



OSB GROUP PLC

2025 Interim results presentation transcript

(amended in places to improve accuracy and readability)

20 August 2025

Andy Golding, Group CEO

Good morning and thank you for joining OSB Group's 2025 Interim Results presentation.

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

Starting with a high-level view of the business and, in summary, we're on track. We set out our strategy to remain the number one specialist lender at our investor update in March and also provided short and medium-term targets. I'm very pleased with our delivery in the first half, which is in line with our expectations.

As you can see on the right-hand side, we are on track against all of our targets for 2025, building well towards our medium-term plan. This slide highlights our three familiar themes that demonstrate progress against our strategy and reflect our current transitional phase.

Firstly, we set out in March our optimised lending growth plan and we have delivered on this in the first half. Net loan growth of 1.2% in the first half reflects our discipline in maintaining attractive ROEs of new lending as we face continued competition in certain product sets from high street lenders.

Our medium-term portfolio optimisation strategy is reflected in the small 1% reduction in Buy-to-Let as a proportion of the loan book at the first half towards our target of less than 60%.

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

Our lending discipline is reflected in the low loan loss ratio benefiting from the depth of underwriting experience that we bring to all loans we make.

Secondly, we maintain cost discipline and efficiency while also creating capacity for investment. Our culture of challenging costs has contained core cost growth to only 0.4%.

The elevated cost income and ManEx ratios are in line with our expectations. 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 ROTE and capital returns to shareholders continues to be our primary objective. The £192m of profit before tax translates into a RoTE of 13.7% and a TNAV per share of 540 pence. Our commitment to rewarding shareholders is underlined by the 5% increase in interim dividend and the good progress made on the 2025 buyback scheme.

Overall, I'm pleased with our progress in the first half and I'm confident we're on track to meet our targets in the first year of our two-year transition plan.

We presented our investor update in March and let me remind you of the plan that I believe will reinforce and build our position as the number one specialist lender.

Through the planning horizon, we will 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 and accelerated by a significant tech transformation, now well into its third year, that takes us ahead of the pack 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 high 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 number one specialist lender, delivering improved NIM, positive cost jaws and superior risk-adjusted returns and driving shareholder value.

We made good progress in the first half against our strategy, and our transformation programme is on track.

In Savings, we've continued to launch more products on the new platform, most recently Instant Access. We're very pleased with the favourable response received from deposit customers and anticipate that this will continue as we progress

towards offering a complete product set under the Kent Reliance brand and commence the migration of existing KR accounts onto the new platform.

On the Lending side, we've soft launched our new platform, starting with Buy-to-Let mortgages to a select number of intermediaries. This initial phase has been well received, with brokers appreciating the enhanced functionality and streamlined processes on the new platform. As we move into the second half, we will continue the gradual rollout of the platform whilst taking on board broker feedback to enhance the system further.

As a first step in simplifying our mortgage offering, we have launched the Rely brand for Buy-to-Let. We've effectively created a Buy-to-Let powerhouse drawing on the same expertise and experience that our broker partners will already be familiar with, and I'm pleased that we've already received some very encouraging feedback.

Looking forward, we will focus on specialist residential lending and bridging finance under the Precise brand and, finally, commercial under the InterBay brand. I'm excited by the launch of Rely and the brand simplification strategy which, combined with our new lending platform, will make life easier for brokers, removing friction from processes and allowing our Business Development teams to focus on adding value for our customers.

Next, I'll turn to the broader markets and the key trends we've seen during the first half.

Beginning with interest rates, we're pleased to see the bank base rate reduce in the first half, including the most recent cut earlier this month. Lower rates should stimulate demand for borrowing across our lending segments and, whilst we have seen some volume growth in the first half, we expect that further reductions in rates from here will encourage more buyers into the market.

Volumes across the Buy-to-Let market have gradually recovered over the first half as the fundamental indicators for professional landlords continue to show improvement, including a 7% increase in rents recorded in the 12 months to June.

The bridging finance market has seen strong growth with application volumes up 55% at the start of the year and, whilst I'm sure that some of this growth was due to the ending of the stamp duty holiday in March, we're pleased with the continued strong appetite for bridging products we've seen in the second quarter.

Commercial property has also performed well, delivering average returns across the market of 4.2% in the first half, underpinned by a balance of capital appreciation and growth in rental returns.

Finally, on the right-hand side, I presented this chart last August to illustrate the level of competition we're experiencing in the Buy-to-Let market, and the picture today is somewhat similar. We've continued to see elevated levels of competition in some of the more commoditised products in the market, particularly from current account-funded high street competitors.

However, as you can see across our three brands, we've continued to exercise pricing discipline, playing to our strengths of lending to professional landlords whose complex needs simply cannot be met by the high street.

Continuing the theme of lending discipline, the chart on this slide will be familiar to you from John Hall's presentation at our investor update. He described this as the 'graphic equaliser' as it demonstrates how we actively balance the growth and composition of our lending book. We are very disciplined in how we choose to grow, deploying our expertise across all of the lending products, balancing returns and opportunity to optimise the composition of our book. As you can see here, we've delivered exactly as we said we would within our risk appetite and adjusting the mix to optimise returns across the portfolio, pursuing growth in a more focused way.

Working down the chart, Buy-to-Let is a significant part of our business, with professional landlords remaining a key focus. Specialist residential is an area of growth for us but only with the appropriate level of return. Momentum began to build in Q2 following the launch of new products and criteria adjustments, and I'm pleased that these changes have translated into a strong pipeline as we move into the second half of the year.

Our focus on Commercial is continuing to drive growth and originations, and we've achieved strong growth in asset finance, strengthened by our broader intermediary relationships that support customers to finance business critical assets.

Bridging finance has also expanded significantly, representing 16% of originations in the first half – an increase from 12% last year.

And Development finance, whilst only 1% of the book, delivered 5% of our originations in the first half due to the continued benefit of our extensive client relationships.

Taken together, I am pleased with our execution of the optimal growth plan we set out in March. It's considered, disciplined approach to growth is well embedded within the bank and I look forward to providing further updates as we continue to deliver against the plan.

Before handing over to Victoria, I want to summarise the key strengths of our business. We are the number one independent specialist lender operating in the UK secured finance arena. Our plans will ensure we maintain this position while producing the right returns. We operate a targeted secured lending strategy as an experienced and diversified lender with deep expertise and experience across a range of attractive segments.

We offer a leading one-stop shop for our intermediaries to meet their needs and their customers' needs, whether these are straightforward or more complex.

We operate two well-established retail savings platforms with a growing customer base and high levels of customer retention. This funding base has successfully enabled our growth over the years and will continue to do so.

Finally, as you can see, we have won a number of industry awards this year for our achievements across our highly rated lending and savings propositions. With that I'll hand over to Victoria for further insight into the finances.

Victoria Hyde, Chief Financial Officer

Thank you, Andy, and good morning everyone. Before we go into the detail, I wanted to start by saying that I'm pleased with these resilient financial results that are in line with our expectations, and we are on track for our 2025 guidance.

So, please note this is the first time we are reporting our results on a statutory basis only as the final acquisition adjustments rolled off in December 2024.

Turning first to the P&L, I will be talking to H2 2024 on this slide as the prior period as this was the starting point of our plan. Let me call out a few key items.

Net interest income was £337m for the first half, up 8% versus H2 2024, however excluding the final roll-off of acquisition adjustments recorded in the prior period, the increase would be 3%. I will provide more colour on the NIM dynamics on the next slide.

The fair value loss on hedging activities was £14.3m compared to a loss of £7.4m in the prior period. The key driver behind the loss continued to be fair value movements on our pipeline mortgage swaps.

Administrative expenses were broadly flat and an impairment charge of £2m was recognised this half year compared to an impairment credit of £7m in the prior period. I will cover both of these in more detail later on.

Finally, profit before tax for the first six months of the year was £192.3m, up 9% on prior period, and basic EPS was 37.3 pence per share, up 13%, both in line with our expectations.

Looking at NIM period on period, note that H1 2024 is, on an underlying basis, stripping out the acquisition adjustments as this makes it a more meaningful comparator to H1 2025, which is on a statutory basis. NIM reduced from 243 basis points in the first half of 2024 to 230 basis points this half year.

Higher cost of funds caused downward pressure period on period as our savings book continued to recycle onto more costly spreads versus SONIA compared to those in the same period last year. An improvement in lending spreads partially mitigated this as the back book dynamics rolled through and we started to see emerging benefits from higher yielding subsegments.

We have also shown the H2 2024 reported NIM as a comparison. Excluding the acquisition adjustments, NIM was 216 basis points and, as we noted in the investor update in March, this was 225 basis points excluding the EIR adjustment taken at the end of 2024.

Relative to H2 2024, NIM in the first half of 2025 showed similar dynamics, with improvement in lending margins mitigating increased cost of funding.

For 2025, our net interest margin guidance remains unchanged at circa 225 basis points even though, as I have just said, we have seen some pressure on the funding side we're also seeing better than expected lending spreads.

This slide provides an overview of our strong funding franchise. The overall makeup of the Group's funding remained broadly unchanged. As at 30th June, 88% of our total funding came from retail deposits that we raised under our two savings brands, Kent Reliance and Charter Savings Bank. Retail deposits grew by 3% in the first six months of the year, reaching over £24.5bn.

We continue to optimise our funding mix and the proportion of our fixed rate bonds versus easy access accounts has reduced compared to year end. The Bank of England's TFSME drawings continue to reduce, with a £730m repayment in the first half and a further £300m since then. We are comfortably on schedule to repay the final outstanding TFSME funding before the October deadline.

The remainder of our funding comes from debt and wholesale issuances, providing diversification and duration to our funding requirements.

The chart provides more context on the deposit market we're 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, this year, that the average market spreads have moved above SONIA, including on Easy Access products. It has taken longer for the rate cuts to be reflected in the retail savings pricing, and the market has been competitive, especially during the recent ISA season. This dynamic has been more pronounced in the second quarter of 2025 with cost of funding above our original expectations. We continue to closely monitor and actively manage our deposit book.

Finally, I am pleased that, in July, we received a Domestic Liquidity Sub-Group permission, or DoLSub, from our regulator. This allows us, for the first time, to fully optimise our liquidity and funding at a Group level, with all of our savings' brands being able to support Group-wide lending.

Moving on to costs, a key part of our plan is that we tightly manage our cost base to allow us to invest in our transformation. H1 2025 demonstrates that we are doing this. This, and the following page, highlight our cost discipline and transformation spent.

Administrative expenses were in line with expectations, at £131.4m, up 4% compared to H1 2024. There was a minimal increase in the core UK and India administrative expenses of only 0.4% compared to prior period. The main driver of the growth was the cost of the transformation programme, with a £4m increase compared to H1 2024.

On the next slide we provide more detail on our spend to date. The cost-to-income ratio increased to 40.3% from 34.8% in the prior period, and the management expense ratio also increased to 88 basis points from 83 basis points, both in line with expectations.

Looking forward, for H2 2025, we will maintain strong cost discipline and continue to expect around £270m of administrative expenses. Core costs are expected to increase below the rate of inflation while the investment in the transformation programme will continue to increase in line with our projected rollout profile.

Andy outlined earlier key milestones that we have achieved in our transformation programme since we presented it to you in March. On this slide, we have summarised our spend in the last year and a half for your reference. There is no change to the expected spend on the programme until it completes in 2027.

This slide presents our progress against the lending diversification strategy combined with a disciplined approach to risk that we announced in March. As Andy mentioned earlier, we saw strong origination growth in the higher yielding sub-segments where we have existing expertise across Commercial, Asset Finance, Residential Development and Bridging. We continue to focus on the blended risk adjusted returns and the loan book mix optimisation. As a result, even though Buy-to-Let remains the largest part of our lending book, it reduced to 69% of the total gross loan book as at 30th June 2025 from the 70% at the end of 2024.

You can see a refresher of our gross yields per segment, which remained aligned with those presented in the investor update in March. For 2025, we continue to expect net loan book growth of low single digits.

This slide provides a waterfall of the movement in the impairment provision in the first half as well as the credit quality metrics of our secured loan book. As you can see, there was a small net overall release of balance sheet ECL as macroeconomic scenarios, valuation methodology alignments, model enhancements and PMA updates were broadly offset

by increases in provisions for accounts with arrears of three months or more and individually assessed provisions. Overall, the P&L charge totalled £2m, which represented a loan loss ratio of two basis points compared to a credit of four basis points in the prior period.

You can see that our balance sheet total coverage ratio has remained broadly flat at 49 basis points at the end of June compared with 50 basis points at the end of 2024, and our provision balance continues to be 10 times higher than the average yearly write-offs in the last five years.

Moving on to arrears, the first six months of 2025 three month plus arrears increased slightly to 1.8% from 1.7% at the end of 2024. The reason for the uptick continued to be the higher cost of borrowing that our customers experience when refinancing onto current prevailing rates, and it was more evident for a small group of customers in our OSB Buy-to-Let segment.

We remain comfortable with our risk profile and our impairment provisions. We show here that, if we were to move our IFRS 9 weighting 100% to our downside scenario, our ECLs would only increase by £39m.

Next, capital – this half demonstrated another period of strong capital generation. The Group's CET1 ratio remained robust at 15.7% at the end of June. Our profitability in the period increased the ratio by 1.2% and supported growth in the net loan book and the declared interim ordinary dividend. Before the effects of the £100m share repurchase programme announced in March, the CET1 would have been 16.5% and the share repurchase had a 0.8% impact on the ratio.

The Group's RWAs increased largely as a result of net loan book growth and the change in loan book mix as we continue to diversify into higher yielding sub-segments that utilise more RWAs.

If Basel 3.1 rules were applied to the 30th of June balance sheet, the impact on our 15.7% CET1 ratio would be a reduction of 1.3%. The difference is largely attributable to the change in the Group's loan book mix.

We are seeking clarification from the Bank of England in respect of the recently announced changes to the MREL regime and its implications for the Group's requirements. We are looking to better understand our position by the year end. In the meantime, the Group will continue with its current capital and funding plans which are reflected in our financial guidance and aspirations announced in March 2025.

Just to finish on capital, we have included a TNAV walk in the appendix. I will now pass back to Andy.

Andy Golding, Chief Executive Officer

Thank you, Victoria. So, in summary, today we have presented a resilient financial performance for the first half of the year combined with good strategic progress.

Our headroom to grow has been demonstrated by our 1.2% net loan book growth, and we have continued to shift the portfolio to optimise returns.

There's been solid capital generation in the first half, with attractive shareholder returns as we increased our interim dividend per share by 5%. And we have confidence in achieving our near and medium term guidance.

And finally, to reiterate, at the first half 2025 we are on track to deliver our 2025 targets of low-single-digit loan book growth, a net interest margin of circa 2.25% with administrative expenses of around £270m, delivering a low-teens RoTE.

With that, we'll now turn over to questions.

Questions and Answers

Grace Dargan, Barclays

Morning, thanks both for taking my questions. The first one I'd like to ask is on RWAs, because, obviously, the increase in the risk weight density was quite meaningful this period. Should we be extrapolating that and expect a similar pace going forward, ex disposal impacts, or are there other offsets we should be thinking about? And maybe, linked to that, are you thinking about potential RWA optimisation activities?

And then the second one on IRB, I appreciate the timing is very tricky, but how are you thinking about the potential benefits on the current balance sheet mix? Thank you.

Andy Golding, Chief Executive Officer

Thank you, Grace. Victoria, are you happy to touch on those two?

Victoria Hyde, Chief Financial Officer

Yes, thanks, Grace. So, the RWA, yes, as you've seen, we have had growth in the first half. We had better loan growth than we expected. And yes, some of that density increased as we managed that graphic equaliser of the higher returning loans utilising a little bit more capital.

You know, as we explained, we are managing that mix of lending to optimise our returns.

As we go through Basel, with that uptick, the risk weightings do move around a bit, so we may well see some of that RWA density increase, but it will very much depend on the optimised loan returns at the point in time. But yes, I mean, it's not outside our expectations, and obviously in our planning, as we manage that mix, it may well move about.

Andy Golding, Chief Executive Officer

The second point, Grace, I think was on IRB. I mean, everything we do, from a planning perspective, right now, is assuming, you know, the kind of Basel 3.1 standard approach, and that's how we are thinking about it.

We still continue to run the Bank with the level of risk management, sophistication and modelling that we would as an IRB firm, and we continue to seek to engage with our regulator on IRB, but until we actually get some clarity on the duration of that journey, it's very difficult to start adding potential benefits of IRB, and I use the word 'potential' carefully, very difficult to start adding those into the mix from a forecasting perspective. I don't think we can really say more than that at this point.

Edward Firth, KBW

Morning, everybody. Thanks for taking my questions. Yeah, I suppose my question was really about the margin because it seems we've turned a corner in the first half, and really quite a big corner, particularly if you take out the EIR adjustment, it was more like 235. But then, if I look at your guidance, you seem to be implying that we're going to be going backwards again in the second half. And so I'm just trying to work out where you feel we are in terms of the margin. Have we ripped past some sort of floor, and your guidance is just a reiteration of a target which has, understandably, got some conservatism in it? Or are you telling us that, actually, this has just been a sort of one off in the first half and actually we're still waiting to see a proper turn? So, that would be my first question.

And then the second question is partly related to IRB. I noticed the Bank of England put out a consultation a couple of weeks ago talking about some sort of simplified IRB, which might allow challengers to compete in the vanilla mortgage market and accepting that the playing field has been so heavily weighted towards incumbents that it's not really been very fair. So, I just wondered, have you had a look at that? Are you thinking about that? Have you had any talks with the Bank of England about that? Is that something that might attract you rather than going through the whole IRB process? Thanks so much.

Andy Golding, Chief Executive Officer

Thanks, Ed. Morning. Thanks for your questions. If I pick off the simplified IRB one, yes, we've digested the documentation from the regulator. We're in the sort of, UK finance working groups on that. I mean, clearly, if there is a more straightforward route, and if we were able to qualify for a more straightforward route, we would absolutely want to be front and centre of those discussions, but we will put together a well-considered response to the consultation and, hopefully, influence the future thinking of the regulator but, yeah, good spot. It's definitely one that's on our radar of interest without doubt. Victoria, do you want to touch on the margin points?

Victoria Hyde, Chief Financial Officer

Yeah, so on the margin, thanks, Ed. In H1, lending margins did outperform our expectations. The back book has been more resilient, but, as I said, we have seen some cost of funding pressures, and we are expecting those to last for a few more months as we approach the TFSME deadline.

In terms of our guidance, I think the key word here is the 'circa' 225, meaning that we expect some variation around this point. The reasons for that, when we look on a full-year basis, £5m of income is almost two basis points of NIM. We've got an asset and liability book of £25bn each. So, NIM may well move around within a range.

And as we went through, throughout our transition period, part of the reason we have said circa 225 this year and similar themes in 2026, is there are different back book dynamics rolling through with both the high and the low margin portfolios

that we talked about, the mix shift as we move and we'll optimise opportunities in the market across the different tenors and products.

So, for all of that, we're saying, as we stand today, we are happy with 'circa' 225. We feel that tweaking it a few basis points, with all those moving parts, is a false level of precision at this point in the year. So, that's why we're, sort of, happy with circa 225 as we look forward. And naturally, as the year evolves and we come closer to Q3, we will update you.

Andy Golding, Chief Executive Officer

I think I would just add that, a lot of people sort of perceive that the back book NIM is a locked in static thing and, actually, the back book is a big animal and month on month it has different behaviours, different redemption profiles, etc.

We've done a pretty good job in H1 of compensating for a slightly elevated cost of funds with decent yields on the asset side of the equation through the changes in book mix. We have pretty good sight of the wash through of the back book that we talked about back in March when we set out our two year transition plan, and I think that's why we are saying that the guidance is unchanged from that 225 position, because there are lumps and bumps that run through the back book on the journey. So, I just wanted to add that as well, Ed.

Corrine Cunningham, Autonomous

Morning, everyone. A couple of questions on MREL, please. Do you think there's any reason why you would not be able to qualify as a transfer bank once the new rules come into play? And then, if you did end up qualifying as a transfer bank, how would you expect to manage that transition in terms of the outstanding senior debt that you have? Thank you.

Andy Golding, Chief Executive Officer

Thank you. I knew that question was going to come, and I have to absolutely play a straight bat on this one. Clearly, as you would expect, yes, we are in dialogue with the Bank of England and the PRA around the publication and the potential for an impact on OSB, but we don't have responses on that yet, and therefore it would be inappropriate for us to speculate around what that could, should or might mean. As soon as we've got some clarity on it, clearly, we will seek to update the market, but there isn't anything further we can say on that at this stage.

Corrine Cunningham, Autonomous

Thank you. Can I just add in terms of when would you expect to hear? What sort of timing we're looking at?

Andy Golding, Chief Executive Officer

Well, we know that there is a commitment for something by the end of the year with the Bank of England, which is about our resolution strategy, full stop. We would hope to have heard before the end of this year and be able to clarify one way or another to the market at that point.

Jonathan Pierce, Jefferies

Good morning, both. Two questions, actually. The first is on the deposit margin. Can I maybe encourage you moving forward to actually disclose that number, like Paragon does, because it's obviously an important driver of the Group margin but, ahead of that, could you confirm, I think we can use page 50 to roughly work out that the deposit margin in the first half was about 20 basis points positive, so it's contributing. Is that broadly the right number? And where do you see that going? Because obviously your chart in the presentation suggests that most products are now being written flat, if not slightly above SONIA.

The second question is, sorry, it's on MREL again. Obviously, we'll wait to see what options you might have there, but how are you thinking about those options were they to become available to you? I'm thinking here in particular regard to tendering early versus buybacks. How would you think about that? But then also liquidity position, because your LCR's dropped 40 percentage points in the first half. How would you actually replace that funding if you did get rid of the MREL? Would you just use ILTR more significantly? So, how are you thinking about that? That would be helpful please.

Andy Golding, Chief Executive Officer

Yeah, sure. I'll touch on the MREL point, I don't want to be overly drawn on it because it is something that clearly we need to work through with our regulators, but, I mean, clearly, you would go through a process, over time, of retiring existing instruments if you no longer needed them, and there aren't huge cliffs that would be complicated for us to fund in other ways, either through wholesale, as you've highlighted, and that's a mix of securitisation and index long term repo, or through the general use of the retail funding in that way. But the liquidity aspect of it would be the least concerning aspect from our perspective.

You know, we manage our LCRs cautiously and carefully. We are a highly liquid organisation, we're predominantly retail funded, and we have access to various Bank of England schemes and have done a pretty cracking job of paying down the majority of our TFSME on the way through using those various funding sources. So, that part of it, we're not concerned about. Victoria, do you want to touch on the margin piece?

Victoria Hyde, Chief Financial Officer

Yes. So, you know, on the deposit margin, Jonathan, as you say, we have seen, when we look at last year, we were raising about SONIA flat, so we are seeing that recycling through to slightly higher spreads.

You know, we will take a look at the disclosures, we're always thinking about how we can evolve those. So, we will take that point on board.

Q1 was in line with our expectations, all was running to plan, and then, in Q2, we did see that inflation. I guess the book was recycling anyway, year on year to a slightly more expensive blended cost of liabilities. We assume that that will, as you say, on the chart we have shown that currently most of the spreads are above SONIA. We are assuming, for H2, that that will continue.

In terms of where that peaks, there is that recycling. As we said in March, our transformation, areas like the DoLSub, where we can more efficiently optimise our funding opportunities, looking at the product mix and the faster repricing. So, over time, we do expect that to stabilise and then, obviously, market factors will always be there, but transformation benefits and our evolution will help us bring down that cost of funding over time.

So, for the minute, as we said, loan spreads are more than mitigating that increased cost of funding, and then we see it, you know, stabilising and then the transformation should help optimise and bring it back down again.

Jonathan Pierce, Jefferies

Okay, that's helpful. Thank you. But can I just press you on what the margin on the stock is at the moment, I mean, rather than the flow? So, page 50 tells us you're paying £517m on the retail deposits and a small expense on swaps against the term book, but it looks like the all-in blended cost is about 4.3, and that is below where SONIA was in the first half of the year on average. So, is the stock at the moment generating you a 20 basis points positive margin? And is that significantly falling in the second half that's taking the Group margin down?

Victoria Hyde, Chief Financial Officer

I guess that's something we've not ever disclosed before, Jonathan. So, I mean, I don't think I'm going to say anything more on that. We can work with you offline, but yeah, that's not something that we've disclosed.

Jonathan Pierce, Jefferies

Understood. It'd be good to get that disclosure, if we can, moving forward. That would be helpful.

Victoria Hyde, Chief Financial Officer

Thank you. We will take that point on board and look at that.

Benjamin Toms, RBC

Morning, both. Thank you for taking my questions. The first one's on Basel where your impact has increased by 30 basis points versus the full year. I'm just interested in your expectations and how that number might move from here given that you expect further balance sheet growth and further mix shift. Is your expectation that resi growth coming through will provide an offset to further growth in this impact as we move towards 2027?

And then secondly, your intangible assets grew 19% in the half. Should we expect a similar pace of growth from here? I'm just thinking about how this might impact capital from here as you switch cash for intangibles. Thank you.

Victoria Hyde, Chief Financial Officer

Thanks, Ben. As you say, the Basel impact, we've calculated it as at the balance sheet today, and that has been the driver, the slight mix shift. Looking forward, we will, every six months, re-evaluate that. The impact at the point of transition will very much depend on our mix at that point of time. It is something that we take account of when we're looking at pricing, when we're looking at planning, but managing that graphic equaliser, as you say, we are looking at growth in residential, and that has a lower risk weight under Basel.

We know Buy-to-Let, again, will vary based on the LTV band. So, it's very hard to say as we stand now, and hence why we've always declared this as at the current balance sheet, which is a firmer number of what we expect currently. But, as you say, there are ups and downs in this, so I would stick to the 1.3%, as we've said now, as a go forward guide, and then we will update at our reporting periods. I think that's the best way to take it from here.

On the intangible, yes, as you say, I think that is, you know, some of the consensus difference we have is, you know, the finer points in the CET1 around the intangible assets. So, I think, in March, we did sort of give more of a guide as to how we expected the spend to go. So, we probably will see some continued uptick in that intangible asset as we go on, but I would say, part of our cost in H2 will be higher because we are starting to amortise that now that lending has gone live.

So, yes, there will be some continued growth as we invest, but it will also start to be amortised through. So, yes, I think a continued increase and then we will update. You should see the peak, you know, in the future, and then it will start to come down again.

Andy Golding, Chief Executive Officer

I think in the Investor Outlook, there's a pretty clear chart on how the capital and amortisation profile of the transformation spend plays out. So, we'd reference you back to that one as well.

Victoria Hyde, Chief Financial Officer

Yes.

Andy Golding, Chief Executive Officer

Okay, thank you. Well, on that basis, I will thank everyone for listening and attending and look forward to catching up with a number of you in due course. Thank you very much.

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