



OSB Group

Full Year Results Presentation

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OSB Group

Andy Golding, Group CEO

Victoria Hyde, Group CFO

Questions From

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Jonathan Pierce, Jefferies

Edward Firth, KBW

Andy Golding, Group CEO

Let's kick off, good morning and thank you for joining OSB Group's 2025 Full Year results presentation.

This morning I'd like to take you through the key highlights for the year, provide an update on strategy that we presented back in March last year and insights into the macro drivers that are supporting our business. Then I'll hand over to Victoria for the financials in detail before returning to summarise the outlook.

Starting with a high-level view of the business, as I said to you back at the half year, we're on track. A year ago at our Investor update we set out our strategy to remain the number one specialist lender and also provide short-term guidance and medium-term aspirations.

I'm very pleased that we have delivered in line with our 2025 guidance, the first year of our transition period.

As you can see on the right-hand side we have achieved all of our targets and we are building well towards our medium-term plan.

This slide highlights our three familiar themes that demonstrate progress against our strategy and continue to reflect our current transitional phase.

Firstly, we set out at the Investor day our optimised lending growth plan and we've successfully delivered against this during the year. Net loans grew at 3.2% and that reflects our discipline in maintaining attractive ROTEs in new lending, supported by particularly strong growth in commercial lending.

Our medium-term loan book optimisation strategy is reflected in the 53% growth in originations from higher yielding segments that we delivered in 2025.

As expected, net interest income has reduced compared to 2024 and Victoria will cover this in more detail later.

The strength of our underwriting expertise applied across all of our lending activity is demonstrated in our low loan loss ratio.

Secondly, we maintain cost discipline and efficiency while creating capacity for investment. Our culture of challenging costs has contained core cost growth to only 0.8%. The cost income and manex ratios are in line with our expectations and these reflect the impact of our transformation expenditure as we invest in the future of the business to deliver efficiency over the medium term.

Finally delivering attractive ROTEs and capital returns to shareholders continues to be our primary objective. The £383m of profit before tax translates to a ROTE of 13.7% and a TNAV per share of 579 pence up from 544 pence last year. And our commitment to rewarding shareholders is underlined by the 5% increase in full year dividend. And in addition I'm delighted to announce a further £100m share buyback programme for 2026 and we have now completed successfully on the 2025 buyback programme.

In summary I'm pleased with our progress in 2025 and our delivery against targets in the first year of our transition period.

Next, I'll take a moment to remind you of the plan that we presented this time last year. Through the planning horizon we'll leverage our core strengths of high quality and meaningful broker relationships, deep product and credit expertise and a track record of delivery at scale.

All of this will be supported by and accelerated by a significant tech transformation now entering the fourth year of our five-year plan. That will take us ahead of our competition and will enable us to grow more efficiently.

Combining this transformation with our key strengths will enable us to drive growth in our savings and lending platforms, accelerating our diversification into higher yielding asset classes, delivering an optimised lending mix and with a more favourable cost of acquisition.

In the medium term this will cement our position as the leading specialist lender, delivering improving net interest income, positive cost jaws and most importantly delivering growth in ROTE, our North Star.

Next, I'll take a look at the broader market landscape and the key developments we've seen during the year. Beginning with interest rates, we're pleased to see reductions in bank base rates including the most recent cut in December. Lower rates should stimulate demand for borrowing across our lending segments and while we saw some volume growth in the year, we expect that any further reductions in rates from here should encourage more buyers back into the market.

Volume across the buy-to-let market gradually recovered over the year with a pause in the run-up to the budget and fundamental indicators for professional landlords continue to show strength including a 4% increase in rents recorded during the year to December.

The chart on the right-hand side illustrates the level of competition we're experiencing in buy-to-let. We've continued to see elevated levels of competition particularly from current account funded high street competitors. However, as you can see across our brands, we've continued to exercise pricing discipline playing to our strengths of lending to professional landlords whose complex needs cannot be met by the high street.

Looking to the lower half of the slide, opportunities remain attractive in our target higher yielding sub-segments. Bridging finance for single growth with the size of the market is increasing by 52% year on year. Commercial property has also performed well delivering average returns across the market of 7.1% in the year underpinned by a balance of capital appreciation and growth in rental returns.

Having looked at the market I'll now turn to the Group's performance and levers for successfully delivering our optimised lending strategy.

We're starting from a position of strength with trusted relationships established with over 19,000 brokers across the country who have access to a sales team of more than 100. These personal relationships supported by technology give the group a clear competitive advantage in winning business. We provide a one-stop shop to support brokers in finding solutions to often complex customer requirements. That's an arena in which we excel.

We continually evolve and innovate our product set to target the areas in which we want to grow in line with our credit appetite whilst ensuring we meet and exceed customer expectations.

To give just two examples, during 2025 we launched a range of new mortgages and implemented criteria adjustments to broaden the appeal of our residential products under the Precise brand. Whilst in bridging we expanded our dedicated sales team and enhanced our product offering.

Our credentials as a leading specialist lender are demonstrated by the stats at the bottom of the page. Professional multi-property landlords represented 92% of the Kent Reliance buy-to-let completions in 2025 and we're continuing to attract customers who trust us with their complex needs evidenced by a 23% increase in HMO completions.

Our strong broker relationships together with our agile targeted approach to product innovation supported by technology allow us to actively balance the growth and composition of our lending book.

We are very disciplined in how we choose to grow, balancing return and opportunity to optimise our book. As you can see here from our graphic equaliser chart, we have delivered as we said we would, within our risk appetite, adjusting the mix and the returns to optimise across the loan portfolio, pursuing growth in a focused way.

I'm pleased with the progress we've made in adjusting the mix of the book with step-ups in the pace of originations across our high yielding sub-segments.

Taken together, I'm pleased with the execution of our optimal growth plan. This considered disciplined approach delivered loan growth of 3.2% in 2025 and we're anticipating a similar rate of growth in 2026.

The successful delivery of our plan is underpinned by our transformation programme, and I'm pleased that we sustained the momentum in 2025 as we completed the third year of that transformation programme. The foundations are in place and we're rolling out functionality at pace.

In savings, we've continued to launch more products on the new platform, including joint accounts and easy access. We're pleased with the favourable response received from deposit customers who particularly value the ability to self-serve across 13 different product features, removing the friction from processes that previously would have required contacting us by telephone.

On the lending side, we launched our new platform starting with buy-to-let mortgages and this has been really well received by brokers, appreciating the enhanced functionality, streamlined processes and significantly accelerated timelines.

Alongside the new platform, we launched the Rely buy-to-let brand, a first step in simplifying our mortgage offering. Rely creates a buy-to-let powerhouse, drawing on the same expertise and experience that our broker partners are already familiar with.

The combination of the new Rely brand on the new modern lending platform has been a game changer for our operations and the quality of engagement with brokers. We're now able to deliver agreements in principle in under 10 minutes and mortgage offers, in some cases, in less than two hours. And this marked improvement in turnaround times is resonating strongly with brokers who value fast, efficient case progression for their customers. Whilst our enhanced data flows help support strong credit risk decisions for the more complex cases.

As of today, over 40% of our mortgage applications are now processed on that new platform. We've successfully delivered against milestones and importantly delivered within budget. Looking ahead, we remain committed to sustaining the momentum we've built over the past three years.

In savings, we'll continue to expand our product offering under the Kent Reliance brand on the new platform, and we'll complete the migration of all existing Kent Reliance accounts, of which 40,000 have already successfully been transferred. We will also move the Charter Savings Bank operations in-house and onto our new platform.

In lending, I'm excited about the opportunities ahead as we expand the platform into other lending lines, bringing the operational efficiencies, commercial benefits and enhanced customer and broker experience that we've seen so far in buy-to-let to the other segments in which we lend.

The development of residential mortgages on the new platform is well underway and will launch later this year under that Precise brand. New cloud and data structures, a key element of our transformation, positions us well to benefit from the use of AI and advanced analytics as we, for example, successfully piloted new AI tools to prevent fraud.

Our transformation programme is now fully integrated into our day-to-day technology operating model under the leadership of the Group CIO, and the Group COO is focused on embedding the functionality being delivered into our group operations teams.

The programme is on track and on budget. The business is already benefiting from the investment and as the rollout continues, we'll keep you informed of our progress and the value it's delivering for both the business and our customers.

We look forward on giving you more details of this at our buy-to-let spotlight session which is due to take place on the 25th of March.

With that, I'll hand over to Victoria for further insights into the financials.

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Victoria Hyde, Group CFO

Thank you, Andy, and good morning everyone. I want to start by saying that I'm pleased with these financial results that are in line with our 2025 guidance.

Turning first to the P&L, please note that these are the first full year results prepared on a statutory basis as the final acquisition related items rolled off in December 2024. However, the equivalent comparative for 2025 statutory results are the 2024 underlying results as neither have any impact of acquisition related items.

Net interest income was £679.4m for the year, down 2% compared to the prior year and NIM was down 2 basis points. I will provide more colour on the NIM dynamics on the next slide.

The fair value loss on hedging activities was £22m compared to a loss of £2.7m in the prior year. The key driver behind the loss which will reverse over the life of the swaps continue to be the fair value movements on our pipeline mortgage swaps due to the movements in the SONIA forward curve.

Administrative expenses increased by 5% to £270.1m in the year in line with our guidance and an impairment charge of £13m was recognised for 2025 compared to an impairment credit of £12.8m in 2024. I will cover both of these items in more detail later.

Finally, profit before tax for the year was £382.5m and basic EPS was 75.6 pence per share.

For the second half of the year, net interest income increased by 4% and profit before tax was only marginally lower at £190.2m. This outcome delivered an EPS that was up 6% to 37.8 pence per share. NIM improved 10 basis points to 226 basis points and ROTE was 13.7%.

Looking at NIM year on year, please note that 2024 NIM is on an underlying basis as this makes a more meaningful comparative to 2025 statutory NIM. NIM reduced from 230 basis points in 2024 to 228 in 2025.

Higher cost of funds caused downward pressure year on year as our savings book continued to recycle onto more costly spreads versus SONIA compared to those in the prior year. The higher cost of funds was broadly offset by an improvement in the lending spreads as the lending back book dynamics rolled through in parallel to another year of business written at sustainable margins.

We have also for the first time shown NIM excluding liquid assets, which was 267 basis points in 2025.

This presentation of our NIM better reflects the performance of the underlying business and it also allows for a more meaningful comparison with our closest peers. We have provided the calculation in more detail in the appendix.

This slide presents our 2026 NIM guidance and the drivers behind it. In 2026, as we continue through the transition period, we expect the same key drivers to those in 2025 to deliver NIM of circa 225 basis points for the year. As we told you last year, the lending back book dynamics will continue to influence the lending contribution to margin, which is illustrated by the upper chart. On the front book, we will remain disciplined on pricing of new loans.

The lower chart provides more context on the deposit market we are operating in, showing spreads to SONIA of the average top 10 quoted pay rates across the market for four key savings products. You can see that in early 2025, the average market spreads moved above SONIA, including on easy access products. This was more pronounced in the second half of the year. We can also see a widening in the cost of fixed deposits versus easy access.

We saw cost of funding increase further in Q4 '25, and this elevated level has persisted so far into 2026. Our 2026 circa 225 basis points NIM guidance is based on our expectation that funding costs will normalise from today's elevated levels, and we will update you on the cost of funding progression over the coming quarters.

This slide presents an overview of our strong funding franchise. The group remained predominantly funded by retail deposits, sourced under our two well-established brands of Kent Reliance and Charter Savings Bank. As at the 31st of December, retail deposit balances were £24.3bn, an increase of 2% from the prior year, supporting loan book growth of 3.2%.

The remainder of the group's funding was broadly unchanged in the year and came from debt and issuances, providing diversification and duration to our funding requirements.

In addition, the group continued to utilise the Bank of England's funding facilities, having fully repaid its TFSME drawings in September. Our index long-term repo balance, as at the 31st of December, grew to £1.5bn. The make-up of the group's total funding is shown in the two pie charts on the right.

We continue to optimise our funding mix and the proportion of our fixed-rate bonds versus easy access accounts continue to reduce compared to 2024.

Moving on to costs. A key part of our plan is that we tightly manage our cost base to allow us to invest in the transformation programme.

In 2025, the administrative expenses or expenses met our guidance, and the transformation spend was on target. This and the following page highlight our cost discipline and transformation spend. Expenses were £270.1m, up 5% compared to 2024.

Despite a higher level of inflation, our core UK and India costs increased by only 0.8% compared to the prior year. The main driver of the growth was further investment in the transformation programme, with a £9.4m increase in the P&L charge compared to 2024. On the next slide, we provide more detail on our spend to date.

The cost-to-income ratio increased to 40.4% from 38.7% in the prior year and the management expense ratio also increased to 90 basis points from 85, both in line with our expectations.

Looking forward, we will maintain strong cost discipline and for 2026 we expect group expenses of circa £280m. We expect that core costs will increase at no more than the rate of inflation and the investment in the transformation programme will continue to increase in line with our plan.

Andy outlined earlier key milestones that we have achieved in our transformation programme since we presented it to you at the Investor update last year. On this slide, we summarise our spend in the last three years as we enter the final two years of the programme, with around £85m of investment to come. There is no change to our expected total spend on the programme of circa £190m until it completes in 2027.

This slide presents our progress against the optimised lending growth plan, combined with a disciplined approach to risk that we announced at the Investor update. The net loan book grew by 3.2% in 2025, supported by £4.7bn of originations, an increase of 19% compared to 2024. Originations in the higher-yielding sub-segments of commercial, asset finance, residential development and bridging increased by 53% from 2024. Higher-yielding segments made up 12% of the total loan book versus 9% in 2024 and consequently buy-to-let accounted for 68% of the book, remaining the largest part of our lending.

Finally, our guidance for 2026 is that we expect net loan book growth broadly similar to that achieved in 2025.

This slide provides a waterfall of the movement in the impairment provision in the year, as well as the credit quality metrics of our secured loan book. As you can see on the chart, the total ECL balance sheet provision reduced to £123.6m as at the end of 2025. The larger releases comprised model enhancements and PMAs and the positive impact from borrowers moving through the ECL stages. These were partially offset by increases in provisions for accounts with arrears of three months or more, new lending and other charges.

Moving on to arrears, for 2025 the three-month plus arrears remained unchanged from 1.7% at the end of 2024. As you can see on the right-hand side of the page, our balance sheet total coverage ratio reduced to 47 basis points and our provision balance was eight times higher than the average yearly write-offs in the last five years.

We remain comfortable with our risk profile and our impairment provisions. We show here that if we were to move to our IFRS 9 weighting 100% to the downside scenario, the ECLs would only increase by £25m. Finally, as you can see at the bottom, new buy-to-let lending interest coverage ratios remained high.

Next, capital. 2025 was another year of strong capital generation of 150 basis points and the group CET1 ratio remained robust at 15.8% at the end of December. Our profitability in the year increased the ratio by 2.3% and supported growth in the net loan book and the ordinary dividend. Before the effect of the £100m share buyback programme announced in March 2025, the CET1 would have been 16.6% and the share buyback had a 0.8% impact on the ratio.

With greater clarity over the Basel 3.1 rules and our confirmed MREL status, the board set a new CET1 ratio target in the range of 13 to 13.5%. The group continues to generate enough capital to support loan book growth and a progressive dividend. The Board remains committed to returning excess capital to shareholders as we progress towards our new CET1 target post Basel 3.1.

On this slide, we laid out the movement in our net loans and RWAs over the last two years. You can see that as the loan book grew by 3% in 2025, the RWAs increased by 5% as more lending came from higher yielding sub-segments which attract higher risk weighting. The loan book mix accounted for a £0.5bn increase as shown in the right on the chart.

We continue to expect that the implementation of Basel 3.1 rules, as written, would reduce the CET1 ratio as at 31 December 2025 by 1.3% as a result of a 9% uplift in RWAs. This is compared to just over 1% as at 31 December 2024. The increase in impact on the CET1 ratio is largely due to the growth and change in the mix of the group's loan book.

This slide presents the group's capital resources and capital requirements. The group is well in excess of the minimum regulatory capital requirements. As the group's resolution strategy for MREL was changed to transfer, the minimum regulatory capital requirement now also equals the group's MREL requirement. As you know, the group currently has £700m of MREL securities and the change in the MREL resolution strategy should start to positively impact ROTE from September 2027 when the first of the securities reaches its call date. We continue to evaluate the optimal approach to our existing MREL securities.

Finally, on this slide, we remain focused on ROTE, and we continue to expect low-teens ROTE in 2026, mid-teens in 2027 and 2028, increasing to the top end of mid-teens in 2029. I will now pass back to Andy.

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Andy Golding, Group CEO

Thank you, Victoria. So, in summary, today we presented a resilient financial performance combined with good strategic progress. Our headroom to grow has been demonstrated by our 3.2% net loan book growth and we've continued to shift the portfolio mix to optimise returns.

There has been solid capital generation with attractive shareholder returns as we increased our full-year dividend per share by 5% and announced that further £100m share buyback.

Finally, turning to the outlook, there was upward pressure on funding costs in H2 2025, and we have to date been able to compensate through loan book performance, producing strong asset yields as evidenced in our 2025 full-year NIM.

It is very early in 2026 and whilst we've seen sector noise this year on funding costs, our assumption is that the cost will begin to normalise through the year and our NIM guidance of circa 225 basis points is given on that basis.

Our focus remains laser-like on ROTE and we continue to expect low-teens in 2026, mid-teens in 2027 and 2028, increasing to the top end of mid-teens in 2029, driven by the successful execution of our strategy, capital optimisation and the MREL instruments reaching their respective call dates.

With that, we will now hand over to Q&A. We'll start by taking questions in the room and there are microphones, I think, to be passed around and Ben's hand has immediately gone up and then we'll go over to people on the phones.

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Questions and Answers

Benjamin Toms, RBC

Thanks for taking my questions. Firstly, on your ROTE guidance, you've reiterated your 2028 ROTE guidance of mid-teens. Since you struck that guidance, we've had two positive pieces of news or tailwinds in relation to the ROTE, the MREL story and a lower capital base. Is the right way to think about your 2028 ROTE guidance that you're increasingly optimistic around hitting that number or are there other headwinds which will offset those tailwinds that we need to think about?

And then secondly, on your 225 base points NIM guidance, you made the point twice that it's predicated on elevated funding costs falling back down to your planning assumption. If they don't fall back down, what would be the headwind to your NIM guidance and what offsetting levers do you have? Thank you.

Andy Golding, Group CEO

Okay, thanks Ben. I'll let Victoria talk to the NIM point, but I mean on ROTE, we've reiterated the mid-teens for 2028, but we slightly upped in terms of 2029 saying the top end of mid-teens. So I think what that tells you is that we can see the clear path to rising ROTE as those MREL instruments fall due and fall away from the balance sheet because they're quite a significant cost. And obviously, you know, one of the Board's key drivers is to make sure we're returning adequate capital to shareholders and therefore optimising the capital down to a sensible level of CET1, you know, all things being equal, given what might or might not be going on in the macro economy. I think what we're setting out here in our guidance is that we're optimistic about that glide path towards that sort of high end of the mid-teens. On the NIM, Victoria?

Victoria Hyde, Group CFO

Yeah, so I mean on the NIM as we stand today, we're comfortable with that circa 225. You know, that is predicated on the same three drivers that we've talked about. So sustainable front book margins, we know that the back book will continue to roll through and then it is the cost of funding. In terms of the rate that that is predicated on, we are looking at an average blended front book and retention of SONIA plus 30 and that is lower than current market levels but naturally higher than last year. We do expect that to normalise over the year and that is the average level that we're saying blended for the year.

In terms of offsetting levers, obviously as we came in, we set out two years of saying look, we have a lot of things running through the P&L and we expect those all to offset to that circa 225. You know, the back book has been resilient over the last year and probably performed better and contributed more than we'd originally anticipated. So we are assuming that will continue.

Within the cost of funding, we have got our transformation deliveries. So we are looking to refine further our cost of funding and improve it through faster repricing and more product diversity. So you know we are very focused on those drivers within the P&L.

And then front book, we do manage the business for returns. So looking at where we can optimise that value and we will continue on with that route. So I mean, it's early on in the year and we will have to see how the market plays out. But we are obviously very focused on optimising and delivering to our low teens ROTE in 2026.

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Andy Golding, Group CEO

Grace?

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Grace Dargan, Barclays

Maybe just picking up on NIM again, thinking about the trajectory in '26 then and really out beyond, because I guess if now you're talking about same guidance, but a normalisation of those deposit costs, are you pointing to more of a pickup towards the back end of the year and therefore maybe a better base to start from in '27?

And then secondly, I guess the point on glide path around capital, how quickly do you think you can get to operating within the 13 to 13.5% target? Should we be thinking of that by '28 or is that a longer glide path? Thank you.

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Andy Golding, Group CEO

Okay, do you want to talk about NIM and then I'll touch on CET1?

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Victoria Hyde, Group CFO

Yes, yeah. As we look out, I suppose we're not guiding at the minute on 2027, those three drivers, as we noted in the slides, you've got the '26, the last high margin book rolls off in '27 - we have got '27, '28 is the lower margin and that will roll through.

I mean, I would say we are expecting that normalisation of cost of funds. I mean, at the minute, if I compare to what I thought in December, to what I thought now, to what I thought this week, there is a lot of change, a lot of discussions we're having about base rate reductions and cost of funding. So I would say it's extremely hard to call sort of '26 at the moment, let alone '27. But we

do expect through transformation and just you know the December base rate rise really just wasn't passed through to customers. You sort of think that has to normalise over the years.

So yes, we are expecting it to temper down. But in '27, we still have those drivers. So we're not guiding on that yet. And I do feel we need to wait until we're a bit further into the year to start to understand where '27 may land.

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Andy Golding, Group CEO

Yeah, and then, on the capital glide path, clearly you probably don't expect me to give you a date at which point we're going to arrive at 13.5% or something like that. But I mean, the Board are committed to that. I think we consider that to be a sensible target for CET1, higher than we see in some other peers. But we think sensible given all factors.

Clearly, we've got to get through Basel 3.1 at the beginning of '27. And also, there's a bit going on from a macro perspective. And you've always got to have a weather eye on your capital ratios as to what might or might not be happening from unemployment or inflation, indeed, driven by the current problems in the Middle East, etc. So, you know, the Board will continue to monitor economic signals and what we're doing in terms of book mix and growth and opportunity, of course. And once we're through the other side of Basel 3.1, that glide path is eventually where we want to get to.

I'm not saying we're going to take years to get there. But clearly, we have to manage capital carefully and kind of understand that in the context of the broader market. Yes.

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Jonathan Pierce, Jefferies

Good morning. Two questions. The first is on deposits. The margin on the deposit stock, are you able to tell us where that is at the moment so we can compare it to your sort of SONIA plus 30 for the new business coming in this year? And connected to that, can you give us a sense of your appetite for using ILTR? Because obviously, that is significantly cheaper than the deposit cost that you're paying at the moment. So obviously, you've ramped that up over the last six or 12 months. But £1.5bn, could that go appreciably higher than that?

And then the second question is on capital. Foundation IRB on the mortgage book, what sort of time frame do you think we should be thinking about for that? Is it likely to be a speedier process than the more advanced IRB type approvals? I don't know if you can give us a sense of how big that might be. And are your ROTE plans further out to 2029 predicated in any way on getting those IRB approvals on mortgages? Okay.

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Andy Golding, Group CEO

Do you want to take the first two and then I'll talk about IRB?

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Victoria Hyde, Group CFO

Yeah. So I guess on deposits, Jonathan, I know you asked that question at the interims. I guess we are looking at those disclosures, but it's not something at the minute that we are releasing in terms of the stock levels.

In terms of our appetite for ILTR, as you say, yes, it is - we do see it as within our tools for funding. And yes, we did choose to use more of that in Q4. I guess we see it as more an ability to manage peaks and troughs. So you know we certainly do look at using that. As you say, £1.5bn, we have multibillions of collateral with the Bank of England, so we have those options. So we will continue to use it.

But you know as we look forward, it's not so much, I think, just holding a static number. It's going to be - as we saw in December, suddenly you have a late base rate reduction. You have the budget. We would say, look, we'll just take some and that's what will see us over the six months as we manage through peaks and troughs.

So yes, it's definitely something that we see in our sort of armoury of funding that we will use going forwards. I wouldn't comment on how comfortable or how many billions will we get because it's one of those live conversations we just manage as the peaks and troughs go through.

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Andy Golding, Group CEO

Yeah, that's a really good point. I kind of view the repo scheme as a bit of a smoothing tool more than a kind of massive part of the funding that you do. So when retail is a bit more expensive than you want it to be, you'll make use of it. And when retail comes in at a better price, you'll use less of it.

But clearly, we have encumbrance limits around how many assets we want to pledge with the bank of England as well. And no, we don't print the stock number, but our retention pricing is less than front-end acquisition pricing. So it gives you some sense about how the book might be positioned.

On the foundation IRB, interestingly, I was actually having a conversation with a regulator about that very topic on Monday afternoon. And they still haven't given the industry absolute clarity around size of the prize versus the effort equation. And that's the one that my CRO and team

really want to get into with the regulator. Because we have been running the organisation as an IRB firm for some years now. So you know we run all the models that you would have to do for that, and we govern the organisation in that way. We need to really understand the size of the prize for foundation IRB versus full-blown IRB to determine which of the two routes we want to go down.

I think it's fair to bet we want to go down one of them. But we do need that clarity from the regulator before we make the decision. And then the Board will review the whys, wherefores, effort and reward. And that will drive us down a particular route.

And there's also that conversation with the regulator, which again, I started with them or had with them on Monday, which is, look, if we go down the route of foundation, do you see that as a genuine kind of door opener into then a full-blown application once you've got resources to take us through that? And that's another question we need answered before we commit one way or the other.

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Jonathan Pierce, Jefferies

But you haven't struck any of the plans on that assumption?

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Victoria Hyde, Group CFO

No.

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Andy Golding, Group CEO

No, none of our assumptions are based on being IRB - they're all based on being standardised under Basel 3.1.

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Jonathan Pierce, Jefferies

Okay, thank you.

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Andy Golding, Group CEO

Any more in the room or shall we open up to any questions on the phone? Operator, do we have questions coming in on the phone?

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Telephone Operator

We currently have no questions on the phone. Oh, sorry, we do have one question come through. Our first question comes from Edward Firth from KBW.

The line is open, Edward. Please go ahead.

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Edward Firth, KBW

Thanks so much. Can you hear me okay?

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Andy Golding, Group CEO

We can, thanks, Ed.

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Edward Firth, KBW

Great. Yeah, I just have two questions. You mentioned the plan was struck on an average funding cost, a deposit cost of SONIA plus 30. Could you tell us roughly what it's running at now? That would be the first question.

And then the second question was, I think in the past, last year, you were talking about front book margins at around 240 basis points, or you were writing business at 240 basis points. Could you tell me roughly what that is now. Thanks so much. Just those two questions.

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Andy Golding, Group CEO

Thanks, Ed. Let me talk about front book margin briefly. We always said that front book margin blended across the kind of originations that we're writing is actually somewhere between 240 and 280. And that continues to be the case. Some months it's at the upper end of that, depending on the mix of business that completes in the month, and some months it's at the lower end, but very much in that 240 to 280 territory. And so hopefully that gives you some comfort on that.

Do you want to talk about the SONIA plus 30?

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Victoria Hyde, Group CFO

Yeah, I mean, the market, you know as we showed in the chart, I would say it's a good sort of 10 plus basis points above that at the minute. If you do look at the spread though, what we are actively managing fixed rate bonds are more expensive than the easy access. So it is a bit of a blend around balancing fixed versus easy access, retention versus front book.

But I think sometimes if you look at the best buy, we're not pricing right at the top of best buy and our blend is, I would say it's a good 10 to 15 above that presently.

And I suppose just on the lending, I guess we do write obviously in our lending, you have the multi years - we do make funding assumptions in that. So naturally we're very comfortable with the sustainable sort of front book margins. And then it is how funding flows throughout the year that would have that impact on NIM.

Edward Firth, KBW

Great. Thanks so much.

Andy Golding, Group CEO

Thanks, Ed. Any further questions, operator on the phones?

Telephone Operator

We currently have no further questions on the line.

Andy Golding, Group CEO

Okay. Well, on that basis, I'm delighted that we appear to have bored people into not being able to ask questions. And boring is good, right? Because it means we, to steal a line from my learned colleague here, did exactly what we said on the tin, which was the plan. So yeah, we're on track. We've had a decent year. We'll work hard at having another one.

Thank you very much for your questions and thank you for your attendance.

END

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