of £1.5m primarily due to a loss on mortgage pipeline swaps
- Impairment credit of £11.7m following an improved HPI in the updated macroeconomic scenarios
- PBT increased by £43.8m to £418.1m and basic EPS was 77.6 pence per share

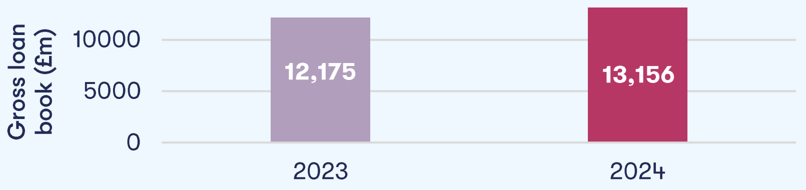
OSB segment result

BTL/SME

Average book LTV[1] increased to 68% (2023: 67%) with 4.5% of loans by value with LTVs exceeding 90% (2023: 4.0%).

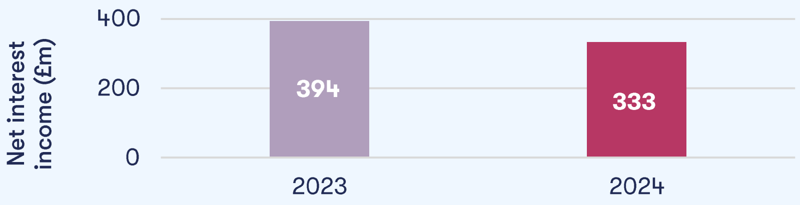
Average new origination LTV remained unchanged at 70% compared to the prior year.

1. Gross loan book



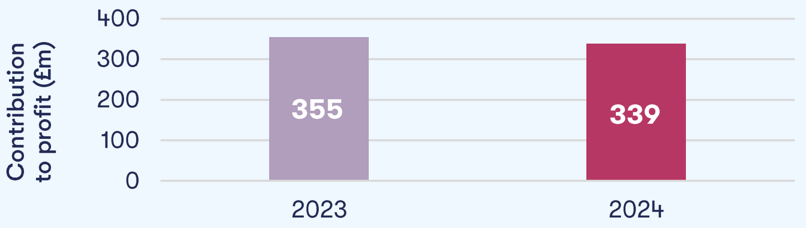
RWA as % of net loans — **51%** — **50%**

2. Net interest income

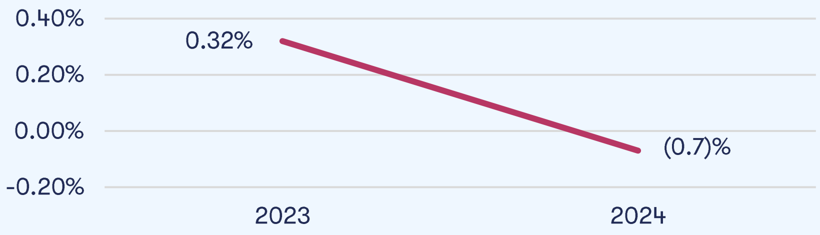


Gross asset yield — **5.5%** — **5.7%**

3. Contribution to profit[2]



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



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

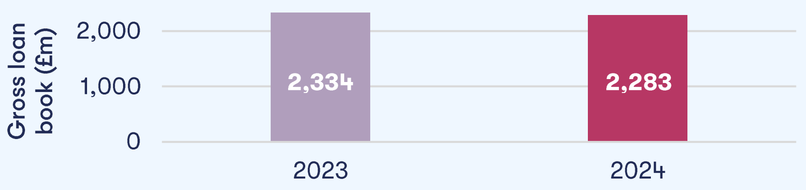
OSB segment results

Residential

Average book LTV[1] remained at 48% while 1.5% of loans by value had LTVs exceeding 90% (2023: 48% and 2.2%, respectively).

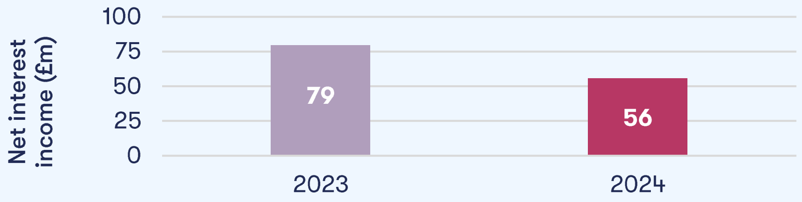
Average origination LTV increased to 66% (2023: 62%).

1. Gross loan book



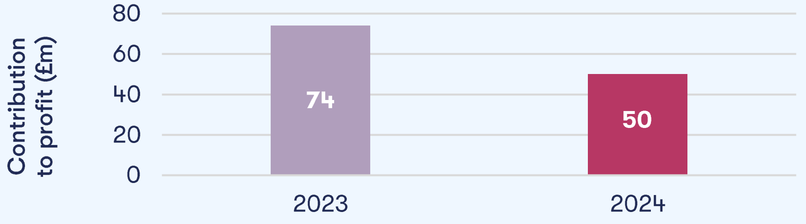
RWA as % of net loans — **46%** — **46%**

2. Net interest income

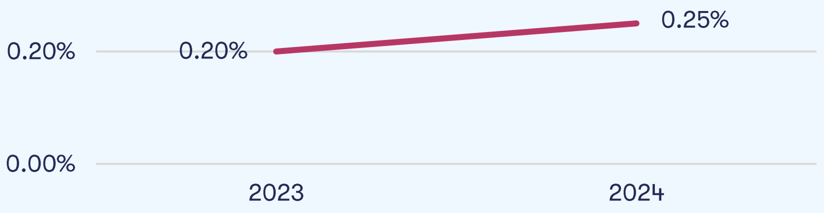


Gross asset yield — **5.9%** — **6.5%**

3. Contribution to profit[2]



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

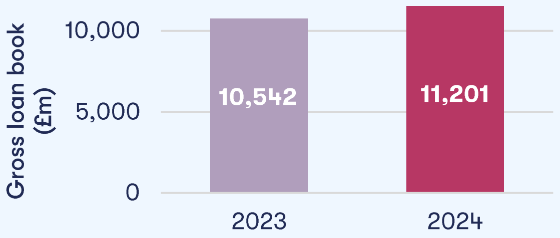


1. Residential sub-segment average weighted LTVs include first and second charge lending 2. Total income less impairment losses

OSB segment results

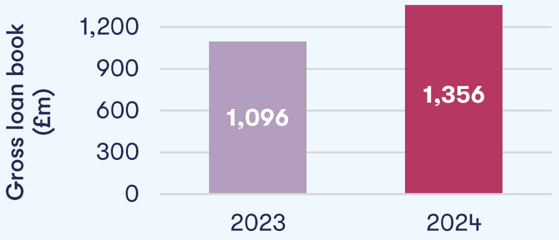
BTL/SME sub-segments

1. Buy to let



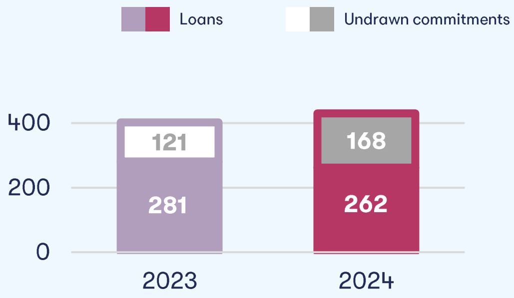
The weighted average interest coverage ratio (ICR) was 186% during 2024 (2023: 176%)

2. Semi-commercial/commercial



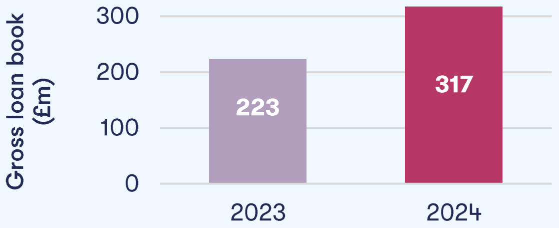
- Weighted average book LTV remained unchanged from 2023 at 73%
- Average loan size increased to £440k (2023: £410k)

3. Residential development



Development finance to small and medium-sized residential property developers

4. Asset finance



Predominantly targets UK SMEs and small corporates financing business critical assets

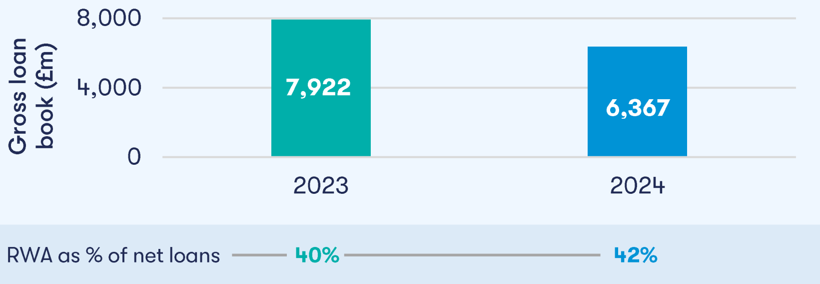
CCFS segment results

BTL sub-segment

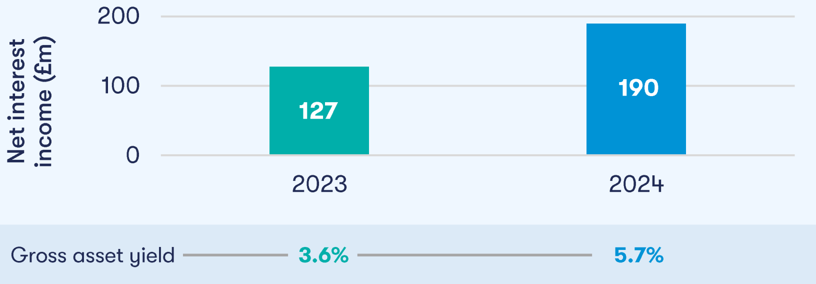
Average book LTV decreased marginally to 67% (2023: 68%), average origination LTV was 73% (2023: 71%).

The weighted average interest coverage ratio (ICR) was 160% during 2024 (2023: 154%).

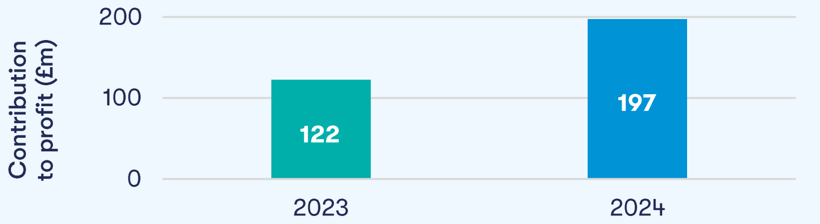
1. Gross loan book



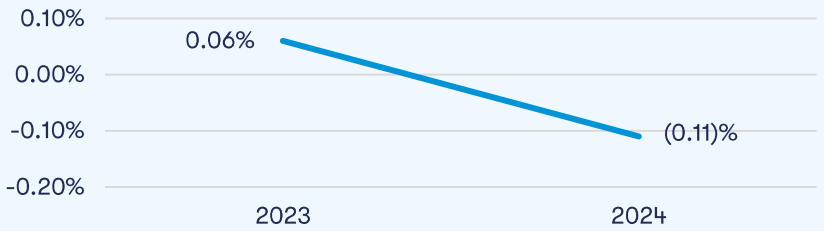
2. Net interest income



3. Contribution to profit[1]



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

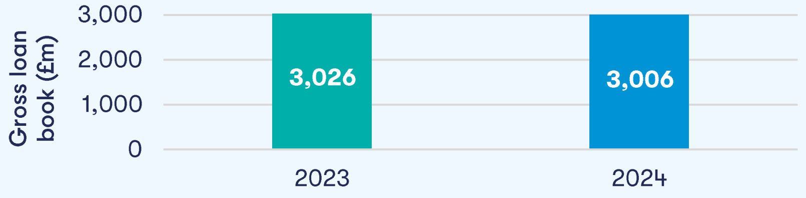


1. Total income less impairment losses

CCFS segment results
Residential sub-segment

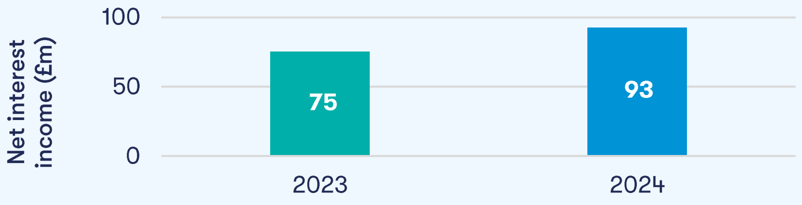
Average origination LTV of 63% and the book LTV of 59% were both unchanged compared to 2023

1. Gross loan book



RWA as % of net loans — 42% — 45%

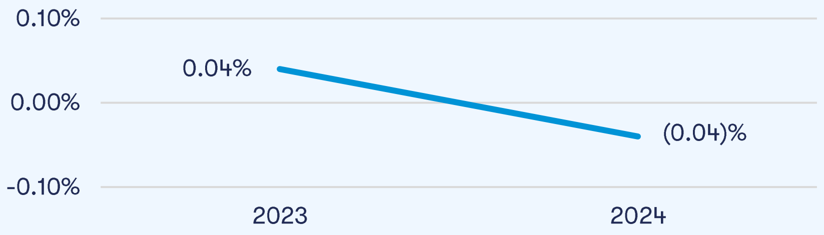
2. Net interest income



Gross asset yield — 4.7% — 6.1%

3. Contribution to profit[1]

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



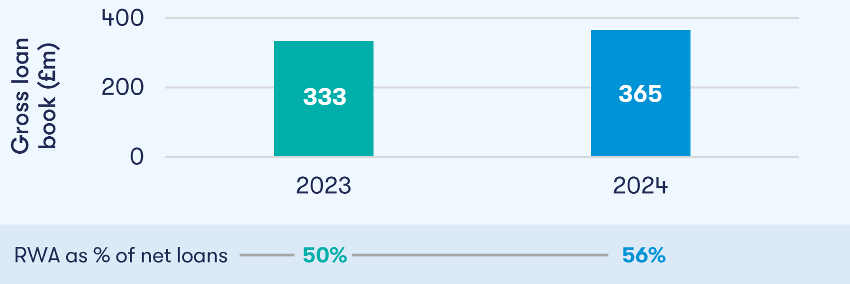
1. Total income less impairment losses

CCFS segment results

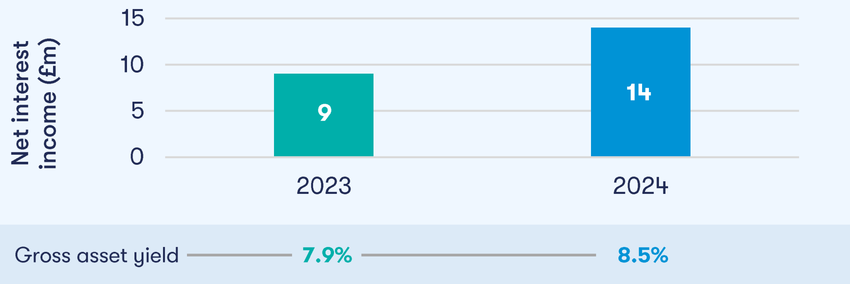
Bridging

Short-term bridging originations increased to £460.1m (2023: £437.2m) as the Group concentrated on building a pipeline of high quality, high return business

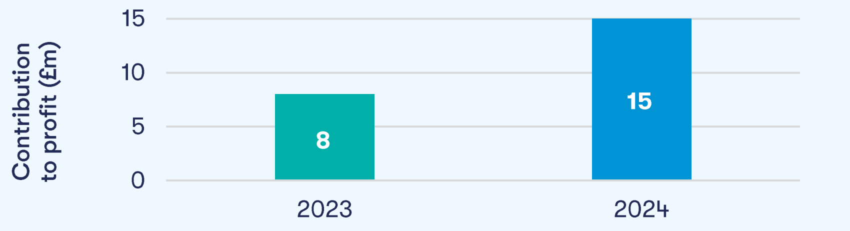
1. Gross loan book



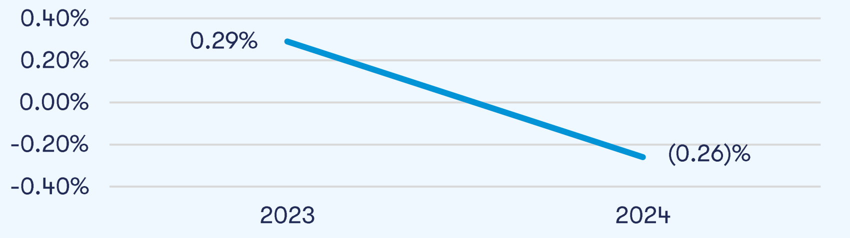
2. Net interest income



3. Contribution to profit[1]



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



1. Total income less impairment losses

Updated forward-looking macroeconomic scenarios

Forecast macroeconomic variables over a five-year period

Scenario	Probability weighting %	Economic measure	Scenario[1] % 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

1. Scenarios show annual movement for GDP, house price growth and CPI and year end positions for unemployment and bank base rate.

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