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15 August 2024

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

OSB GROUP PLC
Interim report for the six months ended 30 June 2024

OSB GROUP PLC (OSBG or the Group), the specialist lending and retail savings group, announces today its results for the six months ended 30 June 2024.

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 believes 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).

Financial and operational highlights

- Underlying profit before tax[1] increased to £249.9m (H1 2023: £116.6m) and statutory profit before tax was £241.3m (H1 2023: £76.7m) primarily due to non-recurrence of the H1 2023 adverse EIR adjustment partially offset by lower prevailing spreads from mortgages and deposits and an impairment credit compared to a loss in the prior period
- Underlying return on equity[2] increased to 18% (H1 2023: 8%) and statutory return on equity was 17% (H1 2023: 5%)
- Underlying and statutory net loan book grew by 1.5% and 1.4% to £26.1bn in the period (FY 2023: £25.7bn and £25.8bn, respectively) and originations were £1.9bn (H1 2023: £2.3bn) as the Group maintained pricing discipline and a focus on returns
- Underlying and statutory net interest margin (NIM)[3] increased to 243bps and 237bps (H1 2023: 203bps and 171bps, respectively) largely due to non-recurrence of the adverse EIR adjustment partially offset by maturing fixed term mortgages redeeming or switching onto lower prevailing spreads, continued recycling of the fixed rate deposit book and MREL issuance
- Underlying and statutory cost to income ratios[4] improved to 34% and 35% (H1 2023: 40% and 47%, respectively)
- Underlying and statutory loan loss ratios[5] were (4)bps (H1 2023: 37bps) due to updated macroeconomic scenarios, particularly house price improvement. Arrears balances greater than three months increased to 1.6% (31 December 2023: 1.4%)
- Basic earnings per share[6] were 46.0p and 44.4p on an underlying and statutory basis (H1 2023: 19.5p and 12.8p, respectively)
- The Common Equity Tier 1 capital ratio, which includes the full impact of the £50m share repurchase programme announced in March, remained strong at 16.2% (31 December 2023: 16.1%). As at 14 August, the Group had repurchased £39.0m worth of shares under the programme
- The Group met its interim MREL requirement of 22.5% of risk-weighted assets, including regulatory buffers, under the current standardised rules
- Interim dividend[7] of 10.7 pence per share (H1 2023: 10.2 pence per share) representing one-third of the full year 2023 ordinary dividend, in line with the Group's stated dividend policy
- The Board has approved a new £50m share repurchase programme which will commence on 6 September

Commenting on the results, Group CEO, Andy Golding said:

"I am pleased with the Group's performance in the first six months of 2024, demonstrating a disciplined approach to new lending, as we focused on maintaining our return on equity against a backdrop of subdued mortgage market volumes. The Group delivered 18% underlying return on equity and 1.5% underlying net loan book growth for the first half, slightly lower than originally guided as we prioritised returns over growth. The Group remains a leading Buy-to-Let lender with c.9% share of new Buy-to-Let mortgages at the end of May,[1] demonstrating the strength of its more complex professional, multi-property landlord proposition.

Based on current market activity and our disciplined approach to lending and retention, the Group now expects to deliver underlying net loan book growth of c.3% for 2024.

Underlying net interest margin is expected to be in a range of 230 - 240bps for the full year as increased competition in the subdued mortgage market leads to maturing fixed term mortgages redeeming or switching onto lower prevailing spreads more quickly, and as we continue to monitor customer behaviour in reversion on the Precise book for any potential impact on the measurement of EIR.

The underlying cost to income ratio is expected to be c.36%, commensurate with the NIM guidance and as we continue to maintain our cost discipline while we invest in the business.

We have seen an improvement in the macroeconomic outlook recently which supports our cautious re-entry into more cyclical, higher margin sub-segments, which will contribute to returns in the medium term. We are now past peak interest rates, which will also provide a much-needed stimulus to the mortgage market. The Group is well-capitalised and well-positioned to successfully leverage our unique multi-brand structure and benefit from the opportunities as they arise. I remain confident in the outlook for the Group and our ability to deliver sustainable and attractive returns for our shareholders."

1. UK Finance, BTL mortgages outstanding and gross lending, July 2024

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Results presentation

A webcast presentation for analysts will be held at 9:30am on Thursday 15 August.
The presentation will be webcast or call only and will be 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 100969. Registration is open immediately.

Notes

1. Before acquisition-related items of £8.6m (H1 2023: £39.9m)
2. 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 7 point average of shareholders' equity (excluding £150m of AT1 securities), annualised
3. Net interest income as a percentage of a 7 point average of interest earning assets, annualised on an actual days basis
4. Administrative expenses as a percentage of total income
5. Impairment losses as a percentage of a 7 point average of gross loans and advances, annualised
6. 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
7. The declared interim dividend of 10.7 pence per share is based on one-third of the total 2023 dividend of 32.0 pence per share (H1 2023: 10.2 pence per share)

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, secured funding lines and asset finance.

OSB originates mortgages 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, bespoke underwriting and efficient operating model.

OSB is predominantly funded by retail savings originated through the long-established Kent Reliance name, which includes online as well as 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, mortgage servicing, administration and retail savings products. It operates through its brands: Precise and Charter Savings Bank.

It is differentiated through risk management expertise and 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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Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

Non-IFRS performance measures

OSBG believes that any non-IFRS performance measures included in this document provide a more consistent basis for comparing the business' performance between financial periods, and provide more detail concerning the elements of performance which OSBG is most directly able to influence or which are relevant for an assessment of OSBG. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by the Board. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. For further details, refer to the Alternative Performance Measures section in the OSBG Annual Report and Accounts 2023. Copies of this are available at www.osb.co.uk and on request from OSBG.

Key Performance Indicators

£241.3m **Profit before tax up 215%**
H1 2023: £76.7m

44.4p **Basic EPS[1] up 247%**
H1 2023: 12.8p

237bps **Net interest margin[2] up 66bps**
H1 2023: 171bps

35% **Cost to income ratio[3] improved 12pps**
H1 2023: 47%

(4)bps **Loan loss ratio[4] improved 41bps**
H1 2023: 37bps

83bps **Management expense ratio[5] up 5bps**
H1 2023: 78bps

£1.9bn **Originations down 18%**
H1 2023: £2.3bn

£26.1bn **Net loan book up 1.4%**
FY 2023: £25.8bn

17% **Return on equity[6] up 12pps**
H1 2023: 5%

16.2% **CET1 remained strong**
FY 2023: 16.1%

3 months + in arrears[7]
OSB 1.9%, CCFS 1.3%
FY 2023: OSB 1.6%, CCFS 1.2%

Savings customer NPS[8] strong
OSB +73, CCFS +66
H1 2023: OSB +71, CCFS +60

1. 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
2. Net interest income as a percentage of a 7 point average of interest earning assets, annualised on an actual days basis
3. Administrative expenses as a percentage of total income
4. Impairment losses as a percentage of a 7 point average of gross loans and advances, annualised
5. Administrative expenses as a percentage of 7 point average of total assets, annualised
6. 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 7 point average of shareholders' equity (excluding £150m of AT1 securities), annualised
7. Portfolio arrears rate of accounts for which there are missing or overdue payments by more than three months as a percentage of net loans
8. OSB customer Net Promoter Score relates to Kent Reliance savings customers and CCFS customer NPS relates to Charter Savings Bank customers. It is calculated based on customer responses to the question of whether they would recommend the Group's products to a friend. The responses provide a score between -100 and +100

Key Performance Indicators

Underlying key performance indicators for six months to 30 June 2024 and 30 June 2023 reflect results for the combined Group, excluding acquisition-related items (see Reconciliation of statutory to underlying results in the Financial review).

£249.9m — **Underlying profit before tax up 114%**
H1 2023: £116.6m

46.0p — **Underlying basic EPS[1] up 136%**
H1 2023: 19.5p

243bps — **Underlying net interest margin[2] up 40bps**
H1 2023: 203bps

34% — **Underlying cost to income ratio[3] improved 6pps**
H1 2023: 40%

(4)bps — **Underlying loan loss ratio[4] improved 41bps**
H1 2023: 37bps

83bps — **Underlying management expense ratio[5] up 5bps**
H1 2023: 78bps

£26.1bn — **Underlying net loan book up 1.5%**
FY 2023: £25.7bn

18% — **Underlying return on equity[6] up 10pps**
H1 2023: 8%

For definitions of key ratios please see footnotes in KPIs above.

OSB GROUP PLC

Interim report for the six months ended 30 June 2024

CEO Report

I am pleased with the results delivered by OSB Group in the first six months of 2024 which were resilient despite the subdued mortgage market. They demonstrate not only the strong fundamentals that underpin our business but also the disciplined strategic choices that the Board and the management have made in shaping the Group both now and for the future.

Throughout the first half, the housing market continued to display low levels of activity reflecting affordability pressures combined with political and economic uncertainty, however the Group's lending and savings propositions remained popular. We continued to do the right thing for our customers whilst retaining a disciplined, returns focused approach to pricing new lending. This resulted in underlying loan book growth of 1.5% and underlying return on equity of 18% for the first half.

I am proud that for 2023, we were once again ranked fourth largest Buy-to-Let lender in the UK in terms of gross new lending as recently released by UK Finance.[1] The Group's share of new Buy-to-Let mortgages was c.9% at the end of May 2024.[2]

The Group is undertaking a cautious re-entry into more cyclical, higher margin sub-segments, including commercial and asset finance, supported by improvement in the macroeconomic outlook. Whilst it will take time to impact the net interest margin this approach will provide a positive contribution to returns in the medium term.

Financial performance

The Group delivered an underlying pre-tax profit of £249.9m for the first six months of 2024, which increased from £116.6m in the first half of 2023, primarily as a result of non-recurrence of the adverse effective interest rate (EIR) adjustment and loan book growth. This was partially offset by lower prevailing spreads from mortgages and deposits as products written in prior years reached maturity and Minimum Requirement for Own Funds and Eligible Liabilities (MREL) issuance. Underlying profit before tax also benefitted from an impairment credit compared to a charge in the previous period.

The underlying basic earnings per share was 46.0 pence (H1 2023: 19.5 pence). On a statutory basis, profit before tax was £241.3m and basic earnings per share were 44.4 pence (H1 2023: £76.7m and 12.8 pence, respectively).

The underlying and statutory net interest margins improved to 243bps and 237bps, respectively (H1 2023: 203bps and 171bps) primarily benefitting from non-recurrence of the adverse EIR adjustment partially offset by maturing fixed term mortgages redeeming or switching onto lower prevailing spreads, the continued recycling of the fixed rate deposit book onto higher rates and MREL issuance, as we met the Group's interim MREL requirement earlier this year.

In the second quarter, we commenced the implementation of an equity structural hedge to reduce earnings volatility due to interest rate changes arising from the portion of the balance sheet funded by equity. As at 14 August the hedge was fully in place with a notional value of £1bn, equivalent to 50% of the Group's CET1 equity.

We made no changes in the first half to the behavioural assumptions used in revenue recognition under the EIR approach. Although Precise borrowers spent less time on the reversion rate in the second quarter, based on limited observations and other wider macroeconomic factors, we did not consider this to be a trend. 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.

Underlying administrative expenses increased by 15% to £125.7m from £109.2m in the prior period due to planned investment in people and operations, further spend on the digitalisation programme and the cost of the new Bank of England levy. We have made progress in the digitalisation programme which will enable us to meet the future needs of our customers, brokers and wider stakeholders, whilst delivering further operational efficiencies. As part of this programme, I am particularly pleased that we have launched our pioneering, first of a kind, mobile app for intermediaries demonstrating our commitment to mortgage brokers. The app makes it easier for them to do business with us and complements our dedicated network of business development managers.

This investment was also reflected in the management expense ratio which increased to 83bps from 78bps in the prior period, both on an underlying and statutory basis. Cost to income ratio improved to 34% and 35% on an underlying and statutory basis (H1 2023: 40% and 47%, respectively) primarily as a result of higher income.

The Group delivered an underlying return on equity of 18% for the first half (H1 2023: 8%) and statutory return on equity was 17% (H1 2023: 5%) benefitting from higher profit in the period.

The Board has declared an interim dividend of 10.7 pence per share (H1 2023: 10.2 pence), representing one-third of the full year 2023 ordinary dividend, in line with our stated dividend policy.

Our lending franchise

The UK mortgage market remained subdued in the first half of 2024 with a marginal increase in gross mortgage lending towards the end of the second quarter as mortgage interest rates reduced due to increased competition in certain sub-segments.[3] In the Buy-to-Let market, UK Finance reported growth of 3% in gross advances in the first five months of 2024 compared to the prior period, however the balance of outstanding Buy-to-Let mortgages contracted by 1% in the same period reflecting ongoing affordability pressures faced by amateur landlords.[2]

Against this market backdrop, the Group's underlying and statutory net loan book grew by 1.5% and 1.4%, respectively to £26.1bn in the first half (31 December 2023: £25.7bn and £25.8bn) supported by originations of £1.9bn (H1 2023: £2.3bn). In the first half, as activity in the market remained subdued and competition in our core sub-segments increased, particularly in the second quarter, we retained our disciplined approach to pricing new business, prioritising returns. We chose not to follow as some lenders reduced their new business spreads in certain sub-segments. We continued to lend to professional, multi-property landlords at good margins.

Under Kent Reliance's well-established product transfer programme, Choices, 74% of borrowers refinanced with the Group within three months of their fixed rate product ending (H1 2023: 75%). The proportion of Precise borrowers who chose another product with the Group in the first half reduced to 56% from 59% in the prior period, as we were selective on which business we retained. Refinancing was strong in the first half with 63% of Buy-to-Let completions in Kent Reliance represented by remortgages, up from 59% in the prior period. For Precise, refinancing decreased to 48% of completions from 53% in the prior period, demonstrating a relative increase in purchases.

Our customer focus was further demonstrated by the industry awards we have won so far this year, 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 +56 for OSB and +53 for CCFS (H1 2023: +56 and +61, respectively).

Credit and risk management

The loan book continued to demonstrate strong credit performance with balances over three months in arrears for the Group at 1.6% of the loan book at the end of June (31 December 2023: 1.4%). The increase was largely due to the impact of the higher cost of borrowing on a small group of borrowers.

The Group's loan to value (LTV) position remained strong with the weighted average LTV of the loan book at 66% as at 30 June 2024 (31 December 2023: 64%), reflecting a reduction in house prices in the South East in the period, where the Group has the highest proportion of its loan book. The weighted average LTV of new mortgages written by the Group remained at 68%.

The Group recorded an impairment credit of £5.2m on an underlying basis, which represented an underlying loan loss ratio of (4)bps for the first six months of 2024 (H1 2023: £44.5m charge and 37bps, respectively). The impairment credit was due to updated macroeconomic scenarios, particularly house price improvement. The statutory impairment credit was £4.7m, equivalent to a loan loss ratio of (4)bps (H1 2023: £44.6m and 37bps).

Multi-channel funding model

Our two savings brands, Kent Reliance and Charter Savings Bank continued to attract new savers by combining excellent customer service with a competitively priced offering and in the first half we opened nearly 133,000 new savings accounts. This allowed us to continue the repayment of Term Funding Scheme for SMEs (TFSME) and the retail deposit book grew by 10% to £24.3bn from £22.1bn at the end of 2023.

We complemented funding from retail deposits with our expertise in the wholesale markets and, in the first six months of 2024, the Group completed two transactions: a £509m securitisation of Buy-to-Let mortgages in February and a £330m securitisation of owner-occupied mortgages in May. Both securitisations saw strong demand from our growing investor base which allowed us to achieve attractive pricing.

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 repay TFSME drawings. In the first six months of 2024, we repaid £1.7bn of TFSME funding with the remainder due by October 2025. As at 30 June 2024, the Group's drawings under this Bank of England facility reduced to £1.6bn (31 December 2023: £3.3bn).

Our savings customer focus was reflected in the strong NPS for the first half of the year of +73 for Kent Reliance and +66 for Charter Savings Bank (H1 2023: +71 and +60, respectively), as well as high retention rates: 90% for maturing fixed rate bonds and ISAs at Kent Reliance and 86% for Charter Savings Bank (H1 2023: 90% and 87%, respectively).

Capital management

The Group's capital position, which reflects fully the £50m share repurchase programme announced in March remained strong with a CET1 ratio of 16.2% as at 30 June 2024 (31 December 2023: 16.1%). As at 14 August 2024 the Group had repurchased £39.0m worth of shares. The Group had a total capital ratio of 19.5% as at 30 June 2024 (31 December 2023: 19.5%). We expect to continue to operate above our 14% CET1 target as we wait for clarity on the final Basel 3.1 rules which were recently delayed.

In January, following the issuance of £400m of MREL qualifying senior debt securities, the Group met its interim MREL requirement of 22.5% of risk-weighted assets, including regulatory buffers, under the current standardised rules. We intend to issue further benchmark size MREL qualifying debt to enable us to meet the end state MREL requirement of 23.4% of risk-weighted assets before the deadline of July 2026.

In line with our stated dividend policy, the Board has today declared an interim dividend of 10.7 pence for the first half of 2024.The Board is confident that the Group's strategy and proven capital generation capability can support both net loan book growth and further capital returns to shareholders.

The Group has a strong balance sheet and liquidity, with a high-quality secured loan book and strong customer franchises. We continue to generate excess capital and I am pleased to announce a new share repurchase programme of £50m which will commence on 6 September.

Looking forward

"We have seen an improvement in the macroeconomic outlook recently which supports our cautious re-entry into more cyclical, higher margin sub-segments, which will contribute to returns in the medium term. We are now past peak interest rates, which will also provide a much-needed stimulus to the mortgage market.

Based on current market activity and our disciplined approach to lending and retention, the Group now expects to deliver underlying net loan book growth of c.3% for 2024.

Underlying net interest margin is expected to be in a range of 230 - 240bps for the full year as increased competition in the subdued mortgage market leads to maturing fixed term mortgages redeeming or switching onto lower prevailing spreads more quickly, and as we continue to monitor customer behaviour in reversion on the Precise book for any potential impact on the measurement of the EIR.

The underlying cost to income ratio is expected to be c.36%, commensurate with the NIM guidance and as we continue to maintain our cost discipline while we invest in the business.

The Group is well-capitalised and well-positioned to successfully leverage our unique multi-brand structure and benefit from the opportunities as they arise. I remain confident in the outlook for the Group and our ability to deliver sustainable and attractive returns for our shareholders."

Andy Golding

Chief Executive Officer

15 August 2024

1. UK Finance members, value of BTL gross lending, July 2024
2. UK Finance, BTL mortgages outstanding and gross lending, July 2024
3. UK Finance, New mortgage lending, UK (BOE) purpose of loan, June 2024

Mortgage market review

Housing market activity was relatively subdued during the first half of the year, reflecting persistent affordability pressures. Political and economic uncertainty was also heightened in the period and this may have influenced potential purchase and refinancing decisions ahead of the UK General Election at the start of July. As a result, property transactions and mortgage completions increased only marginally compared to the same period in 2023, which itself saw the lowest level of activity for nearly a decade following a steep rise in inflation and mortgage interest rates. However, there were also indications that the broader housing market could be improving, with an increase in mortgage approvals and house prices returning to growth following a period of contraction.

Inflationary pressures continued to subside in the first half as evidenced by the Consumer Price Index falling to 2.0%[1] in June 2024 compared to the first half of 2023 when the rate of inflation exceeded 10% within the period. This reduction followed a concerted effort by the Bank of England (BoE) to contain inflation through a series of base rate rises, which led to a significant increase in mortgage interest rates. With inflation falling, the BoE held the base rate stable from September 2023 until August 2024 and this led to a moderation of borrowing costs that has begun to pass into mortgage pricing. According to the BoE, the average quoted interest rate on a two-year fixed rate residential mortgage at 75% loan to value reached a peak of 6.22% in July 2023 and has since reduced by 106bps to 5.16% in June 2024.[2] Likewise, interest rate swap pricing has reduced over the same period with the 2-year interest rate swap down by 108bps from 5.60% to 4.52%.

In the wider economy, prospective borrowers were experiencing an easing of mortgage affordability challenges through increased wages, with average weekly earnings growing annually by 2.5% in real terms from March to May 2024.[3] This improvement in circumstances has led to an increase in confidence, with GfK's Consumer Confidence Index increasing by one point in July to the highest level since August 2021[4], and the outlook for respondents' personal financial situation over the next twelve months positive for five consecutive surveys.

House prices also returned to growth in the first half of 2024, with the UK House Price Index registering a modest increase in March 2024 and reaching +2.2% in May[5], following a period that saw eight consecutive months of contraction from July 2023. According to the Office for National Statistics, the average UK property price reached £285,201 in May 2024, still slightly below the peak of £288,901 reported in September 2022.

UK gross mortgage lending in the first six months of 2024 increased by 1.5% to £111.1bn from £109.5bn in the same period of 2023.[6] Similarly, property transactions increased by 1% during the first six months to 488,000[7] and new mortgage approvals, which provide an indication of future completions, increased by 18% to £127.2bn from £107.9bn in the same period of 2023.[8]

There continued to be a strong emphasis on refinancing activity amongst homeowners, as borrowers preferred the certainty of fixed mortgage payments. According to UK Finance, total regulated refinancing increased by 5.3% in the first five months of the year compared to the same period in 2023.[9] Within this total product transfers, where borrowers take a new product from their existing lender, continued to increase in popularity with volumes up by 9.3% to £96.1bn from £88.0bn in 2023, representing 77% of all refinancing activity (2023: 74%).[9]

Respondents to the RICS Residential Market Survey have reported declining landlord instructions over several years[10], suggesting that landlords are purchasing fewer new properties. There is evidence that this activity is more concentrated amongst amateur landlords, with research conducted by Pegasus Insight showing that 18% of multi-property portfolio landlords plan to purchase new properties in the next 12 months compared to 9% of landlords with fewer than four properties.[11] The Group's own Landlord Leaders study also suggested that 69% of landlords either have already or plan to increase the size of their portfolio, reinforcing the continued trend towards professional, multi-property landlords.

Tenant demand for rental properties remains high, with 83% of landlords reporting strong rental demand in the latest Landlord Trends survey conducted by Pegasus Insight. The RICS Residential Market Survey also suggests that tenant demand has grown consistently for over three years. This mismatch between demand and supply continued to exert upward pressure on rents, with private rental prices in the UK rising by 8.6% in the year to June 2024.[12] Rising rental prices have supported growth in rental yields, which exceeded 6% on average in the first quarter for the first time since the end of 2021 according to Pegasus Insight.

Buy-to-Let mortgage gross advances reached £12.9bn in the five months to May 2024, an increase of 3% compared with £12.5bn in the five months to May 2023. Purchases remained broadly flat over the same period at £3.5bn, while remortgage completions increased by 4% to £9.0bn (2023: £8.7bn).[13] The period also saw a reduction of 1.2% in Buy-to-Let mortgages outstanding to £301bn in May 2024 (May 2023: £305bn). According to UK Finance, May 2024 saw an increase in monthly completions and was the strongest individual month for Buy-to-Let originations since January 2023.

There was a trend towards refinancing in the Buy-to-Let sector in 2023 driven by increases in mortgage rates however this growth has not continued in the first half of 2024, with overall refinancing down by 6.8% in the five months to May. Within this total, product transfers were down by 11.3% to £18.0bn (2023: £20.3bn).[14]

1. Office for National Statistics, UK Consumer Prices Index, June 2024
2. Bank of England, 2 year (75% LTV) fixed rate mortgage to households (IUMBV34), June 2024
3. Office for National Statistics, Average weekly earnings in Great Britain: July 2024
4. GfK, Consumer Confidence Index, July 2024
5. Office for National Statistics, UK House Price Index, June 2024
6. UK Finance, New mortgage lending, UK (BOE) purpose of loan, June 2024
7. HMRC, Monthly property transactions, June 2024
8. UK Finance, Approvals for new mortgages by purpose of loan, UK (BOE), July 2024
9. UK Finance, New refinancing and releveraging mortgages, July 2024
10. RICS, Residential Market Survey, May 2024
11. Pegasus Insight, landlord Trends Report, Q1 2024
12. Office for National Statistics, Price Index of Private Rents, June 2024
13. UK Finance, BTL mortgages outstanding and gross lending, June 2024
14. UK Finance, BTL Product Transfers and other refinancing, June 2024

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 contribution to profit and loans and advances to customers on a statutory basis:

Contribution to profit for the period

For the six months ended 30 June 2024	BTL/SME £m	Residential £m	Total £m
Net interest income	**164.2**	**30.4**	**194.6**
Other income	**2.7**	**0.5**	**3.2**
Total income	**166.9**	**30.9**	**197.8**
Impairment of financial assets	**(2.4)**	**(1.4)**	**(3.8)**
Contribution to profit	**164.5**	**29.5**	**194.0**
For the six months ended 30 June 2023			
Net interest income	196.3	44.8	241.1
Other expense	(7.6)	(2.3)	(9.9)
Total income	188.7	42.5	231.2
Impairment of financial assets	(34.4)	(4.8)	(39.2)
Contribution to profit	154.3	37.7	192.0

Loans and advances to customers

As at 30 June 2024	BTL/SME £m	Residential £m	Total £m
Gross loans and advances to customers	**12,565.0**	**2,388.5**	**14,953.5**
Expected credit losses	**(103.3)**	**(8.6)**	**(111.9)**
Net loans and advances to customers	**12,461.7**	**2,379.9**	**14,841.6**
Risk-weighted assets	**6,265.7**	**1,106.8**	**7,372.5**
As at 31 December 2023			
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

OSB Buy-to-Let/SME sub-segment

Loans and advances to customers

	30-Jun-2024 £m	31-Dec-2023 £m
Buy-to-Let	**11,161.7**	10,764.5
Commercial	**1,157.5**	1,095.7
Residential development	**222.2**	280.8
Funding lines	**23.6**	34.1
Gross loans and advances to customers	**12,565.0**	12,175.1
Expected credit losses	**(103.3)**	(102.4)
Net loans and advances to customers	**12,461.7**	12,072.7

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, residential development finance to small and medium-sized developers, secured funding lines to other lenders and asset finance.

The Buy-to-Let/SME net loan book increased by 3% to £12,461.7m in the first six months of 2024 supported by originations of £996.8m, which decreased by 8% from £1,080.5m in the prior period as the Group focused on retaining professional, multi-property landlords.

Net interest income in this sub-segment decreased by 16% to £164.2m from £196.3m in the prior period, primarily due to the higher cost of retail funding and maturing fixed rate mortgages redeeming or switching onto lower prevailing spreads. The Group also recognised an effective interest rate (EIR) reset loss of £0.6m in the period (H1 2023: £2.6m loss).

Other income amounted to £2.7m and related to gains from hedging activities (H1 2023: £7.6m loss). The impairment charge of £2.4m (H1 2023: £34.4m) was largely due to modelled IFRS 9 stage migration, increase in arrears and individually assessed provisions. Overall, the Buy-to-Let/SME sub-segment made a contribution to profit of £164.5m, up 7% compared with £154.3m in the first six months of 2023, largely due to the lower impairment charge compared with the prior period.

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, which remained at 70%, unchanged from the prior period. The average book LTV in the Buy-to-Let/SME sub-segment increased to 70% as a result of house price reduction in the period, with 5.2% 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 4% to £11,161.7m at the end of June 2024 (31 December 2023: £10,764.5m) supported by originations of £762.9m, which reduced by 3% from £786.9m in the prior period and as the Group focused on retaining professional, multi-property landlords.

Refinance activity was strong in the period and the proportion of Kent Reliance Buy-to-Let completions represented by refinance increased to 63% (H1 2023: 59%). In addition, product transfers remained popular, with 74% of existing borrowers choosing a new product, under the Choices retention programme, within three months of their initial rate ending (H1 2023: 75%).

Product selection behaviour continued to change in line with anticipated interest rate movements. Five-year fixed rate products remained the most popular product type, representing 71% of Buy-to-Let completions (H1 2023: restated 76%[1]), although an increased number of borrowers preferred shorter-term fixed rate products amid expectation of future interest rate reductions.

Professional, multi-property landlords continued to add to their portfolios and optimise their businesses from a tax perspective and represented 92% of completions by value for the Kent Reliance brand (H1 2023: 91%) and 91% of mortgage purchase applications in Kent Reliance came from landlords borrowing via a limited company (H1 2023: 86%).

Research conducted by Pegasus Insight, on behalf of the Group, showed that the overall proportion of landlords planning to purchase new properties had fallen to 9% from 10% in the first quarter of 2023. However, of those planning to acquire more properties, the proportion planning to do so within a limited company ownership structure, preferred by professional landlords, remained high at 61% in the first quarter of 2024 (Q1 2023: 62%).

The weighted average LTV of the Buy-to-Let book as at 30 June 2024 increased to 69% from 66% at the end of 2023, as a result of house price reduction in the period and the average loan size remained unchanged from £255k at the end of 2023. The weighted average interest coverage ratio[2] for Buy-to-Let originations during the first six months of 2024 remained high at 185% (H1 2023: 178%) despite higher mortgage interest rates, which were balanced by 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 6% to £1,157.5m as at 30 June 2024 (31 December 2023: £1,095.7m) supported by originations and the proactive retention programme introduced towards the end of 2023. The Group concentrated on high quality commercial and semi-commercial business in the first half. Originations reduced to £137.0m from £193.7m in the prior period largely as a result of transferring origination of more complex Buy-to Let new business from the InterBay Commercial brand to the Kent Reliance Buy-to-Let brand to match the reporting of gross loans.

The weighted average LTV of the commercial book increased marginally to 74% and the average loan size remained unchanged at £410k for the first six months of 2024 (31 December 2023: 73% and £410k).

InterBay Asset Finance, which predominantly targets UK SMEs and small corporates financing business-critical assets, continued to grow in the first half of 2024, adding to its high-quality portfolio. The gross carrying amount under finance leases increased by 17% to £259.5m as at 30 June 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 who operate outside of central London and provide relatively affordable family housing, as opposed to complex city centre schemes where affordability and construction cost control can be more challenging. New applications predominantly represent repeat business from the team's extensive existing relationships.

The residential development finance gross loan book was £222.2m at the end of June 2024, with a further £128.0m committed (31 December 2023: £280.8m and £120.9m, respectively). Total approved limits were £519.0m (31 December 2023: £566.8m), exceeding drawn and committed funds due to the revolving nature of the facility where construction is phased and facilities are redrawn as sales on the initially developed properties occur.

At the end of June 2024, Heritable had commitments to finance the development of 2,187 residential units, the majority of which are houses located outside of central London.

Funding lines

OSB continued to provide secured funding lines to non-bank lenders which operate in certain high-yielding, specialist sub-segments, primarily secured against property-related mortgages. Total credit approved limits as at 30 June 2024 were £48.8m, with total loans outstanding of £23.6m (31 December 2023: £197.1m and £34.1m, respectively). During the period, the Group maintained a cautious risk approach focusing on servicing existing customers.

1. Proportion of 5 year fixed Buy-to-Let completions comparative was restated due to a change in calculation methodology.
2. Interest coverage ratio is calculated as gross rental income at origination divided by the interest payment at origination.

OSB Residential sub-segment

Loans and advances to customers

	30-Jun-2024 £m	31-Dec-2023 £m
First charge	**2,271.1**	2,199.1
Second charge	**117.4**	135.1
Gross loans and advances to customers	**2,388.5**	2,334.2
Expected credit losses	**(8.6)**	(8.7)
Net loans and advances to customers	**2,379.9**	2,325.5

Residential mortgages are provided under the Kent Reliance brand, which largely serves prime credit quality borrowers with more complex circumstances. This includes high net worth individuals with multiple income sources and self-employed borrowers, as well as those buying a property in conjunction with a housing association under shared ownership schemes.

First charge
The first charge originations under Kent Reliance brand reduced by 26% to £133.7m in the first six months of 2024 (H1 2023: £179.7m) as demand for specialist mortgages was subdued due to high mortgage interest rates and the expectation of future interest rate reductions. The gross loan book increased by 3% to £2,271.1m compared to the prior period.

Net interest income in the Residential sub-segment decreased by 32% to £30.4m (H1 2023: £44.8m) due to the higher cost of retail funding and maturing fixed rate mortgages redeeming or switching onto lower prevailing spreads. The Group recognised an EIR reset loss of £1.5m (H1 2023: £0.2m loss). Other income of £0.5m (H1 2023: £2.3m expense) related to gains from hedging activities and an impairment charge of £1.4m (H1 2023: £4.8m) was largely due to write-offs in the second charge portfolio. The contribution to profit was £29.5m, down 22% from £37.7m in the prior period, broadly reflective of lower net interest income.

The average book LTV increased marginally to 49% as a result of house price reduction in the period, with only 3.8% of loans with LTVs exceeding 90% (31 December 2023: 48% and 2.2%, respectively). The average LTV of new residential origination in the first six months of 2024 increased to 64% (H1 2023: 62%) as a result of more mortgages completing at LTVs of 80% and above in the period.

Second charge
The OSB second charge mortgage book is in run-off and the gross loan book was £117.4m as at 30 June 2024 (31 December 2023: £135.1m).

Charter Court Financial Services (CCFS) segment

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

Contribution to profit for the period

For the six months to 30 June 2024	**Buy-to-Let £m**	**Residential £m**	**Bridging £m**	**Second charge £m**	**Other[1] £m**	**Total underlying £m**	**Acquisition-related items[2] £m**	**Total statutory £m**
Net interest income/(expense)	**97.6**	**54.1**	**6.1**	**1.6**	**8.0**	**167.4**	**(8.5)**	**158.9**
Other income	**-**	**-**	**-**	**-**	**5.0**	**5.0**	**0.9**	**5.9**
Total income	**97.6**	**54.1**	**6.1**	**1.6**	**13.0**	**172.4**	**(7.6)**	**164.8**
Impairment of financial assets	**7.6**	**1.1**	**0.2**	**0.1**	**-**	**9.0**	**(0.5)**	**8.5**
Contribution to profit	**105.2**	**55.2**	**6.3**	**1.7**	**13.0**	**181.4**	**(8.1)**	**173.3**

For the six months to 30 June 2023	Buy-to-Let £m	Residential £m	Bridging £m	Second charge £m	Other[1] £m	Total underlying £m	Acquisition-related items[2] £m	Total statutory £m
Net interest income/(expense)	3.1	20.3	3.8	2.7	9.3	39.2	(42.8)	(3.6)
Other income	-	-	-	-	0.5	0.5	4.0	4.5
Total income	3.1	20.3	3.8	2.7	9.8	39.7	(38.8)	0.9
Impairment of financial assets	(3.2)	(1.8)	(0.4)	0.1	-	(5.3)	(0.1)	(5.4)
Contribution to profit	(0.1)	18.5	3.4	2.8	9.8	34.4	(38.9)	(4.5)

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

Loans and advances to customers

As at 30 June 2024	**Buy-to-Let £m**	**Residential £m**	**Bridging £m**	**Second charge £m**	**Other[1] £m**	**Total underlying £m**	**Acquisition-related items[2] £m**	**Total statutory £m**
Gross loans and advances to customers	**7,904.6**	**2,988.0**	**324.7**	**72.0**	**13.6**	**11,302.9**	**15.7**	**11,318.6**
Expected credit losses	**(21.5)**	**(4.3)**	**(1.2)**	**(0.1)**	**-**	**(27.1)**	**0.6**	**(26.5)**
Net loans and advances to customers	**7,883.1**	**2,983.7**	**323.5**	**71.9**	**13.6**	**11,275.8**	**16.3**	**11,292.1**
Risk-weighted assets	**3,188.7**	**1,287.0**	**175.1**	**32.0**	**5.2**	**4,688.0**	**10.5**	**4,698.5**

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

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

CCFS segment

Underlying loans and advances to customers

	30-Jun-2024 £m	31-Dec-2023 £m
Buy-to-Let	**7,904.6**	7,921.5
Residential	**2,988.0**	3,026.0
Bridging	**324.7**	333.1
Second charge	**72.0**	83.0
Other[1]	**13.6**	13.6
Gross loans and advances to customers	**11,302.9**	11,377.2
Expected credit losses	**(27.1)**	(35.8)
Net loans and advances to customers	**11,275.8**	11,341.4

1. Other relates to acquired loan portfolios

The 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, short-term bridging secured against residential property in both the regulated and unregulated sectors and the second charge loan book which is in run-off.

The CCFS underlying net loan book reduced by 1% to £11,275.8m at the end of June 2024 (31 December 2023: £11,341.4m) with a reduction of 26% in originations to £782.7m, from £1,060.3m of new business written in the same period last year.

CCFS Buy-to-Let sub-segment

In the first half of 2024, CCFS' originations in the Buy-to-Let sub-segment through the Precise brand decreased by 34% to £339.3m (H1 2023: £516.4m) as the Group chose not to offer mortgages at lower returns, especially in the second quarter, as competition increased. The underlying gross Buy-to-Let loan book remained broadly flat in the period at £7,904.6m from £7,921.5m at the end of 2023.

The proportion of remortgages decreased to 48% of completions under the Precise brand as at 30 June 2024 (H1 2023: 53%) demonstrating the relative strength of purchase activity. The Group was selective in offering retention products leading to 56% of existing customers choosing to switch to a new product with the Group within three months of their initial rate coming to an end (H1 2023: 59%).

Five-year fixed rate mortgages continued to be popular and accounted for 60% of Precise completions in the period (H1 2023: 66%). Borrowing through a limited company made up 68% of Buy-to-Let completions (H1 2023: 65%) and loans for specialist property types, including houses of multiple occupation and multi-unit properties, represented 27% of completions in this sub-segment (H1 2023: 18%).

Research conducted by Pegasus Insight on behalf of the Group in the first quarter of 2024, found that 83% 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 first quarter of 2024, the highest level since the end of 2021.

The weighted average LTV of the loan book in this segment increased marginally to 69% (31 December 2023: 68%) as a result of house price reduction in the period. The new lending average LTV increased to 72% with average loan size remaining unchanged at £190k (H1 2023: 71% and £190k, respectively). The weighted average interest coverage ratio[1] for Buy-to-Let origination increased to 161% (H1 2023: 154%) despite higher mortgage interest rates, which were balanced by opportunities to increase rents.

Underlying net interest income in this sub-segment increased to £97.6m compared with £3.1m in the prior period, primarily as a result of non-recurrence of the adverse effective interest rate (EIR) adjustment. The Group recognised an EIR reset gain of £2.3m (H1 2023: £137.7m loss) due to higher than expected income from early redemption charges. In the previous period, the adverse EIR adjustment related to the expectation that Precise borrowers would spend less time on the higher reversionary rate before refinancing, based on observed customer behavioural trends.

This segment recognised an impairment credit of £7.6m (H1 2023: £3.2m charge) largely due to updated macroeconomic scenarios, particularly house price improvement. On an underlying basis, the Buy-to-Let sub-segment made a contribution to profit of £105.2m in the first half of 2024 (H1 2023: £0.1m negative contribution).

On a statutory basis, the Buy-to-Let sub-segment made a contribution to profit of £99.9m (H1 2023: £30.8m negative contribution).

CCFS Residential sub-segment
The underlying gross loan book in CCFS' Residential sub-segment decreased by 1% to £2,988.0m[2] at the end of June 2024 (31 December 2023: £3,026.0m). Originations were £251.5m in the first half of 2024, down by 21% from £317.2m as the Group chose not to offer mortgages at lower returns, especially in the second quarter, as competition increased.

The average loan size in this sub-segment was £160k (H1 2023: £152k) with an average LTV of new lending unchanged from the prior period at 62%. The average book LTV remained broadly stable at 60% as at 30 June 2024 (31 December 2023: 59%).

Underlying net interest income increased to £54.1m (H1 2023: £20.3m) largely due to the non-recurrence of the adverse EIR adjustment in the prior period. The Group recorded an EIR reset loss of £1.0m (H1 2023: £40.3m loss). In the prior period, the adverse EIR adjustment related to the expectation that Precise borrowers would spend less time on the higher reversionary rate before refinancing, based on observed customer behavioural trends.

The Residential sub-segment recorded an impairment credit of £1.1m compared to a charge of £1.8m in the first half of 2023 largely due to updated macroeconomic scenarios, particularly house price improvement. On an underlying basis, the Residential sub-segment made a contribution to profit of £55.2m, compared with £18.5m in the prior period.

On a statutory basis, the Residential sub-segment made a contribution to profit of £52.9m (H1 2023: £7.5m).

CCFS Bridging sub-segment
Short-term bridging originations decreased to £191.9m compared with £226.7m in the first half of 2023 as the Group concentrated on building a pipeline of high quality, high return business. The gross loan book in this sub-segment decreased by 3% to £324.7m as at 30 June 2024 (31 December 2023: £333.1m).

Underlying net interest income increased to £6.1m from £3.8m in the first half of 2023, and the impairment credit was £0.2m (H1 2023: £0.4m charge). Overall, the bridging sub-segment made a contribution to profit of £6.3m and £6.1m on an underlying and statutory basis, respectively (H1 2023: £3.4m and £2.6m).

CCFS Second charge sub-segment
The second charge gross loan book reduced to £72.0m compared with £83.0m as at 31 December 2023, as the Group no longer offers second charge products under the Precise brand and the book is in run-off.

1. Interest coverage ratio is calculated as gross rental income at origination divided by the interest payment at origination.
2. The residential gross loan book excluded £93.5m of mortgage assets following the call and redemption in the first half of 2024 of CMF 2020-1 securitisation.

OSB GROUP PLC

Interim report for the six months ended 30 June 2024

Financial review

Summary statutory results

Review of the Group's performance on a statutory basis for the six months to 30 June 2024 and 2023.

	H1 2024 £m	H1 2023 £m
Summary Profit or Loss		
Net interest income	**353.5**	237.5
Net fair value gain/(loss) on financial instruments	**5.9**	(8.1)
Other operating income	**3.2**	2.7
Administrative expenses	**(126.2)**	(110.2)
Provisions	**0.2**	(0.6)
Impairment of financial assets	**4.7**	(44.6)
Profit before tax	**241.3**	76.7
Profit after tax	**178.3**	59.3

	H1 2024	H1 2023
Key ratios[1]		
Net interest margin	**237bps**	171bps
Cost to income ratio	**35%**	47%
Management expense ratio	**83bps**	78bps
Loan loss ratio	**(4)bps**	37bps
Return on equity	**17%**	5%
Basic earnings per share, pence	**44.4**	12.8
Dividend per share, pence	**10.7**	10.2

	30-Jun-24 £m	31-Dec-23 £m
Extracts from the Statement of Financial Position		
Loans and advances to customers	**26,133.7**	25,765.0
Retail deposits	**24,292.4**	22,126.6
Total assets	**30,746.1**	29,589.8
Key ratios		
Common equity tier 1 ratio	**16.2%**	16.1%
Total capital ratio	**19.5%**	19.5%
Leverage ratio	**7.6%**	7.5%

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

OSB GROUP PLC

Interim report for the six months ended 30 June 2024

Summary underlying results

Alternative performance measures
The Group presents alternative performance measures (APMs) below, as Management believe they provide a more consistent basis for comparing the Group's performance between financial periods.

Underlying results for the six months to 30 June 2024 and 30 June 2023 exclude acquisition-related items.

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 which can be found above.

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

Summary Profit or Loss	**H1 2024 £m**	**H1 2023 £m**
Net interest income	**362.0**	280.3
Net fair value gain/(loss) on financial instruments	**5.0**	(12.1)
Other operating income	**3.2**	2.7
Administrative expenses	**(125.7)**	(109.2)
Provisions	**0.2**	(0.6)
Impairment of financial assets	**5.2**	(44.5)
Profit before tax	**249.9**	116.6
Profit after tax	**184.5**	87.9

Key ratios[1]	**H1 2024**	**H1 2023**
Net interest margin	**243bps**	203bps
Cost to income ratio	**34%**	40%
Management expense ratio	**83bps**	78bps
Loan loss ratio	**(4)bps**	37bps
Return on equity	**18%**	8%
Basic earnings per share, pence	**46.0**	19.5

Extracts from the Statement of Financial Position	**30-Jun-24 £m**	**31-Dec-23 £m**
Loans and advances to customers	**26,117.4**	25,739.6
Retail deposits	**24,292.4**	22,126.6
Total assets	**30,730.2**	29,565.6

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

Profit before tax

	H1 2024	H1 2023	Change
Profit before tax	**£241.3m**	£76.7m	215%
Acquisition related items	**£8.6m**	£39.9m	(78)%
Underlying profit before tax	**£249.9m**	£116.6m	114%
Earnings per share	**44.4p**	12.8p	247%
Underlying earnings per share	**46.0p**	19.5p	136%
Return on equity	**17%**	5%	12pps
Underlying return on equity	**18%**	8%	10pps

The Group's profit before tax increased in the first half of 2024 largely due to the non-recurrence of the adverse effective interest rate (EIR) adjustment and net loan book growth. This was partially offset by maturing fixed term mortgages redeeming or switching onto lower prevailing spreads, continued recycling of the fixed rate deposit book onto higher rates and MREL issuance. Profit before tax also benefitted from an impairment credit compared to a charge in the previous period.

The Group's statutory effective tax rate for the first six months of 2024 was 26.2% compared with 22.9% in the prior period, predominantly due to the increase in the main rate of corporation tax and a larger proportion of the Group's profits subject to the bank surcharge, see note 7 to the consolidated financial statements.

Return on equity for the first half of 2024 increased in line with profitability in the period and basic earnings per share also increased reflecting higher profit after tax.

Net interest income and net interest margin

	H1 2024	H1 2023	Change
Net interest income	**£353.5m**	£237.5m	49%
Underlying net interest income	**£362.0m**	£280.3m	29%
Net interest margin	**237bps**	171bps	66bps
Underlying net interest margin	**243bps**	203bps	40bps
Other operating income and underlying other operating income	**£3.2m**	£2.7m	19%

Net interest income increased in the first six months of 2024 benefitting from the non-recurrence of the adverse EIR adjustment recorded in the prior period and net loan book growth, particularly in the second half of 2023. This was partially offset by maturing fixed term mortgages redeeming or switching onto lower prevailing spreads, continued recycling of the fixed rate deposit book onto higher rates and MREL issuance.

The Group recognised an EIR reset loss for the first half of £0.8m on a statutory and underlying basis compared with an adverse EIR adjustment of £208.5m and £180.7m, respectively in the prior period. While there were no changes to behavioural assumptions in the first half, in the prior period the adverse EIR adjustment primarily related to the expectation that Precise borrowers would spend less time on the higher reversionary rate before refinancing based on observed customer behavioural trends. The adverse EIR adjustment in the prior period accounted for 151bps and 130bps of net interest margin and underlying net interest margin, respectively.

Net interest margin increased in the first half of 2024 compared with the prior period largely due to non-recurrence of the adverse EIR adjustment partially offset by maturing fixed term mortgages redeeming or switching onto lower prevailing spreads, continued recycling of the fixed rate deposit book onto higher rates and MREL issuance.

In the second quarter, the Group commenced the implementation of 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 has a weighted average life of 2.5 years and the notional amount was £501.0m as at 30 June 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

	H1 2024	H1 2023	Change
Net fair value gain/(loss) on financial instruments	**£5.9m**	£(8.1)m	>100%
Underlying net fair value gain/(loss) on financial instruments	**£5.0m**	£(12.1)m	>100%

Net fair value gain on financial instruments included a loss of £15.7m (H1 2023: £29.0m loss) from hedge ineffectiveness and a gain on unmatched swaps of £23.3m (H1 2023: £17.1m gain). The Group also recorded a £1.8m loss from the amortisation of hedge accounting inception adjustments (H1 2023: £2.4m loss), a £2.0m gain (H1 2023: £5.1m gain) from the amortisation of acquisition-related hedge accounting inception adjustments, and a statutory net loss of £1.9m from other items (H1 2023: £1.1m gain), see note 5 to the consolidated financial statements. On an underlying basis, other items amounted to a loss of £2.8m (H1 2023: £2.9m 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.

Administrative expenses

	H1 2024	H1 2023	Change
Administrative expenses	**£126.2m**	£110.2m	15%
Underlying administrative expenses	**£125.7m**	£109.2m	15%
Cost to income ratio	**35%**	47%	(12)pps
Underlying cost to income ratio	**34%**	40%	(6)pps
Management expense ratio and underlying management expense ratio	**83bps**	78bps	5bps

Administrative expenses increased in the first half of 2024 largely due to the planned investment in people and operations, including further spend on the digitalisation programme to enhance customer solutions, and the new Bank of England levy.

The Group's management expense ratio increased in the first half of 2024 reflecting higher administrative expenses and the cost to income ratio improved primarily as a result of non-recurrence of the adverse EIR adjustment.

Impairment of financial assets

	H1 2024	H1 2023	Change
Impairment (credit)/charge	**£(4.7)m**	£44.6m	(111)%
Underlying impairment (credit)/charge	**£(5.2)m**	£44.5m	(112)%
Loan loss ratio and underlying loan loss ratio	**(4)bps**	37bps	(41)bps

The Group recorded an impairment credit and a favourable loan loss ratio for the first six months of 2024 due to an improved macroeconomic outlook, particularly in relation to house price performance.

As the outlook improved, the Group updated the forward-looking macroeconomic scenarios used in its IFRS 9 models resulting in a release of £24.7m, largely due to house price improvement. It was partially offset by a £7.5m charge relating to an increase in provision for accounts with arrears of three months or more, a £3.5m charge for changes in borrowers' profiles as they transitioned through modelled IFRS 9 stages and a £3.4m charge for individually assessed provisions and other balance sheet movements. Model enhancements and post model adjustments largely relating to the impact of the higher cost of borrowing amounted to a charge of £1.6m. Stage 1 provisions in respect of loan book growth were a £1.3m charge. Write offs and other charges were £2.7m and £2.2m on a statutory and underlying basis, respectively. See Risk review for further details.

In the first half of 2023, the impairment charge was largely due to changes in the credit profile of borrowers as they transitioned through modelled IFRS 9 impairment stages, more adverse forward-looking macroeconomic scenarios and enhancements to models and post model adjustments to reflect the deterioration in the outlook.

Dividend
The Group's dividend policy is to declare interim dividends equal to one-third of the prior year's total dividend. The Board has therefore declared an interim dividend of 10.7 pence per share for the first half of 2024, based on the full year 2023 dividend of 32.0 pence per share.

The declared dividend will be paid on 20 September 2024, with an ex-dividend date of 22 August 2024 and a record date of 23 August 2024.

Balance sheet growth

	H1 2024	YE 2023	Change
Net loans and advances to customers	**£26,133.7m**	£25,765.0m	1.4%
Underlying net loans and advances to customers	**£26,117.4m**	£25,739.6m	1.5%
Total assets	**£30,746.1m**	£29,589.8m	4%
Underlying total assets	**£30,742.3m**	£29,565.6m	4%
Retail deposits and underlying retail deposits	**£24,292.4m**	£22,126.6m	10%

Growth in net loans and advances to customers in the period was supported by mortgage originations of £1.9bn in the first half.

Total assets grew by 4% in the first six months of the year largely due to higher liquid assets as Bank of England's Term Funding Scheme for SMEs (TFSME) funding was replaced by retail deposits with a shorter contractual maturity and growth in net loans and advances to customers.

Retail deposits increased by 10% as the Group continued to repay its drawings under TFSME and replace them with retail deposits. During the first half, the Group repaid £1.7bn of this facility and had a further £1.6bn of drawings outstanding as at 30 June 2024.

Liquidity

	H1 2024	YE 2023	Change
High-quality liquid assets OSB	**£1,586.3m**	£1,155.7m	37%
High-quality liquid assets CCFS	**£2,043.1m**	£1,514.0m	35%
Liquidity coverage ratio – Group	**177%**	168%	9pps
Liquidity coverage ratio – OSB	**231%**	208%	23pps
Liquidity coverage ratio – CCFS	**142%**	139%	3pps

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 prepositioned Bank of England level B and C eligible collateral in the Bank of England Single Collateral Pool.

As at 30 June 2024, liquidity coverage ratios were all significantly in excess of the regulatory minimum of 100% plus Individual Liquidity Guidance.

Capital

	H1 2024	YE 2023	Change
CET1 ratio	**16.2%**	16.1%	10bps
Total capital ratio	**19.5%**	19.5%	-
Risk-weighted assets	**£12,071.0m**	£11,845.6m	2%
Leverage ratio	**7.6%**	7.5%	10bps

The Group's capital position remained strong, with the CET1 and total capital ratios broadly unchanged compared with year end. Profit generated in the first six months of 2024 increased the CET1 ratio by 1.5% and the £50m share repurchase programme announced in March 2024 reduced it by 0.4%.

The combined Group had a Pillar 2a requirement of 1.27% of risk-weighted assets (excluding a static integration add-on of £19.5m) as at 30 June 2024, unchanged from the requirement as at 31 December 2023.

Reconciliation of statutory to underlying results

	HY 2024			HY 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	**353.5**	**8.5**[1]	**362.0**	237.5	42.8	280.3
Net fair value gain/(loss) on financial instruments	**5.9**	**(0.9)**[2]	**5.0**	(8.1)	(4.0)	(12.1)
Other operating income	**3.2**	**–**	**3.2**	2.7	–	2.7
Total income	**362.6**	**7.6**	**370.2**	232.1	38.8	270.9
Administrative expenses	**(126.2)**	**0.5**[3]	**(125.7)**	(110.2)	1.0	(109.2)
Provisions	**0.2**	**–**	**0.2**	(0.6)	–	(0.6)
Impairment of financial assets	**4.7**	**0.5**[4]	**5.2**	(44.6)	0.1	(44.5)
Profit before tax	**241.3**	**8.6**	**249.9**	76.7	39.9	116.6
Profit after tax	**178.3**	**6.2**	**184.5**	59.3	28.6	87.9
Summary Balance Sheet					**FY 2023**	
Loans and advances to customers	**26,133.7**	**(16.3)**[5]	**26,117.4**	25,765.0	(25.4)	25,739.6
Other financial assets	**4,502.0**	**0.2**[6]	**4,502.2**	3,722.8	1.3	3,724.1
Other non-financial assets	**110.4**	**0.2**[7]	**110.6**	102.0	(0.1)	101.9
Total assets	**30,746.1**	**(15.9)**	**30,730.2**	29,589.8	(24.2)	29,565.6
Amounts owed to retail depositors	**24,292.4**	**–**	**24,292.4**	22,126.6	–	22,126.6
Other financial liabilities	**4,193.6**	**–**	**4,193.6**	5,272.0	–	5,272.0
Other non-financial liabilities	**73.2**	**(4.2)**[8]	**69.0**	46.7	(6.3)	40.4
Total liabilities	**28,559.2**	**(4.2)**	**28,555.0**	27,445.3	(6.3)	27,439.0
Net assets	**2,186.9**	**(11.7)**	**2,175.2**	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
5. Recognition of a fair value uplift to CCFS' loan book less accumulated amortisation of the fair value uplift and a movement on credit provisions
6. Fair value adjustment to hedged assets
7. Adjustment to deferred tax asset and recognition of acquired intangibles on Combination
8. Adjustment to deferred tax liability and other acquisition-related adjustments

Risk review

Key areas of focus during the six months to 30 June 2024

The Group continued to deliver against key strategic risk objectives during the first six months of 2024, including the priority areas set out in the 2023 Annual Report and Accounts. The Group has performed strongly against its key risk objectives in a challenging economic and business environment. The Group continued to operate within the confines of a prudent risk appetite.

The macroeconomic outlook for the United Kingdom has shown signs of improving over the first half of 2024, with anticipated political stability post the conclusion of the general election, inflation returning to target levels and no further tightening of monetary policy. Interest rates are expected to remain at an elevated level with rate reductions yet to commence. House prices and unemployment rates have been resilient relative to expectations.

The Group's fully secured loan portfolios continued to exhibit resilient performance as a result of the credit profile of its borrowers, robust affordability assessments and prudent levels of supporting security. The Group's loan portfolio experienced an increase in arrears in 2023, however, this has shown signs of stabilisation in 2024 with actual arrears performance being within the arrears forecasts used for credit loss provisioning. The latest macroeconomic observations and outlook were reflected in the Group's modelled credit risk assessment and the Group remains confident in its cautious and proactive approach to expected credit loss provisioning.

We made no changes in the first half to the behavioural assumptions used in revenue recognition under the EIR approach. Although Precise borrowers spent less time on the reversion rate in the second quarter, based on limited observations and other wider macroeconomic factors, we did not consider this to be a trend. 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 Group's risk management framework has ensured that the evolving nature of the Group's risk profile is subject to active risk identification, assessment and monitoring in relation to the Board approved risk appetite and prudential and conduct based regulations. The Group risk management framework is subject to continuous review and assurance to ensure its effectiveness in design and implementation.

The Group has continued to invest in its risk management capabilities and deepening its disciplines across a number of key areas. In particular, the Risk function has continued to further improve its risk and capital modelling capabilities and further embed its operational risk disciplines in the context of change management and IT risk. The Group delivered against its closed book implementation plans for the Financial Conduct Authority's (FCA) Consumer Duty regulations in line with required deadlines and continued to be well positioned to demonstrate compliance with its ongoing Consumer Duty obligations.

A full review of the Group's risk appetite statements and limits across all principal risk types was undertaken during the six months to 30 June 2024, in the context of the Group's available financial resources, strategic objectives and regulatory expectations. The Group's risk appetite is underpinned by detailed stress testing analysis which considers performance over a range of extreme but plausible scenarios, and therefore provides the Board with confidence that the Group has more than sufficient financial resources and operational capacity to manage the impact of the ongoing economic and operational uncertainty.

Through a period of economic change and uncertain outlook, the Group's underlying credit profile has remained resilient. Loan book growth was undertaken responsibly and subject to strict lending criteria and, although property valuations were adjusted to reflect reductions in property prices, loan to values remained strong. The loan to value profile of the Group's lending portfolios protects the Group from realising losses, should an account have to be repossessed and the property sold. Operating in a higher interest rate environment impacted loan affordability while interest coverage ratios for new lending increased.

The Group has successfully leveraged its improved credit risk analytics and governance arrangements to actively monitor and manage the Group's credit profile, taking timely actions where required. The Group successfully implemented an enhanced Group wide stress testing model which enables a more granular assessment of the Group's loan portfolios under standardised, IRB and Basel 3.1 approaches. The Board reviewed capital projections across a range of economic scenarios and Basel 3.1 outcomes.

During the six months to 30 June 2024 the Group continued to generate capital and funded growth through retail and wholesale channels. 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 to result in the Group and its entities breaching minimum regulatory requirements. These assessments were utilised in the going concern assessment, which demonstrated the Group's inherent resilience to extreme stress scenarios.

The Group continued to observe a low level of operational risk losses and conducted a detailed risk and control self-assessment to ensure risks and controls were fully understood and well managed. The Board received risk reports articulating the effectiveness of key controls across the Group.

The Group continued to invest in people, our technology infrastructure and enhancements to our increasingly digital customer propositions. 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.

The Group continued to enhance its approach to compliance with Internal Ratings-Based (IRB) disciplines underpinned by ongoing self-assessment reviews against regulatory standards, emerging guidelines and the PRA's feedback to the industry. The Group continued to engage with the regulator ahead of commencing the formal application process. Underlying IRB capabilities and disciplines have become progressively integrated into the Group's business planning, risk, capital, IT and data management disciplines.

Ensuring that the Group continued to maintain appropriate expected credit loss provisions was an important consideration of the Board and senior management. The Group undertook detailed analysis to assess portfolio risks and underlying performance and considered if this was adequately accounted for in IFRS 9 models and frameworks. Benchmarking analysis was provided to the Board and senior management, enabling review and challenge of provision coverage levels and underlying macroeconomic scenarios. As a result of the improving economic outlook and positive borrower performance, the Group reduced provision levels as at 30 June 2024.

The Group began implementation of an equity structural hedge in the second quarter of 2024 in order to reduce earnings volatility due to interest rate changes arising from the portion of the balance sheet funded by equity. As at 30 June 2024, the equity structural hedge comprised a series of receive fixed rate swaps with a weighted average life of 2.5 years and a notional amount of £501.0m.

The Group further implemented capabilities to ensure compliance with the Bank of England's resolvability assessment framework requirements. 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.

The Group made progress in its approach to managing climate risk by further embedding its climate risk management framework. A dedicated ESG Technical Committee ensured that enhancements were delivered as required.

Principal risks and uncertainties

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in order to achieve its strategic objectives.

During the six months to 30 June 2024, the Board did not see a significant change in the principal risks and uncertainties as disclosed on pages 53 to 61 of the 2023 Annual Report and Accounts.

The table below provides a high-level overview of the principal risks which the Board believes are the most material with respect to potential adverse impact on the business model, future financial performance, solvency and liquidity.

Principal risks	Key mitigating actions
Strategic and business risk	• Regular monitoring by the Board and the Group Executive Committee of business and financial performance against the Group's strategic agenda and risk appetite. • The financial plan is subject to regular reforecasts. • Use of stress testing to flex core business planning assumptions to assess potential performance under stressed operating conditions. • The Balanced Business Scorecard is the primary mechanism to support how the Board assesses management performance against key targets.
Reputational risk	• The Group has a culture and commitment to being open and transparent in communication with all key stakeholders and has established processes to proactively identify and manage potential sources of reputational risk, for instance: ○ The Group actively monitors customer and broker feedback (through social media and Trustpilot channels, NPS and CSAT surveys) to assess the ongoing appropriateness of service levels. ○ Established processes are in place to review, assess and remediate complaints in a timely manner. ○ The Group also actively monitors external press reports, sentiment of banking industry analysts, its investors, performance of key third party suppliers and interactions with regulators.
Credit risk	Individual borrower defaults: • Across both OSB and CCFS a robust underwriting assessment is undertaken to ensure a customer has the ability and propensity to repay, and sufficient security is available to support the new loan requested. • 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. Macroeconomic downturn • The Group works within portfolio limits on LTV, affordability, individual exposure, sector and geographic concentrations that are approved by the Group Risk Committee and the Board. These are reviewed on a semi-annual basis. • 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. Wholesale credit risk • The Group transacts only with high quality wholesale counterparties. • Derivative exposures include collateral agreements to mitigate credit exposures.

Principal risks	Key mitigating actions
Market risk	• The Group's Treasury function actively hedges to match the timing of cash flows from assets and liabilities. • Due to the Group balance sheet structure, no active management of basis risk was required during the period. • Interest rate risk in the banking book (IRRBB) is monitored via a comprehensive range of techniques and scenarios including both economic value and earnings measures at both the Interest Rate Risk in the Banking Book Working Group and the Group Assets and Liabilities Committee.
Liquidity and funding risk	• The Group's funding strategy is focused on a highly stable retail deposit franchise. • The Group's large number of depositors provide diversification, with a high proportion of balances covered by the Financial Services Compensation Scheme (FSCS), largely mitigating the risk of a retail run. • The Group performs in-depth liquidity stress testing and holds prudential liquidity buffers to manage funding requirements under normal and stressed conditions. • The Group proactively manages its savings proposition through the Savings Pricing Group, Liquidity Working Group and the Group Assets and Liabilities Committee. • The Group has prepositioned mortgage collateral and securitised notes with the Bank of England, which allows it to consider alternative funding sources to ensure that it is not solely reliant on retail savings. • The Group continuously monitors wholesale funding markets and is experienced in taking proactive management actions where required.
Solvency risk	• The Group operates from a strong capital position and has a record of delivering strong profitability. • The Group actively monitors its capital requirements and resources against financial forecasts, including MREL requirements and undertakes stress testing analysis to subject its solvency ratios to extreme but plausible scenarios. • The Group also 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 in consultation processes. • Following the issuance of £400m of MREL qualifying senior debt securities in January 2024, the Group met its interim MREL requirement including regulatory buffers.
Operational risk	IT security (including cyber risk) • The Group operates with a suite of 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 further supported by documented and tested procedures intended to ensure the effective response to a security breach. • The Group programme of IT and 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. IT failure • The Group continues to invest in improving the resilience of its core infrastructure. It has identified its prioritised business services and the infrastructure that is required to support them. Tests are performed regularly to validate the Group's ability to recover from an incident.

Principal risks	**Key mitigating actions**
	• The Group has established a site in Hyderabad to ensure that, in the event of an operational incident in Bangalore, services can be maintained. Data quality • The Group has a suite of data governance policies and procedures along with dedicated resources to ensure the quality of data is maintained at an appropriate standard. Change management • 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.
Conduct risk	• The Group's culture is clearly defined and monitored via 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. • The Group has incorporated Consumer Duty regulations in line with its commitment to deliver good customer outcomes.
Compliance and regulatory risk	Prudential regulatory changes • 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 opinion to support interpretation of the requirements and validation of its response, where required. Conduct regulation • The Group has a programme of regulatory horizon scanning linking into a formal regulatory change management programme. • 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, especially those who are vulnerable or experiencing financial hardship, receive good outcomes in a way that considers their individual needs and circumstances. • The Group does not tolerate any systematic failure to deliver good customer outcomes. On an isolated basis, incidents can arise 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 detriment and prevent recurrence.
Financial crime risk	• 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.

Principal risks	Key mitigating actions
	• The Group has a horizon scanning programme that identifies changes to money laundering regulations and any other financial crime related legislation to ensure that it complies 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. • All new 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. • All controls are supported by documented fraud related policies and procedures that are managed by experienced employees in a dedicated Financial Crime function.

Emerging risks

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

Emerging risks	Key mitigating actions
Political and macroeconomic uncertainty • The Group's lending activity is 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 macroeconomic environment.	• The Group has mature and robust monitoring processes and via various stress testing activities (i.e. ad hoc, risk appetite and Internal Capital Adequacy Assessment Process (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 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.	• During the period, the Group continued to monitor its performance against its climate risk appetite.

Emerging risks	Key mitigating actions
• Reputational risk arising from a failure to meet changing societal, investor or regulatory demands.	
Model risk The risk of financial loss, adverse regulatory outcomes, reputational damage or customer detriment resulting from deficiencies in the development, application or ongoing operation of models and ratings systems. The Group also notes changes in industry best practice with respect to model risk management.	• The Group has well-established model risk governance arrangements in place, with Board and Executive Committees in place to ensure robust oversight of the Group's model risk profile. • The Group has IRB compliant model risk management capabilities in place. The Group conducted an initial self-assessment against the new rules and has plans in place to ensure alignment even though compliance is not compulsory. The Group has extended model risk management disciplines across End User Developed Applications.
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, taking part in thematic reviews, as required.	• The Group has established horizon scanning capabilities, together 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 via membership of UK Finance contributes to upcoming regulatory consultations.

Risk Profile Performance Overview

Credit risk

The Group's underlying credit profile remained resilient during the six months to 30 June 2024.

The Group's statutory net loans and advances increased to £26.1bn as at 30 June 2024 from £25.8bn at the end of 2023.

Average weighted interest coverage ratios across Buy-to-Let originations remained strong at 185% for OSB and 161% for CCFS (30 June 2023: 178% for OSB and 154% for CCFS). The improvement in interest coverage ratios reflects the stability in interest rates since August 2023.

The proportion of the Group's residential first charge mortgage portfolios with higher loan to income multiples (greater than four) remained low.

The Group's prudent risk appetite and well-established underwriting processes supported new mortgage lending at sensible average weighted loan to value levels of 69% for OSB and 67% for CCFS (30 June 2023: OSB 69%, CCFS 66%).

As a result of house price depreciation in the period, the average weighted loan to value of the Group's book increased from 64% as at 31 December 2023 to 66% as at 30 June 2024. The Group's ability to absorb any future economic shocks remained robust. The total average book loan to value ratios remained resilient at 66% for both OSB and CCFS (31 December 2023: 63% and 65%, respectively).

Forward-looking internal and external credit scoring metrics remained strong, taking into account internal performance and customers' wider credit obligation performance.

Group balances with greater than three months arrears increased marginally to 1.6% (31 December 2023: 1.4%). OSB's greater than three months in arrears levels increased to 1.9% (31 December 2023: 1.6%), whilst CCFS's increased to 1.3% (31 December 2023: 1.2%). The levels of new forbearance requests increased in the period, reflecting the growth in arrears.

Expected credit losses

The Group recorded a statutory impairment credit of £4.7m for the six months to 30 June 2024 (H1 2023: £44.6m charge) which represented a statutory loan loss ratio of -4bps compared to 37bps in the first half of 2023.

The primary drivers of the impairment trends observed in the period were as follows:

a. Macroeconomic impact

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.

The macroeconomic scenarios utilised within the IFRS 9 provisioning process as at 30 June 2024 forecast an improved outlook as the United Kingdom economy showed signs of stabilising with inflation returning to target levels and no further tightening of monetary policy applied. The macroeconomic scenarios were particularly improved in relation to house price performance which were the main driver of the provision release in the period. The probability weighting assigned to each scenario remained unchanged from 31 December 2023.

Macroeconomic scenarios utilised within IFRS 9 impairment calculations as at 30 June 2024:

			Scenario (%)[1]				
Scenario	**Probability weighting (%)**	**Economic measure**	**Year end 2024**	**Year end 2025**	**Year end 2026**	**Year end 2027**	**Year end 2028**
Base case	40	GDP	0.5	1.5	1.9	1.5	1.4
		Unemployment	4.5	4.2	4.0	3.9	3.8
		House price growth	-2.9	0.7	5.2	5.2	4.0
		CPI	2.7	1.5	1.6	1.8	2.0
		Bank Base Rate	4.9	3.8	2.8	2.0	2.0
Upside	30	GDP	3.0	2.9	2.6	1.7	1.3
		Unemployment	4.1	3.8	3.8	3.7	3.7
		House price growth	-1.6	3.4	7.8	5.4	4.1
		CPI	3.9	2.4	1.8	1.7	2.0
		Bank Base Rate	5.8	5.1	4.1	3.1	2.5
Downside	20	GDP	-3.1	0.2	1.4	1.4	1.5
		Unemployment	5.9	6.8	7.2	6.8	6.5
		House price growth	-5.7	-3.9	2.0	6.0	4.7
		CPI	0.9	0.5	1.4	1.7	1.9
		Bank Base Rate	3.9	2.6	1.6	1.5	1.5
Severe Downside	10	GDP	-6.0	-1.2	0.9	1.3	1.6
		Unemployment	6.3	7.3	7.7	7.4	7.0
		House price growth	-8.1	-8.3	-1.9	6.4	5.1
		CPI	-0.3	-0.1	1.7	1.3	1.7
		Bank Base Rate	3.1	1.4	0.5	0.5	0.5

1. Scenarios show annual movement for GDP and house price growth and CPI and year end positions for unemployment and bank base rate. Commercial and residential properties follow the same HPI forecast

In the upside scenario, the performance of the economy with positive GDP and corporate resilience, drives inflation above the 2% target for longer and the BoE Monetary Policy Committee consider it appropriate to continue with the policy of increasing base rate. The reverse is true in the downside scenarios where negative GDP is paired with a quicker reduction in inflation and the BoE has less reason to continue raising rates. High inflation combined with a high interest rate risk in the downside scenario is captured by the Post Model Adjustments (PMAs).

The improved forward-looking macroeconomic scenarios in the Group's IFRS 9 models together with house price improvement in the period accounted for a £24.7m impairment release.

b. Model enhancements and post model adjustments

The Group's technical Model Governance Committee received regular model performance reports prepared by the Group's Models and Ratings function. Where required, proposals were made to ensure that modelled estimates continued to mirror recently observed outcomes. Prior to each reporting period the logic which determines whether accounts not in arrears should be moved to stage 2 is reviewed.

Calibrations to the IFRS 9 models and PMAs to account for risks not fully captured within the framework resulted in an impairment charge of £1.6m.

c. Arrears flow

Although the Group's arrears remained broadly stable, there was an additional impairment charge of £7.5m driven by accounts with arrears over three months.

d. Stage migration

An impairment charge of £3.5m related to changes in the credit profile of borrowers as they transitioned through modelled IFRS 9 impairment stages. This charge included closures but also where the Group observed a significant increase in credit risk, higher default rates, early arrears or forbearance.

e. New lending

The Group's Stage 1 impairment balance increased by £1.3m as a result of new lending in the period.

f. Individually assessed provisions and other

The Group's specialist Real Estate Management and Financial Support teams maintained watchlists of loans where objective evidence of impairment existed over a given exposure. For these specific loans, a detailed assessment of the collateral and circumstances of the arrears was completed and, where required, an individual impairment provision was raised based on this updated information which replaced any modelled provisions held.

During the six months to 30 June 2024, the Group raised a number of additional individual provisions against a small number of counterparties, which net of other items accounted for a further charge of £3.4m. Included in this were cross contingency defaults where a borrower had multiple facilities, all facilities are considered in default when a minimum threshold of the borrower's exposure was classified as defaulted, noting the majority of cross contingency defaults were up to date.

In addition to the above, the impairment credit in the income statement included a charge of £2.7m related to write offs and other adjustments.

The table below indicates the provision coverage levels as at 30 June 2024:

As at 30 June 2024	Gross carrying amount £m	Expected credit loss £m	Coverage ratio %[1]
Stage 1	20,601.5	19.0	0.09%
Stage 2	4,700.2	43.3	0.92%
Stage 3 + POCI[2]	956.8	76.1	7.95%
Total	**26,258.5**	**138.4**	**0.53%**

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

1. Coverage ratios is calculated as total IFRS 9 expected credit loss as a percentage of gross loans and advances.
2. POCI assets are purchased or originated credit impaired loans. These are acquired loans that meet the Group's definition of default (90 days past due or an unlikely to pay) at acquisition.

Provision levels remained stable with a coverage ratio of 0.53% as at 30 June 2024 (31 December 2023: 0.56%). The improved macroeconomic outlook has provided some release within the impairment calculations whilst model and staging rule updates, post model adjustment updates, individually assessed provisions raised against a small number of loans and general changes to the underlying risk of the portfolio, using both external and internal variables to assess risk, resulted in increased provision balances.

Liquidity and funding risk

The Group's Liquidity Working Group continued to monitor daily liquidity reporting and forecasting to ensure liquidity levels remained at target levels.

The Group continued to be predominantly funded by retail savings. Only 7.9% of direct deposits were above the FSCS protection limit as at 30 June 2024 (31 December 2023: 7.5%). All deposits received via deposit aggregators were assumed not to be protected by FSCS, as the Group was not regularly provided with the individual customer data for these deposits.

Diversification of funding was provided by borrowing from the Bank of England under its funding schemes. As at 30 June 2024, the Group's borrowing under the Term Funding Scheme for SMEs was £1.6bn, with £1.7bn repaid in 2024 in addition to the £0.9m repaid in 2023.

Securitisation remained central to the Group's liability management strategy, as well as being a key funding source. In the first half of 2024, the Group completed securitisations of owner-occupied and Buy-to-let mortgages originated by Precise under the CMF and PMF programmes.

Liquidity coverage ratios remained strong at 231% for OSB and 142% for CCFS (31 December 2023: OSB 208% and CCFS 139%) versus the regulatory minimum of 100% plus Individual Liquidity Guidance.

Market risk

Interest rate risk is the key market risk the Group is exposed to. Gap and basis risk are managed within defined risk appetite limits for each bank. The Group's Treasury function actively hedges risk to match the timing of cash flows from assets and liabilities for each bank.

The Group has a small amount of foreign exchange exposure, due to the rupee denominated running costs of the OSB India operation. Rupee denominated running costs during the period to 30 June 2024 totalled £8.3m (30 June 2023: £7.2m).

The Group began implementation of an equity structural hedge in the second quarter of 2024 in order to reduce earnings volatility due to interest rate changes arising from the portion of the balance sheet funded by equity. The equity structural hedge comprised of a series of receive fixed rate swaps with a weighted average life of 2.5 years and a notional amount of £501.0m as at 30 June 2024.

Solvency risk

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 Group remained profitable within the period and the Group's capital resources remained strong with the CET1 ratio at 16.2% (31 December 2023: 16.1%).

The Group's total capital ratio remained strong at 19.5% (31 December 2023: 19.5%) with AT1 capital constituting 1.2% (31 December 2023: 1.3%) of that ratio and Tier 2 capital a further 2.1% (31 December 2023: 2.1%).

The Group's minimum total capital requirement at 30 June 2023 was 9.43% of risk-weighted assets consisting of Pillar 1 capital of 8.0% and Pillar 2a capital of 1.43%[1] and the Group was subject to a UK Capital Conservation Buffer of 2.5% and Countercyclical Buffer of 2.0%. Of the 9.43% total capital requirement, at least 5.31% must be met with CET1 capital.

The Group's leverage ratio at 30 June 2024 remained strong at 7.6% (31 December 2023: 7.5%).

In January 2024, the Group successfully issued a further £400m of MREL qualifying senior debt securities and as a result met its interim MREL requirements prior to the July 2024 compliance date.

Conduct risk

The Group considers its culture and behaviour in ensuring the delivery of good customer outcomes 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 detriment owing 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 detriment and to prevent recurrence.

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

1. The Pillar 2A requirement of 1.43% of RWAs included a static integration add-on of £19.5 million (0.16% of RWAs at 30 June 2024).

Statement of Directors' Responsibilities

We, the Directors listed below, confirm that to the best of our knowledge:

• the interim condensed financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the United Kingdom (UK);

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim condensed financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report and Accounts that could do so.

Kal Atwal
Henry Daubeney (Appointed on 1 July 2024)
Andy Golding
Noël Harwerth
Sarah Hedger
Victoria Hyde (Appointed on 22 July 2024)
Rajan Kapoor
Simon Walker
David Weymouth

By order of the Board

Date: 15 August 2024

Independent Review Report to OSB GROUP PLC

Conclusion

We have been engaged by OSB GROUP PLC and its subsidiaries (the Group) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 35.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusions, including our conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Group in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
15 August 2024

OSB GROUP PLC

Interim report for the six months ended 30 June 2024

Condensed Consolidated Statement of Comprehensive Income

	Note	**Six months ended 30-Jun-24 (Unaudited) £m**	Six months ended 30-Jun-23 (Unaudited) £m
Interest receivable and similar income	3	**1,073.7**	695.8
Interest payable and similar charges	4	**(720.2)**	(458.3)
Net interest income		**353.5**	237.5
Fair value gains/(losses) on financial instruments	5	**5.9**	(8.1)
Other operating income		**3.2**	2.7
Total income		**362.6**	232.1
Administrative expenses	6	**(126.2)**	(110.2)
Provisions	24	**0.2**	(0.6)
Impairment of financial assets	17	**4.7**	(44.6)
Profit before taxation		**241.3**	76.7
Taxation	7	**(63.0)**	(17.4)
Profit for the period		**178.3**	59.3
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 period		**(0.2)**	(0.4)
Tax on items in other comprehensive expense		**-**	0.1
Revaluation of foreign operations		**0.2**	(0.5)
Other comprehensive expense		**-**	(0.8)
Total comprehensive income for the period		**178.3**	58.5
Dividend declared for the period, pence per share	9	**10.7**	10.2
Earnings per share (EPS), pence per share			
Basic	8	**44.4**	12.8
Diluted	8	**43.4**	12.6

The above results are derived wholly from continuing operations.

Notes 1 to 35 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	**As at 30-Jun-24 (Unaudited) £m**	As at 31-Dec-23 (Audited) £m
Assets			
Cash in hand		**0.3**	0.4
Loans and advances to credit institutions	11	**3,732.6**	2,813.6
Investment securities	12	**603.8**	621.7
Loans and advances to customers	13	**26,133.7**	25,765.0
Fair value adjustments on hedged assets	18	**(328.4)**	(243.5)
Derivative assets		**493.7**	530.6
Other assets		**18.0**	27.6
Current taxation asset		**-**	0.6
Deferred taxation asset		**4.2**	3.9
Property, plant and equipment		**50.4**	43.8
Intangible assets		**37.8**	26.1
Total assets		**30,746.1**	29,589.8
Liabilities			
Amounts owed to credit institutions	19	**1,957.9**	3,575.0
Amounts owed to retail depositors	20	**24,292.4**	22,126.6
Fair value adjustments on hedged liabilities	18	**(8.9)**	21.9
Amounts owed to other customers		**38.6**	63.3
Debt securities in issue	21	**1,112.8**	818.5
Derivative liabilities		**85.2**	199.9
Lease liabilities	22	**10.9**	11.2
Other liabilities	23	**66.7**	39.6
Provisions	24	**1.0**	0.8
Current taxation liability		**1.3**	-
Deferred taxation liability		**4.2**	6.3
Senior notes	25	**722.3**	307.5
Subordinated liabilities	26	**259.6**	259.5
Perpetual Subordinated Bonds		**15.2**	15.2
		28,559.2	27,445.3
Equity			
Share capital	27	**3.9**	3.9
Share premium	27	**4.2**	3.8
Other equity instruments		**150.0**	150.0
Retained earnings		**3,372.4**	3,330.2
Other reserves		**(1,343.6)**	(1,343.4)
Shareholders' funds		**2,186.9**	2,144.5
Total equity and liabilities		**30,746.1**	29,589.8

Notes 1 to 35 form part of these condensed consolidated financial statements.

The condensed consolidated financial statements on pages 44 to 47 were approved by the Board of Directors on 15 August 2024 and signed on its behalf by:

Andy Golding
Chief Executive Officer

Victoria Hyde
Chief Financial Officer

Company number: 11976839

OSB GROUP PLC

Interim report for the six months ended 30 June 2024

Condensed Consolidated Statement of Changes in Equity

	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
At 1 January 2024	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 period	-	-	-	-	-	-	-	**178.3**	-	**178.3**
Other comprehensive income/(expense)	-	-	-	-	**0.2**	**(0.2)**	-	-	-	-
Total comprehensive income/(expense)	-	-	-	-	**0.2**	**(0.2)**	-	**178.3**	-	**178.3**
Coupon paid on Additional Tier 1 (AT1) securities	-	-	-	-	-	-	-	**(4.5)**	-	**(4.5)**
Dividends paid	-	-	-	-	-	-	-	**(85.6)**	-	**(85.6)**
Share-based payments	-	**0.4**	-	-	-	-	**(0.7)**	**4.6**	-	**4.3**
Tax recognised in equity	-	-	-	-	-	-	**0.3**	-	-	**0.3**
Own shares[2]	-	-	-	**0.1**	-	-	-	**(0.1)**	-	-
Share repurchase	-	-	**0.1**	-	-	-	-	**(50.5)**	-	**(50.4)**
At 30 June 2024 (Unaudited)	**3.9**	**4.2**	**(1,354.6)**	**(0.9)**	**(1.9)**	**-**	**13.8**	**3,372.4**	**150.0**	**2,186.9**
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 period	-	-	-	-	-	-	-	59.3	-	59.3
Other comprehensive expense	-	-	-	-	(0.5)	(0.4)	-	-	-	(0.9)
Tax on items in other comprehensive expense	-	-	-	-	-	0.1	-	-	-	0.1
Total comprehensive (expense)/income	-	-	-	-	(0.5)	(0.3)	-	59.3	-	58.5
Coupon paid on AT1 securities	-	-	-	-	-	-	-	(4.5)	-	(4.5)
Dividends paid	-	-	-	-	-	-	-	(144.1)	-	(144.1)
Share-based payments	-	0.1	-	-	-	-	(1.1)	4.0	-	3.0
Tax recognised in equity	-	-	-	-	-	-	0.3	-	-	0.3
Own shares[2]	-	-	-	0.6	-	-	-	(0.6)	-	-
Share repurchase	(0.1)	-	0.1	-	-	-	-	(151.0)	-	(151.0)
At 30 June 2023 (Unaudited)	4.2	2.5	(1,355.0)	(1.6)	(1.8)	-	12.4	3,152.5	150.0	1,963.2

1. Includes Capital redemption reserve of £0.7m (30 June 2023: £0.3m) and Transfer reserve of £(1,355.3)m (30 June 2023: £(1,355.3)m).
2. The Group has adopted look-through accounting (see note 1 of the 2023 Annual Report and Accounts) and recognised the Employee Benefit Trusts (EBT) within OSB GROUP PLC (OSBG).

Condensed Consolidated Statement of Cash Flows

	Note	**Six months ended 30-Jun-24 (Unaudited) £m**	Six months ended 30-Jun-23 (Unaudited) £m
Cash flows from operating activities			
Profit before taxation		**241.3**	76.7
Adjustments for non-cash and other items	32	**124.0**	156.4
Changes in operating assets and liabilities	32	**1,957.5**	250.9
Cash generated from operating activities		**2,322.8**	484.0
Net tax paid		**(63.2)**	(74.1)
Net cash generated from operating activities		**2,259.6**	409.9
Cash flows from investing activities			
Maturity and sales of investment securities		**326.6**	322.6
Purchases of investment securities		**(307.2)**	(348.0)
Interest received on investment securities		**15.8**	9.1
Purchases of property, plant and equipment and intangible assets		**(22.8)**	(13.3)
Net cash from investing activities		**12.4**	(29.6)
Cash flows from financing activities			
Financing received	28	**1,251.3**	590.7
Financing repaid	28	**(2,239.5)**	(461.7)
Interest paid on financing	28	**(145.5)**	(81.7)
Share repurchase[1]		**(32.1)**	(41.0)
Coupon paid on AT1 securities		**(4.5)**	(4.5)
Dividends paid	9	**(85.6)**	(144.1)
Proceeds from issuance of shares under employee Save As You Earn (SAYE) schemes		**0.4**	0.1
Repayments of principal portion of lease liabilities	22	**(0.9)**	(1.0)
Net cash from financing activities		**(1,256.4)**	(143.2)
Net increase in cash and cash equivalents		**1,015.6**	237.1
Cash and cash equivalents at the beginning of the period	10	**2,514.0**	3,044.1
Cash and cash equivalents at the end of the period	10	**3,529.6**	3,281.2
Movement in cash and cash equivalents		**1,015.6**	237.1

1. Includes £32.0m (30 June 2023: £40.8m) for shares repurchased and £0.1m (30 June 2023: £0.2m) transaction costs.

Notes to the Condensed Consolidated Financial Statements

1. Accounting policies

a) Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) and in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the United Kingdom (UK).

The accounting policies, presentation and methods of computation are consistent with those applied by the Group in its latest audited financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK and interpretations issued by the IFRS Interpretations Committee (IFRS IC). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last Annual Report and Accounts for the year ended 31 December 2023.

The comparative figures for the year ended 31 December 2023 are not the Group's statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2023 have been delivered to the Registrar of Companies in England and Wales in accordance with section 447 of the Companies Act 2006. The auditor has reported on those accounts. Their report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These interim condensed consolidated financial statements were authorised for issue by the Company's Board of Directors on 15 August 2024.

b) Accounting standards

Standards and amendments effective in 2024
There were a number of minor amendments to financial reporting standards that were in issue and effective from 1 January 2024. The adoption of these amendments has not had a material impact on the Group.

Standards not yet effective
No new or revised reporting standards significantly affecting the Group's accounting have been issued since the approval of the 2023 Annual Report and Accounts, other than IFRS 18.

In April 2024, the International Accounting Standards Board (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.

All other accounting policies applied are consistent with those set out on pages 197 to 206 of the 2023 Annual Report and Accounts.

c) 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 available information about future risks and uncertainties.

1. Accounting policies (continued)

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 interim condensed consolidated 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 included the following:

- Financial and capital forecasts were prepared utilising the latest economic forecasts provided by the Group's external economic advisors. Reverse stress tests were run to identify combinations of adverse movements in house prices and unemployment levels which would result in the Group breaching its minimum regulatory and total loss absorbing capital requirements. The reverse stress testing also considered what macroeconomic scenarios would be required for the Group to breach its interim 18% MREL requirement as of these dates. The Group has also conducted scenario analysis and reverse stress testing to evaluate its capacity to continue to meet its capital requirements under the forthcoming Basel 3.1 requirements, based on the Prudential Regulation Authority's (PRA) consultation paper and policy statement. 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 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. Key areas of focus include the provision of the Group's Important Business Services (IBSs) to minimise the impact of any service disruptions on the firm's customers or the wider financial services industry, and validating the levels of resilience of the third parties that the Group depends upon for delivery of its IBSs. There were no items identified that could threaten the Group's viability over the going concern assessment time horizon.

The Group's financial projections demonstrate that the Group has sufficient capital and liquidity to continue to meet its regulatory capital requirements as set out by the 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 interim financial statements and, as a result, it is appropriate to prepare these interim condensed consolidated financial statements on a going concern basis.

1. Accounting policies (continued)

d) 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 29 at a sub-segment level to provide detailed analysis of the Group's core lending business.

2. Judgements in applying accounting policies and critical accounting estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the interim condensed consolidated financial statements. Although these estimates and assumptions are based on management's best judgement at that date, actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

As set out in the Risk review on page 61 of the 2023 Annual Report and Accounts, 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 expected credit losses (ECL) and redemption profiles included in effective interest rate (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 with the removal of the transitional risk to reflect Government's decision to postpone the EPC Climate Bill. The transitional risk was the most significant component of the post model adjustment (PMA) that considered properties with lower energy efficiency likely to require investment to reach minimum energy efficiency standards, and has such resulted in the reduction in the PMA where the Group held £0.3m (31 December 2023: £0.5m) as disclosed in note 16.

Estimates and judgements are regularly reviewed based on past experience, expectations of future events and other factors.

The judgements made by the Group in the application of its accounting policies are consistent with those set out on pages 206 to 208 of the 2023 Annual Report and Accounts.

The following estimates may have a significant risk of material adjustment to the carrying amount of assets within the next financial period.

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

(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 do not have a material effect. The Group has recognised total impairments of £138.4m (31 December 2023: £145.8m) at the reporting date as disclosed in note 13.

Modelled impairment

Modelled provision assessments are 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 loss given default (LGD) model and forward-looking macroeconomic scenarios.

Loss given default model

The Group has a number of LGD models, which include estimates regarding propensity to go to possession given default (PPD), forced sale discount, time to sale and sale costs. The LGD is sensitive to the application of the House Price Index (HPI), with an 8% haircut considered to be a reasonable percentage change when reviewing historical and expected 12 month outcomes. The table below shows the resulting incremental provision required in an 8% house price haircut being directly applied to all exposures which not only adjust the sale discount but the propensity to go to possession:

	As at 30-Jun-24	As at 31-Dec-23
	£m	£m
OSB	**26.8**	25.6
CCFS	**9.9**	11.6
Group	**36.7**	37.2

Forward-looking macroeconomic scenarios

The Group's macroeconomic scenarios can be found in the Risk review section on page 37. The following tables detail the ECL scenario sensitivity analysis with each scenario weighted at 100% probability. The purpose of using multiple economic scenarios is to model the non-linear impact of assumptions surrounding macroeconomic factors and ECL calculated:

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

As at 30 June 2024 (Unaudited)	**Weighted (see note 16)**	**100% Base case scenario**	**100% Upside scenario**	**100% Downside scenario**	**100% Severe downside scenario**
Total loans before provisions, £m	**26,258.5**	**26,258.5**	**26,258.5**	**26,258.5**	**26,258.5**
Modelled ECL, £m	**87.4**	**72.3**	**59.7**	**118.3**	**169.0**
Individually assessed provisions ECL, £m	**30.7**	**30.7**	**30.7**	**30.7**	**30.7**
Post Model Adjustments ECL, £m	**20.3**	**14.7**	**9.4**	**30.8**	**54.5**
Total ECL, £m	**138.4**	**117.7**	**99.8**	**179.8**	**254.2**
ECL coverage, %	**0.53**	**0.45**	**0.38**	**0.68**	**0.97**
As at 31 December 2023 (Audited)					
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

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

(ii) Effective interest rate on lending

Estimates are made when calculating the EIR for newly-originated 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 first half of 2024, the Group applied behavioural assumptions for both the fixed period and the reversionary period across all the lending portfolios that were consistent with year-end 2023. Although Precise borrowers spent less time on the reversion rate in the second quarter, based on limited observations and other wider macroeconomic factors, we did not consider this to be a trend. 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 statutory EIR reset loss was £0.8m for the first half of 2024 (30 June 2023: adverse EIR adjustment of £208.5m) which reduced net interest income and loans and advances to customers.

A three 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 -/+ 3 months movement in time spent on reversion by Precise customers is -/+ £66.0m. The majority of this sensitivity applies to lending maturing through to the end of 2027. The sensitivity of loans reaching the end of their fixed period from 2028 onwards is a much smaller component of the total due to the lower differential between the fixed rate and the assumed reversion rate.

As the Bank of England Base Rate (BBR) increased throughout 2022 and 2023, using the effective interest rate approach resulted in additional monthly net interest income as the benefit of time spent on a reversion rate became greater. If BBR decreases this will lead to a decrease in monthly net interest income. Based on the loans and advances to customers balance as at 30 June 2024, if there was a 50bps parallel shift in the forward curve, it is estimated that this would decrease monthly interest income by £1.3m across Precise and Kent Reliance mortgages.

3. Interest receivable and similar income

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
At amortised cost:		
On OSB mortgages[1]	**419.2**	353.6
On CCFS mortgages[2]	**323.2**	113.9
On finance leases	**4.4**	5.5
On investment securities	**12.2**	7.4
On other liquid assets	**91.2**	67.1
Amortisation of fair value adjustments on CCFS loan book at Combination	**(8.7)**	(43.6)
Amortisation of fair value adjustments on hedged assets[3]	**8.8**	(5.5)
	850.3	498.4
At fair value through profit or loss (FVTPL):		
Net income on derivative financial instruments - lending activities	**218.1**	194.9
At FVOCI:		
On investment securities	**5.3**	2.5
	1,073.7	695.8

1. Includes EIR behavioural related reset losses of £2.1m (30 June 2023: £2.7m losses).
2. Includes EIR behavioural related reset losses of £1.3m (30 June 2023: £178.0m losses).
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

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
At amortised cost:		
On retail deposits	**550.7**	302.7
On Bank of England (BoE) borrowings	**68.0**	91.7
On wholesale borrowings	**10.5**	13.4
On debt securities in issue	**30.4**	6.1
On subordinated liabilities	**12.6**	4.5
On senior notes	**31.1**	-
On Perpetual Subordinated Bonds (PSBs)	**0.3**	0.3
On lease liabilities	**0.2**	0.1
Amortisation of fair value adjustments on CCFS customer deposits at Combination	**-**	(0.4)
Amortisation of fair value adjustments on hedged liabilities[1]	**-**	(0.4)
	703.8	418.0
At FVTPL:		
Net expense on derivative financial instruments - savings activities	**12.4**	40.3
Net expense on derivative financial instruments - subordinated liabilities and senior notes	**4.0**	-
	720.2	458.3

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 gains/(losses) on financial instruments

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Fair value changes in hedged assets	**(72.4)**	(215.1)
Hedging of assets	**51.2**	204.1
Fair value changes in hedged liabilities	**31.9**	(18.3)
Hedging of liabilities	**(26.4)**	0.3
Ineffective portion of hedges	**(15.7)**	(29.0)
Net gains on unmatched swaps[1]	**23.3**	17.1
Amortisation of inception adjustments[2]	**(1.8)**	(2.4)
Amortisation of acquisition-related inception adjustments[3]	**2.0**	5.1
Amortisation of de-designated hedge relationships[4]	**(2.8)**	-
Fair value movements on mortgages at FVTPL	**0.6**	1.2
Fair value movements on loans and advances to credit institutions at FVTPL	**0.3**	0.2
Debit and credit valuation adjustment	**-**	(0.3)
	5.9	(8.1)

1. Net gains on unmatched swaps includes £0.5m (31 December 2023: nil) of fair value movements on equity structural hedging.
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 also on derivative instruments previously taken out against new retail deposits.
3. Relates to hedge accounting assets and liabilities recognised on the Combination. The inception adjustments are being amortised over the life of the derivative instruments acquired on Combination subsequently designated in hedging relationships.
4. Relates to the amortisation of hedged items where hedge accounting has been discontinued due to ineffectiveness.

6. Administrative expenses

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Staff costs	**69.6**	57.5
Support costs	**23.5**	19.4
Professional fees	**12.2**	15.3
Facilities costs	**4.0**	4.0
Marketing costs	**2.2**	2.5
Depreciation	**3.2**	3.2
Amortisation	**2.4**	2.9
Other costs	**9.1**	5.4
	126.2	110.2

The average number of people employed by the Group (including Executive Directors) during the period is analysed below:

	Six months ended 30-Jun-24 (Unaudited)	Six months ended 30-Jun-23 (Unaudited)
UK	**1,567**	1,414
India	**991**	755
	2,558	2,169

7. 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 period:

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Corporation tax	**65.5**	27.8
Corporation tax - prior year adjustments	-	(0.2)
Total current tax charge	**65.5**	27.6
Deferred tax		
Deferred tax	-	1.1
Deferred tax - prior year adjustments	**(0.1)**	-
Release of deferred tax on CCFS Combination[1]	**(2.4)**	(11.3)
Total deferred tax	**(2.5)**	(10.2)
Total tax charge	**63.0**	17.4

1. Release of deferred tax on CCFS Combination relates to the unwind of the deferred tax asset recognised on the fair value adjustments of the CCFS assets and liabilities at the acquisition date.

7. Taxation (continued)

The charge for taxation on the Group's profit before taxation differs from the charge based on the standard rate of UK Corporation Tax of 25.0% (2023: 23.5%) as follows:

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Profit before tax	**241.3**	76.7
Profit multiplied by the standard rate of UK Corporation Tax 25.0% (2023: 23.5%)	**60.3**	18.0
Bank surcharge[1]	**4.7**	(0.2)
Taxation effects of:		
Fair value adjustments on acquisition[2]	**2.4**	-
Tax on coupon paid on AT1 securities[3]	**(1.3)**	(1.2)
Securitisation profits not taxable[4]	**(0.3)**	(0.1)
Tax adjustments in respect of share-based payments	**(0.3)**	-
Expenses not deductible for tax purposes	**0.1**	1.1
Utilisation of brought forward tax losses	**(0.1)**	(0.2)
Adjustments in respect of earlier periods	**-**	(0.2)
Timing differences on capital items	**-**	10.4
Total current tax charge	**65.5**	27.6
Release of deferred taxation on CCFS Combination[2]	**(2.4)**	(11.3)
Deferred taxation - prior year adjustments	**(0.1)**	-
Movement in deferred taxes	**-**	1.1
Total deferred tax	**(2.5)**	(10.2)
Total tax charge	**63.0**	17.4

1. Tax charge for the two banking entities of £5.0m (30 June 2023: £1.5m) offset by the tax impact of unwinding CCFS Combination items of £0.3m (30 June 2023: £1.7m).
2. 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.
3. 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.
4. Securitisation companies are taxed in accordance with the Taxation of Securitisation Companies Regulations 2006, such that they are subject to tax on their retained profits rather than their tax-adjusted profit before tax.

7. Taxation (continued)

Factors affecting tax charge for the period

The standard rate of UK corporation tax applicable in the period was 25.0% (2023: 23.5%). The Group's banking entities also pay the bank surcharge at 3.0% (2023: 4.25%) on combined profits for the full year above £100.0m (2023: £81.3m).

The effective tax rate for the period ended 30 June 2024, excluding the impact of adjustments in respect of earlier years, was 26.2% (2023: 22.9%). 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.

8. Earnings per share

EPS is based on the profit for the period and the weighted average number of ordinary shares in issue. Basic EPS is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted EPS takes 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:

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Statutory profit after tax	**178.3**	59.3
Less: Coupon on AT1 securities classified as equity	**(4.5)**	(4.5)
Statutory profit attributable to ordinary shareholders	**173.8**	54.8

	Six months ended 30-Jun-24 (Unaudited)	Six months ended 30-Jun-23 (Unaudited)
Weighted average number of shares in issue, millions		
Basic	**391.4**	428.0
Dilutive impact of share-based payment schemes	**8.8**	5.4
Diluted	**400.2**	433.4
Earnings per share, pence per share		
Basic	**44.4**	12.8
Diluted	**43.4**	12.6

9. Dividends

Dividends paid during the period are detailed below:

	Six months ended 30-Jun-24 (Unaudited)		Six months ended 30-Jun-23 (Unaudited)	
	£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
	85.6		144.1	

The Group's dividend policy is to declare interim dividends equal to one-third of the prior year's total dividend. The Board has therefore declared an interim dividend for 2024 of c. £41.4m, 10.7 pence per share (30 June 2023: £43.1m, 10.2 pence per share), based on the 2023 total dividend. The interim dividend is payable on 20 September 2024 with an ex-dividend date of 22 August 2024 and a record date of 23 August 2024. This dividend is not reflected in these financial statements as it was not declared at the reporting date.

A summary of the Company's distributable reserves is shown below, based on audited Company accounts prepared to 31 December 2023:

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Retained earnings	**1,358.6**	1,358.6
Own shares[1]	**(1.0)**	(1.0)
Dividend distributions	**(85.6)**	-
Coupon paid on AT1 securities	**(4.5)**	-
Share repurchase	**(50.5)**	-
Distributable reserves	**1,217.0**	1,357.6

1. Represents own shares held in the Group's EBT which are recognised within OSBG under look-through accounting.

Further additional distributable reserves are expected to be realised over time from distribution receipts from profits generated from the subsidiaries including two regulated banks within the Group.

10. Cash and cash equivalents

The following table analyses the cash and cash equivalents disclosed in the Condensed Consolidated Statement of Cash Flows:

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m	As at 30-Jun-23 (Unaudited) £m	As at 31-Dec-22 (Audited) £m
Cash in hand	**0.3**	0.4	0.4	0.4
Unencumbered loans and advances to credit institutions	**3,529.3**	2,513.6	3,280.8	2,953.7
Investment securities	**-**	-	-	90.0
	3,529.6	2,514.0	3,281.2	3,044.1

11. Loans and advances to credit institutions

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Unencumbered:		
BoE call account	**3,332.0**	2,256.3
Call accounts	**86.5**	92.2
Cash held in special purpose vehicles (SPVs)[1]	**92.3**	147.8
Term deposits	**18.5**	17.3
Encumbered:		
BoE cash ratio deposit	**-**	69.6
Cash held in SPVs[1]	**39.3**	31.8
Cash margin given	**164.0**	198.6
	3,732.6	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 internal SPVs is treated as unencumbered in proportion to the retained interest in the SPVs based on the nominal value of the bonds held in the Group to total bonds in the securitisation, and 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 SPVs and excluded from cash and cash equivalents.

12. Investment securities

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Held at amortised cost:		
Residential Mortgage-Backed Securities (RMBS) loan notes	**505.0**	325.4
Held at FVOCI:		
UK Sovereign debt	**98.5**	296.0
Held at FVTPL:		
RMBS loan notes	**0.3**	0.3
	603.8	621.7

The credit risk on investment securities held at amortised cost has not significantly increased since initial recognition and they are categorised as stage 1. As at 30 June 2024, there were no ECLs on investment securities (31 December 2023: nil).

Movements during the period in investment securities held by the Group are analysed below:

	Six months ended 30-Jun-24 (Unaudited) £m	Year ended 31-Dec-23 (Audited) £m
At 1 January	**621.7**	412.9
Additions[1]	**307.2**	664.3
Disposals and maturities[2]	**(326.6)**	(456.3)
Movement in accrued interest	**1.7**	1.0
Changes in fair value	**(0.2)**	(0.2)
	603.8	621.7

1. 2023 additions include £233.9m of 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.

13. Loans and advances to customers

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Held at amortised cost:		
Loans and advances (see note 14)	**25,999.0**	25,674.4
Finance leases (see note 15)	**259.5**	222.7
	26,258.5	25,897.1
Less: Expected credit losses (see note 16)	**(138.4)**	(145.8)
	26,120.1	25,751.3
Held at FVTPL:		
Residential mortgages	**13.6**	13.7
	26,133.7	25,765.0

14. Loans and advances

	As at 30-Jun-24 (Unaudited)			As at 31-Dec-23 (Audited)		
	OSB	**CCFS**	**Total**	OSB	CCFS	Total
Held at amortised cost	**£m**	**£m**	**£m**	£m	£m	£m
Gross carrying amount						
Stage 1	**11,187.3**	**9,162.5**	**20,349.8**	11,048.7	9,313.8	20,362.5
Stage 2	**2,859.9**	**1,835.5**	**4,695.4**	2,712.6	1,819.3	4,531.9
Stage 3	**616.6**	**272.5**	**889.1**	491.9	217.2	709.1
Stage 3 (POCI)[1]	**30.2**	**34.5**	**64.7**	33.4	37.5	70.9
	14,694.0	**11,305.0**	**25,999.0**	14,286.6	11,387.8	25,674.4

1. Purchased or originated credit impaired

14. Loans and advances (continued)

The table below shows the movement in loans and advances to customers by IFRS 9 stage during the period:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m
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	-	-
At 31 December 2023 (Audited)	20,362.5	4,531.9	709.1	70.9	25,674.4
Originations[1]	**1,835.6**	**-**	**-**	**-**	**1,835.6**
Acquisitions[2]	**4.6**	**-**	**-**	**-**	**4.6**
Repayments and write-offs[3]	**(1,248.3)**	**(201.0)**	**(60.1)**	**(6.2)**	**(1,515.6)**
Transfers:					
- To Stage 1	**681.3**	**(666.0)**	**(15.3)**	**-**	**-**
- To Stage 2	**(1,226.4)**	**1,254.4**	**(28.0)**	**-**	**-**
- To Stage 3	**(59.5)**	**(223.9)**	**283.4**	**-**	**-**
At 30 June 2024 (Unaudited)	**20,349.8**	**4,695.4**	**889.1**	**64.7**	**25,999.0**

1. Originations include further advances and drawdowns on existing commitments.
2. During the period, the Group repurchased £4.6m (31 December 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 £4.8m (31 December 2023: £33.6m) of write-offs during the period.

The contractual amount outstanding of loans and advances that were written off during the reporting period and that were still subject to collections and recovery activity was £1.8m at 30 June 2024 (31 December 2023: £0.3m).

As at 30 June 2024, loans and advances of £191.4m (31 December 2023: £126.7m) were in a probationary period before they could move out of Stage 3.

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 30 June 2024, loans and advances of £79.4m were in this category of default (31 December 2023: £55.7m).

15. Finance leases

The Group provides asset finance lending through InterBay Asset Finance Limited.

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Gross investment in finance leases, receivable		
Less than one year	**98.7**	83.6
Between one and two years	**80.9**	68.6
Between two and three years	**60.5**	51.7
Between three and four years	**35.5**	31.4
Between four and five years	**13.4**	12.0
More than five years	**2.6**	2.3
	291.6	249.6
Unearned finance income	**(32.1)**	(26.9)
Net investment in finance leases	**259.5**	222.7
Net investment in finance leases, receivable		
Less than one year	**83.9**	71.7
Between one and two years	**71.1**	60.4
Between two and three years	**55.4**	47.1
Between three and four years	**33.6**	29.7
Between four and five years	**13.0**	11.6
More than five years	**2.5**	2.2
	259.5	222.7

The Group recognised £3.1m (31 December 2023: £3.0m) of ECLs on finance leases as at 30 June 2024.

16. Expected credit losses

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

	As at 30-Jun-24 (Unaudited)			As at 31-Dec-23 (Audited)		
	ECL provision £m	**Weighting %**	**Weighted ECL provision £m**	ECL provision £m	Weighting %	Weighted ECL provision £m
Scenarios						
Upside	**59.7**	**30**	**17.9**	60.5	30	18.2
Base case	**72.3**	**40**	**28.9**	76.8	40	30.7
Downside scenario	**118.3**	**20**	**23.7**	138.1	20	27.6
Severe downside scenario	**169.0**	**10**	**16.9**	206.8	10	20.7
Total weighted provisions			**87.4**			97.2
Other Provisions:						
Individually assessed provisions			**30.7**			25.1
Post model adjustments			**20.3**			23.5
Total provision			**138.4**			145.8

The Group continued to recognise the increases in credit risk due to the cost of living and cost of borrowing stresses noting that inflation levels have reduced whilst interest rates have remain elevated and are expected to remain higher for longer. As a result, the Group held £9.7m (31 December 2023: £9.4m) of ECL in PMA for risks not sufficiently accounted for in the IFRS 9 framework. The approach to quantify the PMA for the cost of living estimated an increase in probability of default (PD) by analysing the effect of the increases in living costs, such as household bills and groceries, on affordability, which is used to increase the default risk to all customers, with those on lower income more impacted.

The cost of borrowing PMA specifically identified those that are more at risk of default due to coming to the end of an initial interest rate in the near future, causing a payment increase through either a new product or reverting onto a variable rate, and becoming a higher affordability risk. This is used to apply an additional stress on the PD which in some cases results in a stage 2 criteria trigger. The PMA has increased since 31 December 2023, reflecting the latest calibrations of observed defaults.

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 £6.7m (31 December 2023: £10.0m) as a PMA. Whilst the Group expects the process delays to reduce in time, a PMA is held against all accounts to reflect an extended time to sale in line with most recent observations whilst considering the Land Registry's strategic plan to increase automation in 2024/2025 to remove the backlog. The decrease in the PMA is as a result of the updated macroeconomic forecasts which are more favourable particularly on house price expectations.

As part of the Group's recognition of climate risk and overall ESG agenda, the Group continues to apply a PMA to account for the physical risk of the Group's collateral. The Group held a provision of £0.3m (31 December 2023: £0.5m).

16. Expected credit losses (continued)

To reflect the ongoing cladding concerns, the Group identified a valuation risk to a small number of properties and accounted for a further sale discount for these properties by a PMA of £1.0m (31 December 2023: £1.1m).

In addition to the above PMAs, the Group has identified accounts within the OSB second charge portfolio for which the arrears balances, fees and other charges are expected to be written off. An ECL of £2.5m (31 December 2023: £2.5m) has been recognised for the expected losses.

The Group's ECL by segment and IFRS 9 stage is shown below:

	As at 30-Jun-24 (Unaudited)			As at 31-Dec-23 (Audited)		
	OSB	**CCFS**	**Total**	OSB	CCFS	Total
	£m	**£m**	**£m**	£m	£m	£m
Stage 1	**14.5**	**4.5**	**19.0**	15.8	6.6	22.4
Stage 2	**33.8**	**9.5**	**43.3**	39.2	15.1	54.3
Stage 3	**62.8**	**11.5**	**74.3**	55.1	11.6	66.7
Stage 3 (POCI)	**0.8**	**1.0**	**1.8**	1.0	1.4	2.4
	111.9	**26.5**	**138.4**	111.1	34.7	145.8

16. Expected credit losses (continued)

The table below shows the movement in the ECL by IFRS 9 stage during the period. ECLs on originations and acquisitions reflect the IFRS 9 stage of loans originated or acquired during the period as at 30 June 2024 and not the date of origination. Re-measurement of loss allowance relates to existing loans which did not redeem during the period 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
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)
At 31 December 2023 (Audited)	22.4	54.3	66.7	2.4	145.8
Originations	**2.5**	**-**	**-**	**-**	**2.5**
Acquisitions	**0.1**	**-**	**-**	**-**	**0.1**
Repayments and write-offs	**(1.2)**	**(2.1)**	**(7.5)**	**(0.1)**	**(10.9)**
Re-measurement of loss allowance	**(12.1)**	**0.7**	**11.0**	**(0.5)**	**(0.9)**
Transfers:					
- To Stage 1	**8.8**	**(7.0)**	**(1.8)**	**-**	**-**
- To Stage 2	**(1.9)**	**2.6**	**(0.7)**	**-**	**-**
- To Stage 3	**(0.1)**	**(6.9)**	**7.0**	**-**	**-**
Changes in assumptions and model parameters	**0.5**	**1.7**	**(0.4)**	**-**	**1.8**
At 30 June 2024 (Unaudited)	**19.0**	**43.3**	**74.3**	**1.8**	**138.4**

The table below shows the stage 2 ECL balances by transfer criteria:

	As at 30-Jun-24 (Unaudited)			As at 31-Dec-23 (Audited)		
	Carrying value £m	**ECL £m**	**Coverage %**	Carrying value £m	ECL £m	Coverage %
Criteria:						
Relative/absolute PD movement	**4,447.1**	**42.3**	**0.95**	4,343.5	53.2	1.22
Qualitative measures	**184.2**	**0.7**	**0.38**	139.3	0.8	0.57
30 days past due backstop	**68.9**	**0.3**	**0.44**	55.1	0.3	0.54
Total	**4,700.2**	**43.3**	**0.92**	4,537.9	54.3	1.20

16. Expected credit losses (continued)

The Group has a number of qualitative measures to determine whether a significant increase in credit risk (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.

17. Impairment of financial assets

The (credit)/charge for impairment of financial assets in the Condensed Consolidated Statement of Comprehensive Income comprises:

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Write-offs in period	**4.8**	3.8
(Decrease)/increase in ECL provision	**(9.5)**	40.8
	(4.7)	44.6

18. Hedge accounting

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Hedged assets		
Current hedge relationships	**(319.0)**	(253.1)
Swap inception adjustment	**37.2**	40.4
Cancelled hedge relationships	**(45.1)**	(30.8)
De-designated hedge relationships	**(1.5)**	-
Fair value adjustments on hedged assets	**(328.4)**	(243.5)
Hedged liabilities		
Current hedge relationships	**(10.5)**	22.2
Swap inception adjustment	**1.6**	(0.3)
Fair value adjustments on hedged liabilities	**(8.9)**	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 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 has a weighted average life of 2.5 years and the notional amount was £501.0m as at 30 June 2024.

The swap inception adjustment relates to hedge accounting 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.

18. Hedge accounting (continued)

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 and legacy long-term fixed rate mortgages (c. 25 years at origination).

De-designated hedge relationships relate to hedge accounting adjustments on failed hedge relationships which are amortised over the remaining lives of the original hedged items and also include the Group's equity structural hedge.

19. Amounts owed to credit institutions

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
BoE Term Funding Scheme for SMEs (TFSME)	**1,662.1**	3,352.0
BoE Indexed Long-Term Repo (ILTR)	**-**	10.1
Commercial repo	**-**	0.1
	1,662.1	3,362.2
Cash collateral and margin received	**295.8**	212.8
	1,957.9	3,575.0

20. Amounts owed to retail depositors

	As at 30-Jun-24 (Unaudited)			As at 31-Dec-23 (Audited)		
	OSB £m	**CCFS £m**	**Total £m**	OSB £m	CCFS £m	Total £m
Fixed rate deposits	**9,008.9**	**7,013.8**	**16,022.7**	8,846.6	7,493.9	16,340.5
Variable rate deposits	**4,355.1**	**3,914.6**	**8,269.7**	3,399.9	2,386.2	5,786.1
	13,364.0	**10,928.4**	**24,292.4**	12,246.5	9,880.1	22,126.6

21. Debt securities in issue

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Asset backed loan notes at amortised cost	**1,112.8**	818.5
Amount due for settlement within 12 months	**-**	109.5
Amount due for settlement after 12 months	**1,112.8**	709.0
	1,112.8	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 limited to the net principal received from customers 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.

21. Debt securities in issue (continued)

Where the Group owns the call rights for a transaction, it may repurchase the asset-backed loan notes at any interest payment date on or after the call dates, or at 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:

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
PMF 2024-1	**444.2**	-
CMF 2024-1	**300.1**	-
CMF 2023-1 PLC	**250.4**	291.3
Canterbury Finance No.4 plc	**118.1**	167.5
CMF 2020-1 plc	**-**	109.5
Keys Warehouse No.1 Limited	**-**	250.2
	1,112.8	818.5

22. Lease liabilities

	Six months ended 30-Jun-24 (Unaudited) £m	Year ended 31-Dec-23 (Audited) £m
At 1 January	**11.2**	9.9
New leases	**0.6**	3.3
Lease repayments	**(1.1)**	(2.2)
Interest accruals	**0.2**	0.2
	10.9	11.2

23. Other liabilities

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Audited) £m
Falling due within one year:		
Accruals	**36.8**	26.5
Deferred income	**0.3**	0.4
Other creditors	**11.2**	12.7
Share repurchase liability	**18.4**	-
	66.7	39.6

On 14 March 2024, the Board authorised a share repurchase programme of up to £50.0m, recognising a £50.4m (including incentive fee of £0.4m) reduction in retained earnings and a share repurchase liability. As at 30 June 2024, 7,732,890 shares had been purchased by the Group's agent under the programme at a total cost of £32.0m, reducing the share repurchase liability to £18.4m. Other creditors included £0.1m for 24,463 shares purchased by the agent prior to 30 June 2024 for which the Group has completed payment in July 2024. Any share repurchases made under this programme were announced to the market each day in line with regulatory requirements, see note 27 for further details.

24. Provisions and contingent liabilities

	ECL on undrawn loan facilities £m	**Restoration Provision on Leases £m**	**Total £m**
At 1 January 2023	0.4	-	0.4
Profit or loss charge	0.4	-	0.4
At 31 December 2023 (Audited)	0.8	-	0.8
Additions	**-**	**0.4**	**0.4**
Profit or loss credit	**(0.2)**	**-**	**(0.2)**
At 30 June 2024 (Unaudited)	**0.6**	**0.4**	**1.0**

In January 2020, the Group was contacted by the FCA in connection with a multi-firm thematic review into forbearance measures adopted by lenders in respect of a portion of the mortgage market. The Group has responded to information requests from the FCA. In addition, the Group is reviewing its collections processes and how mortgage customers in arrears are managed. This includes a retrospective review of the Group's application of forbearance measures and associated outcomes for certain cohorts of customers. It is not possible to reliably predict or estimate the outcome of these reviews and therefore their financial effect, if any, on the Group.

25. Senior notes

The Group's outstanding senior notes are as follows:

	Reset date	Spread	**As at 30-Jun-24 (Unaudited) £m**	As at 31-Dec-23 (Audited) £m
Fixed rate:				
Senior notes 2028 (9.5%)	7 September 2027	4.985%	**307.4**	307.5
Senior notes 2030 (8.875%)	16 January 2029	5.252%	**414.9**	-
			722.3	307.5

The senior notes comprise fixed rate notes denominated in pounds sterling and listed on the official list of the FCA, and are 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 as well as equity holders of OSBG.

Movements during the period in senior notes are analysed below:

	Six months ended 30-Jun-24 (Unaudited) £m	Year ended 31-Dec-23 (Audited) £m
At 1 January	**307.5**	-
Addition[1]	**398.0**	298.4
Movement in accrued interest	**16.8**	9.1
	722.3	307.5

1. Addition includes £2.0m (2023: £1.6m) towards transaction costs which has been amortised through the EIR of the loan notes.

26. Subordinated liabilities

The Group's outstanding subordinated liabilities are summarised below:

	Reset date	Spread	**As at 30-Jun-24 (Unaudited) £m**	As at 31-Dec-23 (Audited) £m
Fixed rate:				
Subordinated liabilities 2033 (9.993%)	27 July 2028	6.296%	**259.6**	259.5

All subordinated liabilities are denominated in pounds sterling and listed on the official list of the FCA, and are 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 new floating benchmark gilt rate plus the specified spread.

- **Redemption:** The Issuer may redeem the 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 and of equity of OSBG.

Movements during the period in subordinated liabilities are analysed below:

	Six months ended 30-Jun-24 (Unaudited) £m	Year ended 31-Dec-23 (Audited) £m
At 1 January	**259.5**	-
Addition[1]	**-**	248.7
Movement in accrued interest	**0.1**	10.8
	259.6	259.5

1. 2023 addition includes £1.3m towards transaction costs which has been amortised through the EIR of the loan notes.

27. Share capital

Ordinary shares	Number of shares issued and fully paid	Nominal value £m	Premium £m
At 1 January 2023	429,868,625	4.3	2.4
Share cancelled under repurchase programme	(38,243,031)	(0.4)	-
Shares issued under OSBG employee share plans	1,562,087	-	1.4
At 31 December 2023 (Audited)	393,187,681	3.9	3.8
Share cancelled under repurchase programme	**(7,708,427)**	**-**	**-**
Shares issued under OSBG employee share plans	**1,446,340**	**-**	**0.4**
At 30 June 2024 (Unaudited)	**386,925,594**	**3.9**	**4.2**

Since the inception of the Group's share repurchase programme on 14 March 2024 (2023: 17 March 2023), 7,732,890 shares were repurchased as at 30 June 2024 at an average price of £4.13 per share and a total cost of £32.0m, of which 7,708,427 shares have been cancelled representing 2.0% of the issued share capital (31 December 2023: 38,243,031 shares, representing 8.9% of the issued share capital and cancelled at an average price of £3.92 per share). The programme allows 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) 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 period and prior year were fully paid.

28. Reconciliation of cash flows from financing activities

The tables below show a reconciliation of the Group's liabilities classified as financing activities within the Condensed Consolidated Statement of Cash Flows:

	Amounts owed to credit institutions (see note 19) £m	**Debt securities in issue (see note 21) £m**	**Senior notes (see note 25) £m**	**Subordinated liabilities (see note 26) £m**	**PSBs £m**	**Total £m**
At 1 January 2024	**3,362.2**	**818.5**	**307.5**	**259.5**	**15.2**	**4,762.9**
Cash movements:						
Principal drawdowns	**109.2**	**744.1**	**398.0**	**-**	**-**	**1,251.3**
Principal repayments	**(1,787.1)**	**(452.4)**	**-**	**-**	**-**	**(2,239.5)**
Interest paid	**(90.6)**	**(27.8)**	**(14.3)**	**(12.5)**	**(0.3)**	**(145.5)**
Non-cash movements:						
Interest charged	**68.4**	**30.4**	**31.1**	**12.6**	**0.3**	**142.8**
At 30 June 2024 (Unaudited)	**1,662.1**	**1,112.8**	**722.3**	**259.6**	**15.2**	**3,772.0**

	Amounts owed to credit institutions £m	Debt securities in issue £m	Senior notes £m	Subordinated liabilities £m	PSBs £m	Total £m
At 1 January 2023	4,543.2	265.9	-	-	15.2	4,824.3
Cash movements:						
Principal drawdowns	43.1	298.6	-	249.0	-	590.7
Principal repayments	(353.4)	(108.3)	-	-	-	(461.7)
Interest paid	(76.6)	(4.8)	-	-	(0.3)	(81.7)
Non-cash movements:						
Interest charged	92.4	6.1	-	4.5	0.3	103.3
At 30 June 2023 (Unaudited)	4,248.7	457.5	-	253.5	15.2	4,974.9

29. Risk management

The tables below are a summary of the Group's risk management and financial instruments disclosures, of which a complete disclosure for the year ended 31 December 2023 is included in the 2023 Annual Report and Accounts. The tables do not represent all risks the Group is exposed to and should be read in conjunction with Principal risks and uncertainties on pages 31 to 35.

Credit risk

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.

	As at 30-Jun-24 (Unaudited)					
	OSB		**CCFS**		**Total**	
	Gross carrying amount £m	**Capped collateral held £m**	**Gross carrying amount £m**	**Capped collateral held £m**	**Gross carrying amount £m**	**Capped collateral held £m**
Stage 1	**11,439.0**	**11,395.5**	**9,162.5**	**9,161.8**	**20,601.5**	**20,557.3**
Stage 2	**2,864.7**	**2,857.2**	**1,835.5**	**1,835.3**	**4,700.2**	**4,692.5**
Stage 3	**619.6**	**612.3**	**272.5**	**272.1**	**892.1**	**884.4**
Stage 3 (POCI)	**30.2**	**29.9**	**34.5**	**34.4**	**64.7**	**64.3**
	14,953.5	**14,894.9**	**11,305.0**	**11,303.6**	**26,258.5**	**26,198.5**

	As at 31-Dec-23 (Audited)					
	OSB		CCFS		Total	
	Gross carrying amount £m	Capped collateral held £m	Gross carrying amount £m	Capped collateral held £m	Gross carrying amount £m	Capped collateral held £m
Stage 1	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.

29. 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:

	As at 30-Jun-24 (Unaudited)				As at 31-Dec-23 (Audited)			
	OSB	**CCFS**	**Total**		OSB	CCFS	Total	
	£m	**£m**	**£m**	**%**	£m	£m	£m	%
Band								
0% - 50%	**2,212.5**	**1,025.5**	**3,238.0**	**12**	2,454.7	1,105.5	3,560.2	14
50% - 60%	**1,932.6**	**1,271.1**	**3,203.7**	**12**	2,275.8	1,454.5	3,730.3	14
60% - 70%	**3,858.9**	**2,853.0**	**6,711.9**	**27**	4,414.4	3,244.0	7,658.4	30
70% - 80%	**4,488.1**	**5,235.5**	**9,723.6**	**37**	3,822.1	5,000.9	8,823.0	34
80% - 90%	**1,778.8**	**896.3**	**2,675.1**	**10**	1,045.7	573.2	1,618.9	6
90% - 100%	**345.5**	**21.2**	**366.7**	**1**	222.0	8.8	230.8	1
>100%	**337.1**	**2.4**	**339.5**	**1**	274.6	0.9	275.5	1
Total loans before provisions	**14,953.5**	**11,305.0**	**26,258.5**	**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:

	As at 30-Jun-24 (Unaudited)				As at 31-Dec-23 (Audited)			
	BTL/SME	**Residential**	**Total**		BTL/SME	Residential	Total	
OSB	**£m**	**£m**	**£m**	**%**	£m	£m	£m	%
Band								
0% - 50%	**864.5**	**1,348.0**	**2,212.5**	**15**	1,078.1	1,376.6	2,454.7	17
50% - 60%	**1,648.9**	**283.7**	**1,932.6**	**13**	2,027.5	248.3	2,275.8	16
60% - 70%	**3,621.7**	**237.2**	**3,858.9**	**26**	4,181.4	233.0	4,414.4	30
70% - 80%	**4,294.2**	**193.9**	**4,488.1**	**30**	3,616.9	205.2	3,822.1	26
80% - 90%	**1,540.5**	**238.3**	**1,778.8**	**12**	826.3	219.4	1,045.7	7
90% - 100%	**262.5**	**83.0**	**345.5**	**2**	174.8	47.2	222.0	2
>100%	**332.7**	**4.4**	**337.1**	**2**	270.1	4.5	274.6	2
Total loans before provisions	**12,565.0**	**2,388.5**	**14,953.5**	**100**	12,175.1	2,334.2	14,509.3	100

29. Risk management (continued)

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

OSB	As at 30-Jun-24 (Unaudited)				
	Buy-to-Let £m	**Commercial £m**	**Residential development £m**	**Funding lines £m**	**Total £m**
Band					
0% - 50%	**762.0**	**97.2**	**5.3**	**-**	**864.5**
50% - 60%	**1,479.0**	**107.8**	**57.5**	**4.6**	**1,648.9**
60% - 70%	**3,298.9**	**159.5**	**158.4**	**4.9**	**3,621.7**
70% - 80%	**3,945.6**	**334.8**	**-**	**13.8**	**4,294.2**
80% - 90%	**1,272.4**	**268.1**	**-**	**-**	**1,540.5**
90% - 100%	**161.0**	**101.5**	**-**	**-**	**262.5**
>100%	**242.8**	**88.6**	**1.0**	**0.3**	**332.7**
Total loans before provisions	**11,161.7**	**1,157.5**	**222.2**	**23.6**	**12,565.0**

OSB	As at 31-Dec-23 (Audited)				
	Buy-to-Let £m	Commercial £m	Residential development £m	Funding lines £m	Total £m
Band					
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

The tables below show the LTV analysis of the OSB Residential sub-segment:

OSB	As at 30-Jun-24 (Unaudited)			As at 31-Dec-23 (Audited)		
	First charge £m	**Second charge £m**	**Total £m**	First charge £m	Second charge £m	Total £m
Band						
0% - 50%	**1,280.2**	**67.8**	**1,348.0**	1,292.6	84.0	1,376.6
50% - 60%	**257.0**	**26.7**	**283.7**	219.9	28.4	248.3
60% - 70%	**223.4**	**13.8**	**237.2**	218.3	14.7	233.0
70% - 80%	**187.2**	**6.7**	**193.9**	199.5	5.7	205.2
80% - 90%	**236.9**	**1.4**	**238.3**	218.1	1.3	219.4
90% - 100%	**82.7**	**0.3**	**83.0**	46.8	0.4	47.2
>100%	**3.7**	**0.7**	**4.4**	3.9	0.6	4.5
Total loans before provisions	**2,271.1**	**117.4**	**2,388.5**	2,199.1	135.1	2,334.2

29. Risk management (continued)

The table below shows the LTV analysis of the four CCFS sub-segments:

	As at 30-Jun-24 (Unaudited)					
CCFS	**Buy-to-Let £m**	**Residential £m**	**Bridging £m**	**Second charge lending £m**	**Total £m**	**%**
Band						
0% - 50%	**340.1**	**538.6**	**120.5**	**26.3**	**1,025.5**	**10**
50% - 60%	**697.3**	**491.4**	**63.3**	**19.1**	**1,271.1**	**11**
60% - 70%	**2,065.2**	**690.9**	**82.3**	**14.6**	**2,853.0**	**25**
70% - 80%	**4,305.9**	**865.5**	**54.9**	**9.2**	**5,235.5**	**46**
80% - 90%	**495.0**	**396.5**	**0.8**	**4.0**	**896.3**	**8**
90% - 100%	**8.2**	**10.1**	**2.8**	**0.1**	**21.2**	**-**
>100%	**1.7**	**0.6**	**0.1**	**-**	**2.4**	**-**
Total loans before provisions	**7,913.4**	**2,993.6**	**324.7**	**73.3**	**11,305.0**	**100**

	As at 31-Dec-23 (Audited)					
CCFS	Buy-to-Let £m	Residential £m	Bridging £m	Second charge lending £m	Total £m	%
Band						
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

29. 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 on pages 64 to 65 of the 2023 Annual Report and Accounts.

A summary of the forbearance measures undertaken during the period is shown below. The balances disclosed reflect the period end balance of the accounts where a forbearance measure was undertaken during the period.

	Six months ended 30-Jun-24 (Unaudited)		Year ended 31-Dec-23 (Audited)	
Forbearance type	**Number of accounts**	**£m**	Number of accounts	£m
Interest-only switch	**329**	**51.3**	384	62.9
Interest rate reduction	**205**	**27.2**	290	36.5
Term extension	**219**	**27.6**	164	15.6
Payment deferral	**287**	**55.2**	459	89.9
Payment concession (reduced monthly payments)	**48**	**10.4**	112	22.9
Capitalisation of interest	**1**	**0.4**	17	2.4
Full or partial debt forgiveness	**12**	**8.9**	126	4.5
Total	**1,101**	**181.0**	1,552	234.7
Loan type				
First charge owner-occupier	**593**	**94.2**	880	116.5
Second charge owner-occupier	**77**	**2.0**	252	6.9
Buy-to-Let	**182**	**49.1**	279	79.2
Commercial	**249**	**35.7**	141	32.1
Total	**1,101**	**181.0**	1,552	234.7

29. Risk management (continued)

Geographical analysis by region

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

	As at 30-Jun-24 (Unaudited)				As at 31-Dec-23 (Audited)			
	OSB	**CCFS**	**Total**		OSB	CCFS	Total	
Region	**£m**	**£m**	**£m**	**%**	£m	£m	£m	%
East Anglia	**497.6**	**1,228.6**	**1,726.2**	**7**	480.1	1,236.2	1,716.3	7
East Midlands	**756.5**	**768.0**	**1,524.5**	**6**	723.4	774.7	1,498.1	6
Greater London	**6,312.1**	**3,384.9**	**9,697.0**	**37**	6,185.6	3,416.4	9,602.0	37
Guernsey	**17.6**	**-**	**17.6**	**-**	18.2	-	18.2	-
Jersey	**65.7**	**-**	**65.7**	**-**	67.8	-	67.8	-
North East	**207.4**	**302.0**	**509.4**	**2**	195.7	299.6	495.3	2
North West	**1,021.3**	**1,023.0**	**2,044.3**	**8**	983.4	1,031.0	2,014.4	8
Northern Ireland	**8.7**	**-**	**8.7**	**-**	9.4	-	9.4	-
Scotland	**61.2**	**303.1**	**364.3**	**1**	61.1	298.1	359.2	1
South East	**2,964.8**	**1,821.4**	**4,786.2**	**18**	2,907.8	1,834.0	4,741.8	18
South West	**1,010.2**	**744.6**	**1,754.8**	**7**	959.4	751.2	1,710.6	7
Wales	**347.1**	**314.8**	**661.9**	**3**	327.4	315.0	642.4	3
West Midlands	**1,024.4**	**844.4**	**1,868.8**	**7**	992.6	851.0	1,843.6	7
Yorks and Humberside	**399.4**	**570.2**	**969.6**	**4**	374.7	580.6	955.3	4
Total loans before provisions	**14,694.0**	**11,305.0**	**25,999.0**	**100**	14,286.6	11,387.8	25,674.4	100

29. Risk management (continued)

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 the Group's internal Capital models and Rating systems 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.

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.

	As at 30-Jun-24 (Unaudited)						
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m	PD lower range %	PD upper range %
OSB							
Excellent	**4,824.9**	**305.4**	**-**	**-**	**5,130.3**	**-**	**0.3**
Good	**6,029.2**	**1,443.0**	**-**	**-**	**7,472.2**	**0.3**	**2.0**
Satisfactory	**522.8**	**554.9**	**-**	**-**	**1,077.7**	**2.0**	**7.4**
Lower	**62.1**	**561.4**	**-**	**-**	**623.5**	**7.4**	**100.0**
Impaired	**-**	**-**	**619.6**	**-**	**619.6**	**100.0**	**100.0**
POCI	**-**	**-**	**-**	**30.2**	**30.2**	**100.0**	**100.0**
CCFS							
Excellent	**6,066.6**	**631.7**	**-**	**-**	**6,698.3**	**-**	**0.3**
Good	**2,879.2**	**661.1**	**-**	**-**	**3,540.3**	**0.3**	**2.0**
Satisfactory	**203.0**	**211.1**	**-**	**-**	**414.1**	**2.0**	**7.4**
Lower	**13.7**	**331.6**	**-**	**-**	**345.3**	**7.4**	**100.0**
Impaired	**-**	**-**	**272.5**	**-**	**272.5**	**100.0**	**100.0**
POCI	**-**	**-**	**-**	**34.5**	**34.5**	**100.0**	**100.0**
	20,601.5	**4,700.2**	**892.1**	**64.7**	**26,258.5**		

29. Risk management (continued)

	As at 31-Dec-23 (Audited)						
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Stage 3 (POCI) £m	Total £m	PD lower range %	PD upper range %
OSB							
Excellent	4,609.0	257.1	-	-	4,866.1	-	0.3
Good	6,062.0	1,397.6	-	-	7,459.6	0.3	2.0
Satisfactory	543.1	505.9	-	-	1,049.0	2.0	7.4
Lower	48.9	558.0	-	-	606.9	7.4	100.0
Impaired	-	-	494.3	-	494.3	100.0	100.0
POCI	-	-	-	33.4	33.4	100.0	100.0
CCFS							
Excellent	6,204.6	633.1	-	-	6,837.7	-	0.3
Good	2,934.3	653.7	-	-	3,588.0	0.3	2.0
Satisfactory	168.2	213.5	-	-	381.7	2.0	7.4
Lower	6.7	319.0	-	-	325.7	7.4	100.0
Impaired	-	-	217.2	-	217.2	100.0	100.0
POCI	-	-	-	37.5	37.5	100.0	100.0
	20,576.8	4,537.9	711.5	70.9	25,897.1		

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.

	As at 30-Jun-24 (Unaudited)			
	Excellent £m	**Good £m**	**Satisfactory £m**	**Total £m**
Investment securities	**603.8**	**-**	**-**	**603.8**
Loans and advances to credit institutions	**3,418.9**	**289.9**	**23.8**	**3,732.6**
Derivative assets	**209.3**	**284.4**	**-**	**493.7**
	4,232.0	**574.3**	**23.8**	**4,830.1**

	As at 31-Dec-23 (Audited)			
	Excellent £m	Good £m	Satisfactory £m	Total £m
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

30. Financial instruments and fair values

The following tables provide an analysis of financial assets and financial liabilities measured at fair value in the Condensed Consolidated Statement of Financial Position grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

As at 30 June 2024 (Unaudited)	Carrying amount £m	Principal amount £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets						
Loans and advances to credit institutions	**11.0**	**10.1**	**-**	**11.0**	**-**	**11.0**
Investment securities	**98.8**	**100.3**	**98.5**	**-**	**0.3**	**98.8**
Loans and advances to customers	**13.6**	**15.7**	**-**	**-**	**13.6**	**13.6**
Derivative assets	**493.7**	**15,190.0**	**-**	**493.7**	**-**	**493.7**
	617.1	**15,316.1**	**98.5**	**504.7**	**13.9**	**617.1**
Financial liabilities						
Derivative liabilities	**85.2**	**11,936.8**	**-**	**85.2**	**-**	**85.2**

As at 31 December 2023 (Audited)	Carrying amount £m	Principal amount £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets						
Loans and advances to credit institutions	10.7	10.1	-	10.7	-	10.7
Investment securities	296.3	300.3	296.0	-	0.3	296.3
Loans and advances to customers	13.7	16.3	-	-	13.7	13.7
Derivative assets	530.6	17,568.6	-	530.6	-	530.6
	851.3	17,895.3	296.0	541.3	14.0	851.3
Financial liabilities						
Derivative liabilities	199.9	8,913.6	-	199.9	-	199.9

Level 1: Fair values that are based entirely on quoted market prices (unadjusted) in an actively traded market for identical assets and liabilities that the Group has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on readily available observable market prices, this makes them most reliable, reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

Level 2: Fair values that are based on one or more quoted prices in markets that are not active or for which all significant inputs are taken from directly or indirectly observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are no quoted prices available for similar instruments in active markets.

30. 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 Condensed 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			
As at 30 June 2024 (Unaudited)	**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	**3,721.6**	**3,704.6**	**-**	**3,721.6**	**-**	**3,721.6**
Investment securities	**505.0**	**501.4**	**-**	**504.6**	**-**	**504.6**
Loans and advances to customers	**26,120.1**	**26,290.0**	**-**	**2,095.0**	**23,456.4**	**25,551.4**
Other assets[1]	**2.8**	**2.8**	**-**	**2.8**	**-**	**2.8**
	30,349.8	**30,499.1**	**-**	**6,324.3**	**23,456.4**	**29,780.7**
Financial liabilities						
Amounts owed to retail depositors	**24,292.4**	**23,920.2**	**-**	**8,269.7**	**15,979.7**	**24,249.4**
Amounts owed to credit institutions	**1,957.9**	**1,930.0**	**-**	**1,957.9**	**-**	**1,957.9**
Amounts owed to other customers	**38.6**	**38.2**	**-**	**-**	**38.6**	**38.6**
Debt securities in issue	**1,112.8**	**1,110.3**	**-**	**1,112.8**	**-**	**1,112.8**
Other liabilities[2]	**66.4**	**66.4**	**-**	**66.4**	**-**	**66.4**
Senior notes	**722.3**	**700.0**	**-**	**746.8**	**-**	**746.8**
Subordinated liabilities	**259.6**	**250.0**	**-**	**260.8**	**-**	**260.8**
PSBs	**15.2**	**15.0**	**-**	**14.7**	**-**	**14.7**
	28,465.2	**28,030.1**	**-**	**12,429.1**	**16,018.3**	**28,447.4**

1. Balance excludes prepayments.
2. Balance excludes deferred income.

30. Financial instruments and fair values (continued)

			Estimated fair value			
As at 31 December 2023 (Audited)	Carrying amount £m	Principal amount £m	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.

The valuation techniques for all the financial instruments are consistent with those set out on page 243 - 244 of the 2023 Annual Report and Accounts. For other assets and other liabilities fair value is considered to be equal to carrying value.

31. 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 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:

	OSB £m	CCFS £m	Combination £m	Total £m
Balances as at 30 June 2024 (Unaudited)				
Gross loans and advances to customers	**14,953.5**	**11,302.9**	**15.7**	**26,272.1**
Expected credit losses	**(111.9)**	**(27.1)**	**0.6**	**(138.4)**
Loans and advances to customers	**14,841.6**	**11,275.8**	**16.3**	**26,133.7**
Capital expenditure	**22.7**	**0.1**	**-**	**22.8**
Depreciation and amortisation	**3.8**	**1.3**	**0.5**	**5.6**
Profit for six months ended 30 June 2024 (Unaudited)				
Net interest income/(expense)	**194.6**	**167.4**	**(8.5)**	**353.5**
Other income	**3.2**	**5.0**	**0.9**	**9.1**
Total income/(expense)	**197.8**	**172.4**	**(7.6)**	**362.6**
Impairment of financial assets	**(3.8)**	**9.0**	**(0.5)**	**4.7**
Contribution to profit	**194.0**	**181.4**	**(8.1)**	**367.3**
Administrative expenses	**(58.8)**	**(66.9)**	**(0.5)**	**(126.2)**
Provisions	**0.2**	**-**	**-**	**0.2**
Profit/(loss) before taxation	**135.4**	**114.5**	**(8.6)**	**241.3**
Taxation[1]	**(37.5)**	**(27.9)**	**2.4**	**(63.0)**
Profit/(loss) for the period	**97.9**	**86.6**	**(6.2)**	**178.3**

1. The taxation on Combination credit includes the 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 £2.4m.

31. Operating segments (continued)

	OSB £m	CCFS £m	Combination £m	Total £m
Balances as at 31 December 2023 (Audited)				
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 for six months ended 30 June 2023 (Unaudited)				
Net interest income/(expense)	241.1	39.2	(42.8)	237.5
Other (expenses)/income	(9.9)	0.5	4.0	(5.4)
Total income/(expense)	231.2	39.7	(38.8)	232.1
Impairment of financial assets	(39.2)	(5.3)	(0.1)	(44.6)
Contribution to profit	192.0	34.4	(38.9)	187.5
Administrative expenses	(72.0)	(37.2)	(1.0)	(110.2)
Provisions	(0.6)	-	-	(0.6)
Profit/(loss) before taxation	119.4	(2.8)	(39.9)	76.7
Taxation[1]	(30.2)	1.5	11.3	(17.4)
Profit/(loss) for the period	89.2	(1.3)	(28.6)	59.3

1. The tax on Combination credit includes the 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 £11.3m.

32. Adjustments for non-cash items and changes in operating assets and liabilities

	Six months ended 30-Jun-24 (Unaudited) £m	Six months ended 30-Jun-23 (Unaudited) £m
Adjustments for non-cash and other items:		
Depreciation and amortisation	**5.6**	6.1
Interest on investment securities	**(17.5)**	(9.9)
Interest on subordinated liabilities	**12.6**	4.5
Interest on PSBs	**0.3**	0.3
Interest on securitised debt	**30.4**	6.1
Interest on senior notes	**31.1**	-
Interest on financing debt	**68.4**	92.4
Impairment (credit)/charge on loans	**(4.7)**	44.6
Administrative expenses	**-**	0.3
Provisions	**(0.2)**	0.6
Interest on lease liabilities	**-**	0.1
Fair value (gains)/losses on financial instruments	**(5.9)**	8.1
Share-based payments	**3.9**	3.2
Total adjustments for non-cash and other items	**124.0**	156.4
Changes in operating assets and liabilities:		
Decrease in loans and advances to credit institutions	**97.0**	76.0
Increase in loans and advances to customers	**(363.4)**	(1,017.5)
Increase in amounts owed to retail depositors	**2,165.8**	957.9
Increase in cash collateral and margin received	**83.0**	253.9
Net decrease/(increase) in other assets	**9.6**	(1.6)
Net decrease in derivatives and hedged items	**(18.7)**	(14.8)
Net (decrease)/increase in amounts owed to other customers	**(24.7)**	1.6
Net increase/(decrease) in other liabilities	**8.7**	(4.1)
Exchange differences on working capital	**0.2**	(0.5)
Total changes in operating assets and liabilities	**1,957.5**	250.9

33. Capital management

The Group's individual regulated entities and the Group as a whole complied with all of the capital requirements, which they were subject to, for the periods presented.

The Group's Pillar 1 capital information is presented below:

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Unaudited) £m
Common Equity Tier 1 (CET1) capital		
Called up share capital	**3.9**	3.9
Share premium[1]	**4.2**	3.8
Retained earnings	**3,372.4**	3,330.2
Foreseeable dividends	**(53.5)**	(85.7)
Other reserves[1]	**(1,343.6)**	(1,343.4)
CET1 capital: instruments and reserves	**1,983.4**	1,908.8
Regulatory Adjustments		
Prudent valuation adjustment[2]	**(0.4)**	(0.5)
Intangible assets	**(37.8)**	(26.1)
Deferred tax asset	**(0.2)**	(0.3)
COVID-19 ECL transitional adjustment[3]	**9.3**	23.8
Total CET1 capital	**1,954.3**	1,905.7
AT1 capital		
AT1 securities	**150.0**	150.0
Total Tier 1 capital	**2,104.3**	2,055.7
Tier 2 capital		
Tier 2 securities	**250.0**	250.0
Total Tier 2 capital	**250.0**	250.0
Total regulatory capital	**2,354.3**	2,305.7
Risk-weighted assets (RWAs)	**12,071.0**	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.

33. Capital management (continued)

The Group's minimum requirements for own funds and eligible liabilities (MREL) information is presented below:

	As at 30-Jun-24 (Unaudited) £m	As at 31-Dec-23 (Unaudited) £m
Total regulatory capital	**2,354.3**	2,305.7
Eligible liabilities	**700.0**	300.0
Total own funds and eligible liabilities	**3,054.3**	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 was initially given an interim MREL requirement (including buffers) of 18% of RWAs, and an end-state MREL of 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.

The interim and end-state deadlines for the requirements are July 2024 and July 2026 respectively.

34. Related parties

The Group had no related party transactions during the six months to 30 June 2024 and 30 June 2023 that materially affected the position or performance of the Group.

Transactions with key management personnel
During the period, the Group granted 250,393 (30 June 2023: 185,887) awards under the Deferred Share Bonus Plan and 1,090,734 (30 June 2023: 899,850) awards under the Performance Share Plan to 11 (30 June 2023: 11) key management personnel. The awards were granted on 14 March 2024 with a grant price of £3.8613. Details of these plans can be found in note 9 of the 2023 Annual Report and Accounts on pages 211 to 213.

35. Events after the reporting date

On 2 July 2024, OneSavings Bank PLC announced that it will, on 27 August 2024, fully redeem the £15,000,000 7.875% Perpetual Subordinated Bonds originally issued in February 2011 (ISIN: GB00B67JQX63) (the PSBs). After redemption, the PSBs will be cancelled pursuant to their terms and conditions and the listing of the PSBs on the Official List of the Financial Conduct Authority and the admission of the PSBs on the Main Market of the London Stock Exchange will be cancelled. Additional information can be found on the Group's website.

The Board has authorised a share repurchase of up to £50.0m of shares in the market, which will commence on 6 September 2024. Any purchases made under this programme will be announced to the market each day in line with regulatory requirements.

Independent assurance statement by Deloitte LLP to OSB GROUP PLC on selected Alternative Performance Measures

Opinion
We have performed an independent limited assurance engagement on the Alternative Performance Measures (collectively, the APMs) set out below for the financial half year ended 30 June 2024. The definition and the basis of preparation for each of the following assured APMs is described in the Appendix to the 2024 Interim Report (OSB Group's APM Definitions and Basis of Preparation).

• Gross new lending • Net interest margin • Cost to income ratio • Management expense ratio • Loan loss ratio • Return on equity	• Underlying net interest margin • Underlying cost to income ratio • Underlying management expense ratio • Underlying loan loss ratio • Underlying return on equity

In our opinion nothing has come to our attention that causes us to believe that the assured APMs for the financial half year ended 30 June 2024, have not been prepared, in all material respects, in accordance with OSB Group's APM Definitions and Basis of Preparation.

Directors' responsibilities
The directors of OSB Group are responsible for:
- selecting APMs with which to describe the entity's performance and appropriate criteria (as set out in the Group's APM Definitions and Basis of Preparation) to measure them;
- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the assured APMs that are free from material misstatement, whether due to fraud or error; and
- preparing and presenting the APMs.

Our responsibilities
We are responsible for:
- planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance opinion on the assured APMs;
- communicating matters that may be relevant to the assured APMs to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the assured APMs; and
- reporting our conclusion in the form of an independent limited assurance report to the directors of OSB GROUP PLC.

Key procedures performed
We are required to plan and perform our procedures in order to obtain limited assurance as to whether the assured APMs have been prepared, in all material respects, in accordance with OSB Group's APM Definitions and Basis of Preparation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of the assurance procedures selected depended on our judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, of the assured APMs. In making those risk assessments, we considered internal controls relevant to the preparation of the assured APMs.

Based on that assessment we carried out testing which included:

- agreeing amounts used in the calculation of the assured APMs which are derived or extracted from the financial statements of OSB Group for the period ended 30 June 2024 to the financial statements.
- for amounts used in the calculation of the assured APMs which were not derived or extracted from the financial statements of OSB Group for the period ended 30 June 2024, testing, on a sample basis, the underlying data used in determining the assured APMs.
- checking the mathematical accuracy of the calculations used to prepare the assured APMs and testing whether they are prepared in accordance with OSB Group's APM Definitions and Basis of Preparation; and
- reading the 2024 Interim Report and assessing whether the assured APMs were presented and described consistently.

We were not asked to give, and therefore have not given any assurance over (i) any APMs other than the assured APMs or (ii) other data in the Interim Report as part of this engagement. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Our independence and quality control

We have complied with the independence and other ethical requirements of the FRC's Ethical Standard and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied the International Standard on Quality Management (UK) 1 ("ISQM (UK) 1"), issued by the Financial Reporting Council. Accordingly, we maintained a comprehensive system of quality including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Use of our report

This assurance report is made solely to OSB GROUP PLC in accordance with ISAE 3000 (Revised) and the terms of the engagement letter between us. Our work has been undertaken so that we might state to OSB GROUP PLC those matters we are required to state to them in an independent limited assurance report and for no other purpose.

Without assuming or accepting any responsibility or liability in respect of this report to any party other than OSB GROUP PLC and the directors of OSB GROUP PLC, we acknowledge that the directors of OSB GROUP PLC may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than OSB GROUP PLC and the directors of OSB GROUP PLC as a body, for our assurance work, for this assurance report or for the opinions we have formed.

Deloitte LLP, London
15 August 2024

Key performance indicators

Underlying results for the six months to 30 June 2024 and 30 June 2023 exclude acquisition-related items. The underlying results provide a more consistent basis for comparing the Group's performance between financial periods.

Net interest margin (NIM)
For the period of six months NIM is calculated as net interest income annualised on an actual days basis, as a percentage of a 7 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.

	HY 2024 £m	HY 2023 £m
Net interest income	**353.5**	237.5
Add back: acquisition-related items[2]	**8.5**	42.8
Underlying net interest income	**362.0**	280.3
Net interest income annualised on an actual days basis:		
Net interest income - A	**710.9**	478.9
Underlying net interest income - B	**728.0**	565.2
7 point average of interest earning assets - C	**29,964.4**	27,926.6
7 point average of underlying interest earning assets - D	**29,943.9**	27,857.6
NIM equals A/C	**237bps**	171bps
Underlying NIM equals B/D	**243bps**	203bps

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.

	HY 2024 £m	HY 2023 £m
Administrative expenses - A	**126.2**	110.2
Add back: acquisition-related items[2]	**(0.5)**	(1.0)
Underlying administrative expenses - B	**125.7**	109.2
Total income - C	**362.6**	232.1
Add back: acquisition-related items[2]	**7.6**	38.8
Underlying total income - D	**370.2**	270.9
Cost to income equals A/C	**35%**	47%
Underlying cost to income equals B/D	**34%**	40%

Management expense ratio

For the period of six months the management expense ratio is defined as administrative expenses annualised on a simple basis as a percentage of a 7 point average[1] of total assets.

	HY 2024 £m	HY 2023 £m
Administrative expenses - (as in cost to income ratio above) A	**126.2**	110.2
Underlying administrative expenses - (as in cost to income ratio above) B	**125.7**	109.2
7 point average of total assets - C	**30,265.5**	28,122.7
7 point average of underlying total assets - D	**30,245.8**	28,058.6
Management expense ratio equals A/C (annualised)	**83bps**	78bps
Underlying management expense ratio equals B/D (annualised)	**83bps**	78bps

Loan loss ratio

For the period of six months, the loan loss ratio is defined as impairment losses annualised on a simple basis as a percentage of a 7 point average[1] of gross loans and advances. It is a measure of the credit performance of the loan book.

	HY 2024 £m	HY 2023 £m
Impairment (credit)/charge - A	**(4.7)**	44.6
Add back: acquisition-related items[2]	**(0.5)**	(0.1)
Underlying impairment (credit)/charge - B	**(5.2)**	44.5
7 point average of gross loans - C	**26,116.3**	24,325.7
7 point average of underlying gross loans - D	**26,096.7**	24,259.7
Loan loss ratio equals A/C (annualised)	**(4)bps**	37bps
Underlying loan loss ratio equals B/D (annualised)	**(4)bps**	37bps

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, annualised on a simple basis, as a percentage of a 7 point average[1] of shareholders' equity (excluding £150m of AT1 securities).

	HY 2024 £m	HY 2023 £m
Profit after tax	**178.3**	59.3
Coupons on AT1 securities	**(4.5)**	(4.5)
Profit attributable to ordinary shareholders - A	**173.8**	54.8
Add back: acquisition related items[2]	**6.2**	28.6
Underlying profit attributable to ordinary shareholders - B	**180.0**	83.4
7 point average of shareholders' equity (excluding AT1 securities) - C	**2,029.3**	2,011.0
7 point average of underlying shareholders' equity (excluding AT1 securities) - D	**2,014.7**	1,965.3
Return on equity equals A/C (annualised)	**17%**	5%
Underlying return on equity equals B/D (annualised)	**18%**	8%

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.

	HY 2024 £m	HY 2023 £m
Profit attributable to ordinary shareholders - (as in RoE ratio above) A	**173.8**	54.8
Underlying profit attributable to ordinary shareholders - (as in RoE ratio above) B	**180.0**	83.4
Weighted average number of ordinary shares in issue - C	**391.4**	428.0
Basic earnings per share equals A/C	**44.4**	12.8
Underlying basic earnings per share equals B/C	**46.0**	19.5

1. 7 point average is calculated as an average of opening balance and closing balances for six months to 30 June.
2. The acquisition-related items are detailed in the reconciliation of statutory to underlying results in the Financial review.

OSB GROUP PLC

Interim report for the six months ended 30 June 2024
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