PRIVATE AND CONFIDENTIAL

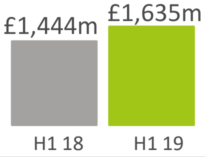
2019 interim results

21 August 2019

Another strong set of results for the first half of 2019

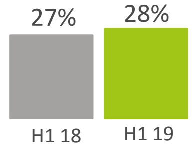
Gross organic lending

+ 13%



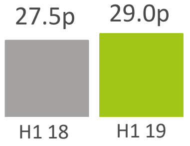
Cost to income ratio

+ 1pp



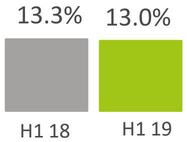
Underlying basic EPS

+ 5%



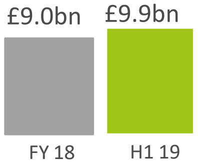
Fully-loaded CET1 ratio

Remains strong



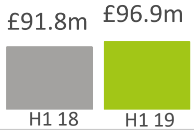
Loans and advances

+ 10%



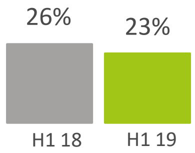
Underlying PBT

+ 6%



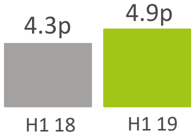
Return on equity

Remains strong



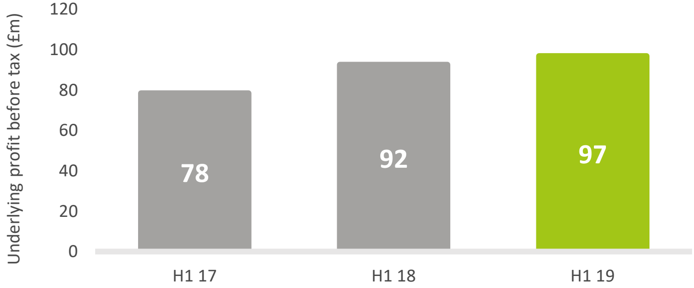
Interim dividend per share

+ 14%

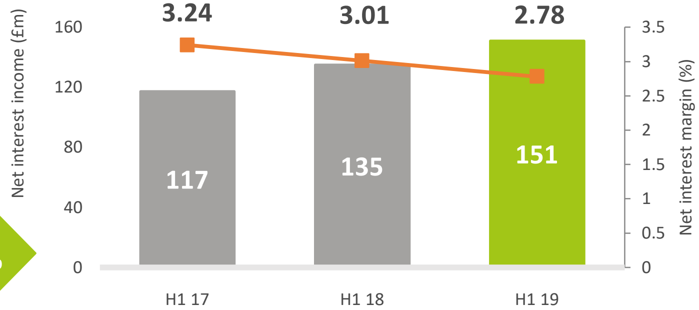


Attractive return on equity driven by…

1. Strong underlying profits…

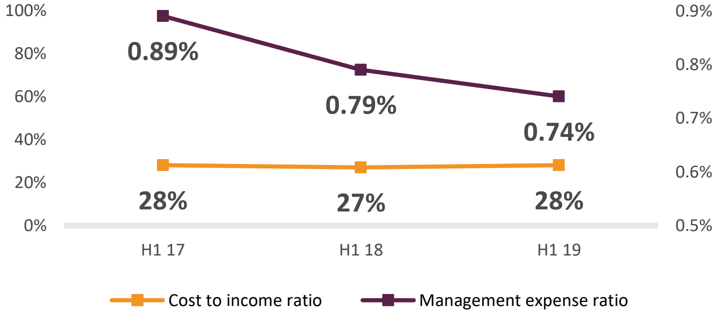


2. with attractive NIM & high loan book growth…

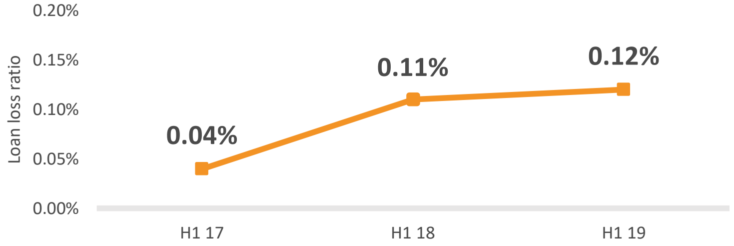


H1 2019 RoE of 23%

3. ongoing investment with focus on cost efficiency…



4. and credit quality maintained[1]

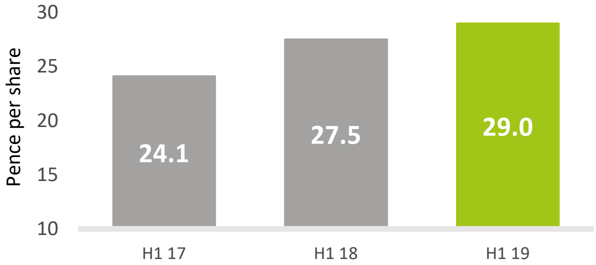


[1] Under IAS 39 provisioning approach in 2017 and under IFRS 9 approach in 2018 and H1 2019.

Strong profitability drives growth in shareholder value

	H1 2019 £m	H1 2018 £m	Change £m	Change %
Net interest income	151.0	135.2	15.8	*12*
Other expenses	(7.2)	(2.1)	(5.1)	*243*
Total income	**143.8**	**133.1**	**10.7**	***8***
Administrative expenses	(40.9)	(35.9)	(5.0)	*14*
FSCS and other regulatory provisions	(0.1)	(1.1)	1.0	*(91)*
Impairment losses	(5.9)	(4.3)	(1.6)	*37*
Exceptional cost – transaction expenses	(5.9)	-	(5.9)	*100*
Statutory profit before tax	**91.0**	**91.8**	**(0.8)**	***(1)***
Tax	(25.2)	(22.3)	(2.9)	*13*
Statutory profit after tax	**65.8**	**69.5**	**(3.7)**	***(5)***
Underlying profit before tax	**96.9**	**91.8**	**5.1**	***6***
Underlying profit after tax	**74.3**	**69.5**	**4.8**	***7***

Underlying basic EPS



- Other expenses include £4.6m loss on unmatched mortgage pipeline swaps. This unrealised loss will unwind over the life of the swaps
- Administrative expenses up 14% due to balance sheet growth, partially offset by further efficiencies and economies of scale
- Impairment losses up 37% due to growth in the balance sheet. Loan loss ratio broadly flat
- Exceptional costs relating to the recommended combination with CCFS
- Underlying PBT up 6% reflecting strong balance sheet growth and continued cost efficiencies
- Underlying EPS growth of 5% compared with H1 2018

Strong growth whilst maintaining credit quality

	H1 2019 £m	FY 2018 £m	Change £m	Change %
Lending				
Net customer loans	9,862	8,983	879	*10*
Provisions	(33)	(22)	(11)	*50*
Funding and liquidity				
Customer deposits	9,175	8,072	1,103	*14*
Wholesale funding	67	34	33	*97*
Liquid assets	1,654	1,407	247	*18*
Liquidity ratio	15.3%	14.5%		*0.8pps*

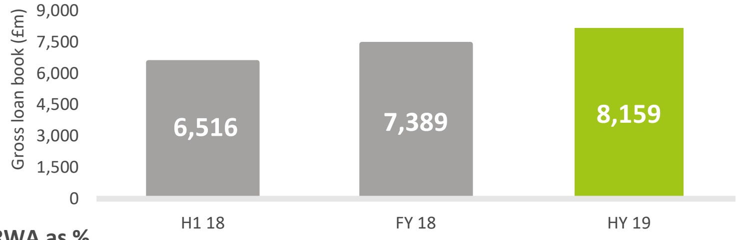
	H1 2019	FY 2018	H1 2018
Loan loss ratio (bps)	12	10	11
3 months in arrears %	1.5	1.5	1.3
Legacy problem loans (£m)	3.1	5.6	6.0
Average LTV (%) - mortgage book	68	66	65
- Buy-to-Let/SME	72	70	69
- Residential	58	56	56
Average LTV of new origination (%):			
- mortgage book	70	69	69
- Buy-to-Let/SME	70	70	70
- Residential	70	68	65

- Net loan book growth of 10% in the first half supported by 13% growth in organic origination to £1,635m and improved retention via our Choices programme
- Diversified funding with Indexed Long-Term Repo of £100m and Term Funding Scheme of £1.5bn as at 30 June 2019.
- In July we re-entered the securitisation market with the inaugural issuance in our Canterbury Finance RMBS programme
- Book loan to values slightly higher, driven by strong BTL/SME lending
- Loan loss ratio at 12bps was broadly flat compared with the prior period

Segmental results – BTL/SME

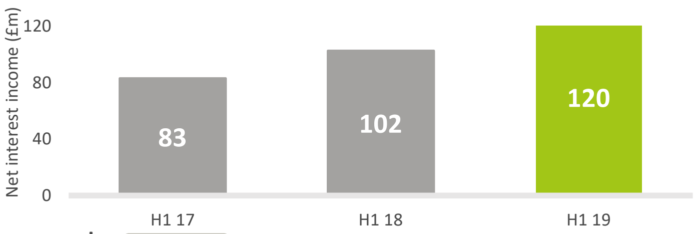
- Average book LTV remains low at 72% (FY 2018: 70%) with only 0.7% of loans by value with LTVs exceeding 90% (FY 2018: 0.6%)

1. Gross loan book



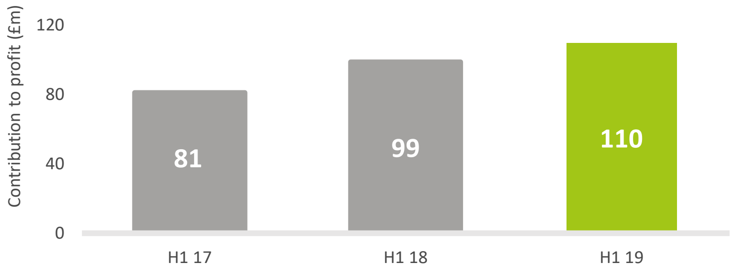
RWA as % of net loans	48%	47%	48%

2. Net interest income

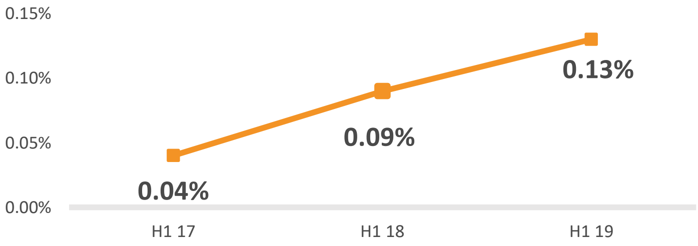


Gross asset yield	5.1%	4.8%	4.7%

3. Contribution to profit[1]



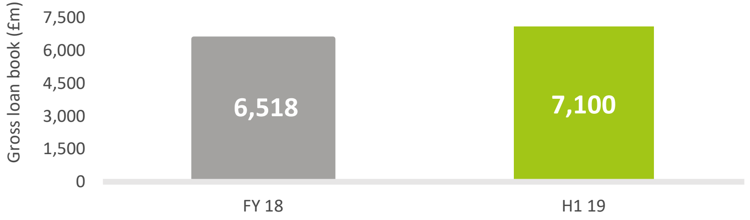
4. Loan loss charge as a % of average gross loans



[1] Total income less impairment losses

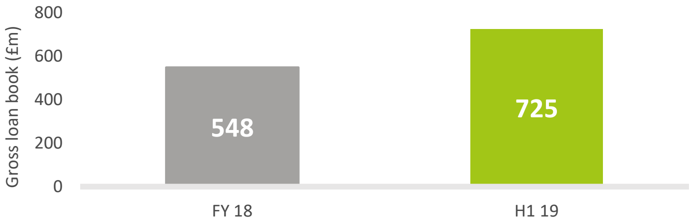
Segmental results – BTL/SME sub-segments

1. Buy-to-Let



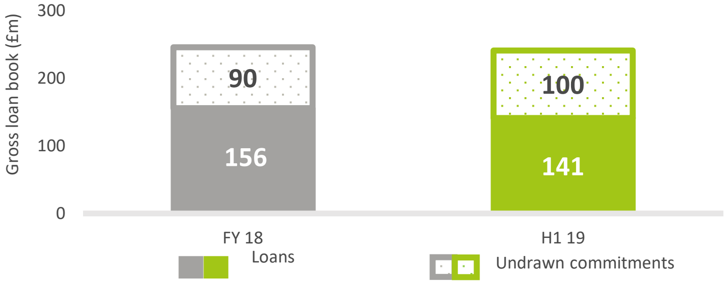
- Average interest rate coverage (ICR) was 175% during H1 2019 (FY 2018: 171%)

2. Semi-commercial/Commercial



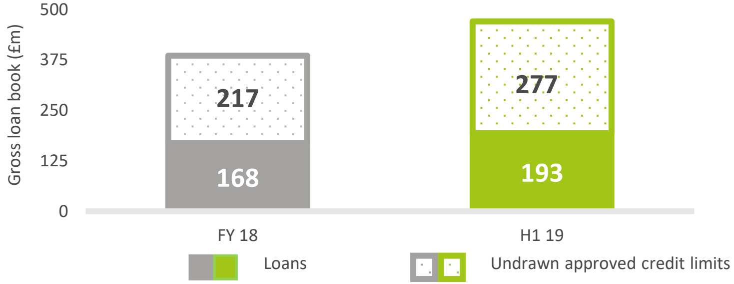
- Weighted average LTV: 66% (FY 2018: 66%)
- Average loan size c.: £380k (FY 2018: £360k)

3. Residential development



- Target smaller developers, active outside London
- Experienced and prudent team

4. Funding lines

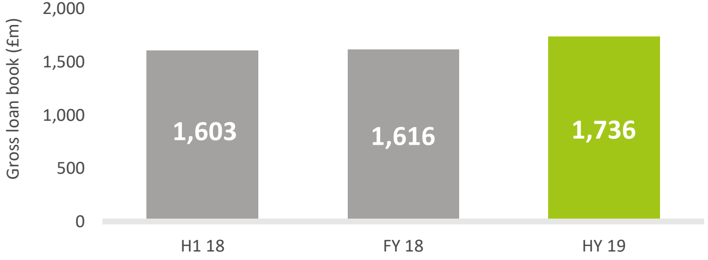


- Secured funding lines to non-bank lenders
- High yielding, secured, specialist sub-segments such as bridging finance and asset finance

Segmental results – Residential

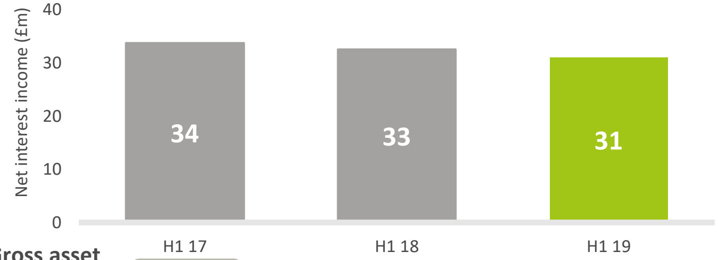
- Average book LTV remains low at 58% (FY 2018: 56%) with only 3% of loans by value with LTVs exceeding 90% (FY 2018: 3%)

1. Gross loan book



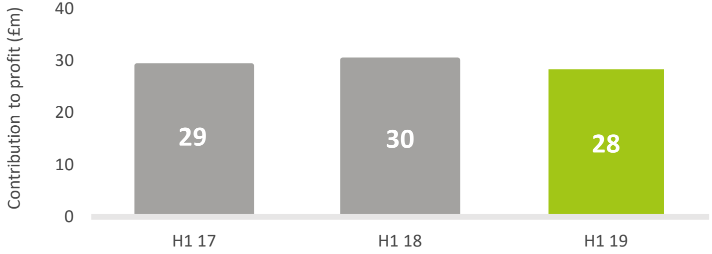
	H1 18	FY 18	HY 19
RWA as % of net loans	47%	47%	47%

2. Net interest income



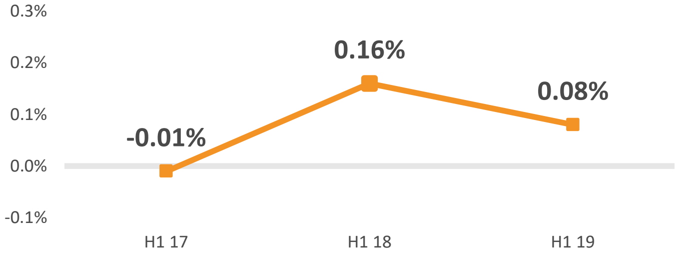
	H1 17	H1 18	H1 19
Gross asset yield	5.3%	5.4%	5.2%

3. Contribution to profit[1]



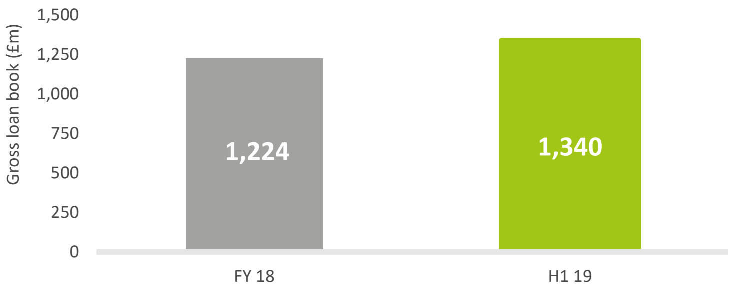
[1] Total income less impairment losses

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

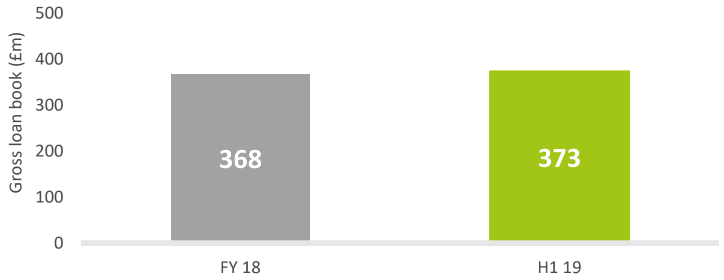


Segmental results – Residential sub-segments

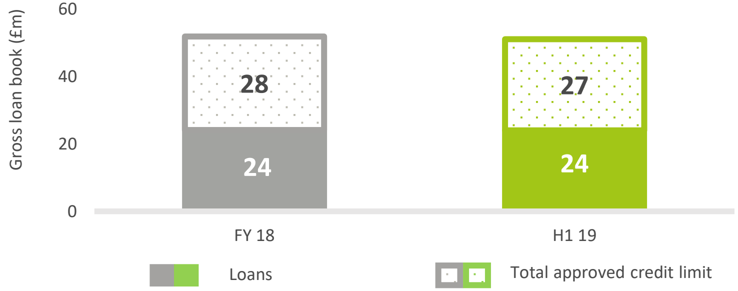
1. First charge mortgages



2. Second charge mortgages



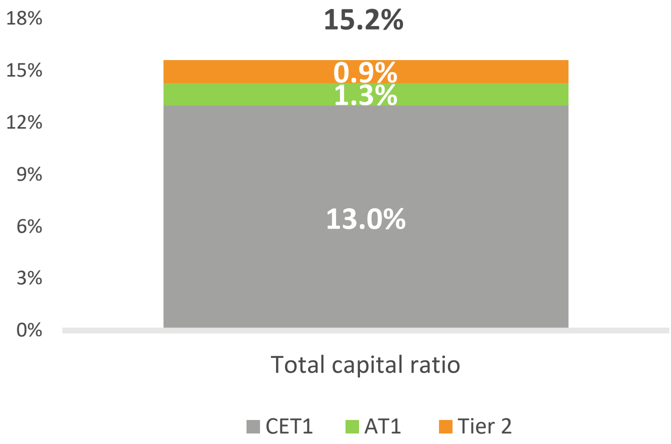
3. Funding lines



4. Summary

- First charge gross loan book up 9% due to the successful re-launch of the Group's residential products
- Second charge book broadly flat as the Group maintained appropriate pricing for risk

Strong capital base



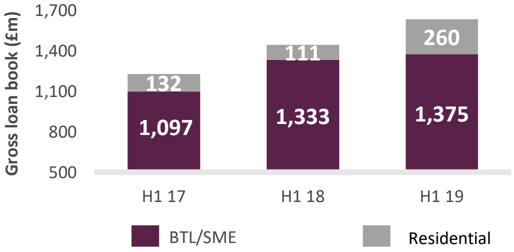
	H1 2019	FY 2018	Change
Capital			
Risk-weighted assets (RWAs) £m	4,686	4,212	11%
RWAs as % of total assets	40	40	-
Common equity tier 1 ratio %	13.0	13.3	(0.3)pps
Total capital ratio %	15.2	15.8	(0.6)pps
Leverage ratio %	5.7	5.9	(0.2)pps

- Strong capital position continued in H1 2019 despite loan book growth and impact of exceptional transaction costs on statutory profit
- Pillar 2a requirement of 1.1% of risk weighted assets
- We are pleased with the progress towards IRB and believe the Bank will benefit in its capital requirements, especially for residential lending at sensible LTVs

Our award-winning lending franchise performed strongly

Growth

Organic lending up 13%



+

Retention

Significant increase in borrowers choosing new products with our Choices retention scheme, 76% choosing new product within 3 months (H1 2018: 60%)

=

Net loan book growth

10%

Performance

Loan performance

Only 273 loans in 3m+ arrears (£72m), out of >54,000 loans (£12.4bn) originated since the Bank's creation in 2011

Well-positioned

Professional landlords account for 81% of Buy-to-Let completions by value during the first half of 2019 (79% in H1 2018)

Award winning

Award-winning savings franchise and diversified funding

Kent Reliance savings franchise

£9.2bn
Retail deposits up 14% in the period

c. 30k
We continue to attract new savings customers

93%
Retention rates on maturing Bonds and ISAs remain exceptionally strong

+64
Quality of customer service - consistently high NPS

Funding platform

£500m
Successfully re-entered the RMBS market in July 2019, securitising £500m of organically originated mortgages at an attractive cost

£1.6bn
Bank of England's funding
- TFS of £1.5bn
- Indexed Long-Term Repo £100m

Summary and outlook

The first half of 2019 was yet another period of strong growth: 13% increase in organic origination to £1.6bn

Trading conditions in our core professional BTL market remain competitive but we continue to see opportunities in core segments

Strong credit profile: low arrears and sensible LTVs, with high interest cover on Buy-to-Let

Excellent customer satisfaction and loyalty: customer NPS at +64, retail savings bond retention at 93%

Successfully re-entered the RMBS market in July 2019, securitising £500m of organically originated mortgages at an attractive cost

The recommended combination between OSB and CCFS received shareholder approval and unconditional CMA clearance

Expect full year net loan book growth of high-teens

Impact of changing mix of the loan book on net interest margin now largely run its course, assuming current mortgage pricing, cost of funds and swaps spreads continue

We continue to invest in the business and will maintain a strong focus on cost efficiency and control

CET1 ratio to remain at a minimum of 12% and dividend policy remains a target payout ratio of at least 25%

Disclaimer

This document should be read in conjunction with the documents distributed by OneSavings Bank plc ('OSB') through the Regulatory News Service ('RNS'). This document is not audited and contains certain forward-looking statements, beliefs or opinions, including statements with respect to the business, strategy and plans of OSB and its current goals and expectations relating to its future financial condition, performance and results. Such forward-looking statements include, without limitation, those preceded by, followed by or that include the words 'targets', 'believes', 'estimates', 'expects', 'aims', 'intends', 'will', 'may', 'anticipates', 'projects', 'plans', 'forecasts', 'outlook', 'likely', 'guidance', 'trends', 'future', 'would', 'could', 'should' or similar expressions or negatives thereof. Statements that are not historical facts, including statements about OSB's, its directors' and/or management's beliefs and expectations, are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. Factors that could cause actual business, strategy, plans and/or results (including but not limited to the payment of dividends) to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by OSB or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets, inflation, deflation, interest rates and currencies; policies of the Bank of England, the European Central Bank and other G8 central banks; the ability to access sufficient sources of capital, liquidity and funding when required; changes to OSB's credit ratings; the ability to derive cost savings; changing demographic developments, and changing customer behaviour, including consumer spending, saving and borrowing habits; changes in customer preferences; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the potential for countries to exit the European Union (the "EU") or the Eurozone, and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural and other disasters, adverse weather and similar contingencies outside OSB's control; inadequate or failed internal or external processes, people and systems; terrorist acts and other acts of war or hostility and responses to those acts; geopolitical, pandemic or other such events; changes in laws, regulations, taxation, accounting standards or practices, including as a result of an exit by the UK from the EU; regulatory capital or liquidity requirements and similar contingencies outside OSB's control; the policies and actions of governmental or regulatory authorities in the UK, the EU or elsewhere including the implementation and interpretation of key legislation and regulation; the ability to attract and retain senior management and other employees; the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; market relating trends and developments; exposure to regulatory scrutiny, legal proceedings, regulatory investigations or complaints; changes in competition and pricing environments; the inability to hedge certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and the success of OSB in managing the risks of the foregoing.

Accordingly, no reliance may be placed on any forward-looking statement and no representation, warranty or assurance is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Any forward-looking statements made in this document speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information of future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange PLC or applicable law, OSB expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in OSB's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. For additional information on possible risks to OSB's business, please see Risk review section in the OSB 2018 Annual Report and Accounts. Copies of this are available at www.osb.co.uk and on request from OSB.

Nothing in this document and any subsequent discussion constitutes or forms part of a public offer under any applicable law or an offer to purchase or sell any securities or financial instruments. Nor does it constitute advice or a recommendation with respect to such securities or financial instruments, or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied on as a guide to future performance. Nothing in this document is intended to be, or should be construed as, a quantified financial benefits statement for the purposes of Rule 28 of the City Code on Takeovers and Mergers or a profit forecast or estimate for any period.

Liability arising from anything in this document shall be governed by English law, and neither the Company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. Nothing in this document shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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.