

OneSavings Bank plc: Trading update

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OneSavings Bank plc Trading update

OneSavings Bank plc ('OSB' or 'the Group'), the specialist lending and retail savings group, today issues its trading update for the period from 1 July 2020 to date.

Highlights

- The Group delivered strong financial and operating performance in the three months to 30 September 2020
- Organic originations for the combined Group of £725m in the three months to 30 September 2020 (Q3 2019: pro forma underlying¹ £1.7bn, statutory: £842m for OSB and £865m for Charter Court Financial Services Group ('CCFS'))
- Underlying² net loans and advances increased by 8% in the nine months to 30 September 2020, excluding the impact of structured asset sales in the first half. On an underlying² basis, after structured asset sales, net loans and advances as at 30 September 2020 increased 3% to £18.7bn (31 December 2019: pro forma underlying¹ £18.2bn). On a statutory basis, net loans and advances were £19.0bn (31 December 2019: £18.4bn)
- Underlying² net interest margin ('NIM') improved as expected when the full impact of the base rate cuts was passed on to retail savers towards the end of the third quarter
- Slight improvement in three months plus arrears (and earlier arrears) during the quarter and as at 30 September 2020, active payment holidays had decreased to only c. 3% of the Group's loan book by value with a weighted average loan to value ('LTV') of 69%. Very low levels of new arrears on accounts exiting payment holidays
- No significant change in IFRS 9 macroeconomic scenarios, staging criteria or impairment provisions during the quarter
- Insertion of a new holding company to facilitate the issuance and compliance with the Group's MREL requirements approved by shareholders at a general meeting on 2 November 2020
- The Board aspires to return to dividend payment and will assess at the end of the year whether circumstances support the payment of a dividend for 2020, taking into account the macroeconomic and capital outlook

1. Pro forma underlying refers to ratios and results which assume that the Combination with CCFS occurred on 1 January 2019 and exclude exceptional items, integration costs and other acquisition-related items arising from the Combination with CCFS.

2. Underlying refers to results and ratios which exclude exceptional items, integration costs and other acquisition-related items arising from the Combination with CCFS.

Andy Golding, CEO of OneSavings Bank, said:

“I am extremely proud of OSB’s continued strong performance in a challenging and uncertain environment. Throughout the pandemic we have adapted quickly and have continued to offer our customers the high service levels we are recognised for.

We are lending prudently, with a controlled risk appetite and current application volumes are strong across our Kent Reliance and Precise Buy-to-Let and Residential brands. Total application levels for the Group are c.65% of pre-COVID-19 lockdown levels, as we remain cautious with the criteria offered in our more cyclical market segments. We continue to expect double digit underlying net loan book growth for 2020, excluding the impact of structured asset sales although we remain cognisant of the potential impact of the latest lockdown on the timing of completions and redemptions.

Underlying NIM improved as expected when the full impact of the base rate cuts was passed on to retail savers towards the end of the third quarter and we expect it to be broadly flat to the first half for full year 2020. We maintained our cost discipline in the third quarter and the underlying cost to income ratio for the full year is expected to be marginally higher than in the first half, due primarily to the impact of gains on structured asset sales in the first half.

Our loan book continues to perform well, with a slight improvement in arrears in the third quarter and no significant change in IFRS 9 economic scenarios, staging criteria or impairment provisions. Live payment holidays have reduced to only c.3% of the Group’s loan book by value, with very low levels of new arrears for borrowers that were due to resume payments.

Despite the current complex environment, the Group has made good progress on the integration with CCFS and remains on track to deliver the synergies that were identified at the outset of the Combination. The Group has also demonstrated exemplary operational resilience as, in line with Government guidelines, the majority of our employees continue to work from home, including those in India. The physical safety and emotional wellbeing of our employees are paramount to us and we continue to ensure all of our colleagues are fully supported whether at home or socially distanced in our offices. I would like to thank all of our outstanding colleagues for their resilience, dedication and determination in keeping our business running so smoothly.

We acknowledge that the outlook for the UK economy remains uncertain with the continued progression of COVID-19 and associated measures and restrictions, including a new national lockdown, extensions to the furlough scheme and COVID-19 payment deferrals, as well as the ongoing Brexit negotiations. However, the Group is well positioned, with strong capital and liquidity ratios, sensible LTVs and strong risk management capabilities.”

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Analyst presentation

A webcast and a conference call will be held at 10:00am on Thursday 12 November and both will be available on the OneSavings Bank website at www.osb.co.uk/investors/results-reports-presentations. Registration is open immediately.

About OneSavings Bank 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. OSB is a specialist lending and retail savings Group authorised by the Prudential Regulation Authority, part of the Bank of England, and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

OneSavings Bank

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 organically via specialist brokers and independent financial advisers through its specialist brands including Kent Reliance for Intermediaries and InterBay Commercial. It is differentiated through its use of highly skilled, bespoke underwriting and efficient operating model.

OSB is predominantly funded by retail savings originated through the long-established Kent Reliance name, which includes online and postal channels as well as a network of branches in the South East of England. Diversification of funding is currently provided by securitisation programmes, the Term Funding Scheme, Term Funding Scheme for SMEs and the Bank of England Indexed Long-Term Repo operation.

Charter Court Financial Services Group

CCFS focuses on providing Buy-to-Let and specialist residential mortgages, mortgage servicing, administration and credit consultancy and retail savings products. It operates through its three brands – Precise Mortgages, Exact Mortgage Experts and Charter Savings Bank.

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

CCFS is predominantly funded by retail savings originated through its Charter Savings Bank brand. Diversification of funding is currently provided by securitisation programmes, the Term Funding Scheme, Term Funding Scheme for SMEs and the Bank of England Indexed Long-Term Repo operation.

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