

SECURE TRUST BANK PLC

2017 YEAR END RESULTS

22 MARCH 2018



Straightforward transparent banking



SECTION **1**

**INTRODUCTION
& BUSINESS REVIEW**

PAUL LYNAM | CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

Well positioned to accelerate future growth

- The benefits of strategic repositioning will become increasingly apparent through 2018 and beyond
- Future lending growth expectations are high as STB entered 2018 with the largest ever pipeline of new business opportunities in all continuing operations

Increased returns and growth

- Total statutory PBT for continuing operations **up 28.9%** to **£25.0m**
- Total statutory PBT **up 6.5%** to **£29.3m**
- Total underlying PBT of **£27.0m*** (2016: **£27.3m**)
- Underlying return on required equity at **13.5%****
- Proposed final dividend of **61p**
- Total 2017 dividend of **79p**
- Common Equity Tier 1 ratio of **16.5%**

Continued delivery of strategy

- Loan book (excl. ELG and PLD) up **27.3%** to **£1.6bn**
- Book remains diversified with SME business at **51.6%** of lending assets
- Customer numbers (excl. ELG and PLD) of **989,528**, an increase of **33.2%**
- High levels of customer and employee satisfaction

Strategic repositioning to grow profitability

Moving from:

- Repositioning of the Bank's balance sheet away from higher risk consumer unsecured and sub-prime motor lending
- Sale of Personal Lending Division (PLD) completed in December 2017

Accelerating profitable growth through:

- New customer Deposits platform launched Q4 2017 expected to broaden funding and customer options at lower overall funding rates
- Consumer Mortgage product gaining momentum
- Capital and liquidity ratios remain in excess of regulatory requirements
- New Motor Finance MD and FD appointed to drive growth in prime and near-prime motor business
- Investment in new Motor Finance platform to support revised Motor Finance lending strategy underway

*Results exclude Everyday Loans Group (ELG) and Personal Lending Division (PLD). Refer to Slide 11 for further information.

**Required equity is calculated as 12% of average total risk exposure (TRE).

2017 DEVELOPMENTS

A year of strategic repositioning

Managed migration of balance sheet to lower risk lending complete

- Motor lending migrating towards lower yield, lower risk prime lending with a reducing exposure to sub-prime lending
- Decision to not engage in parts of SME markets exhibiting signs of overheating
- Sale of PLD – Following the sale of the unsecured personal loan portfolio, PLD in December, the Group has no exposure to sub-prime unsecured personal lending

Deposits platform – Investment complete

- Provides a wider range of retail funding options including ISAs and easy access accounts
- Flexibility will deliver access to a wider range of funds at lower rates
- Focus on enhancing customer proposition and operational efficiencies through full online self-servicing

Investment in business growth and leadership

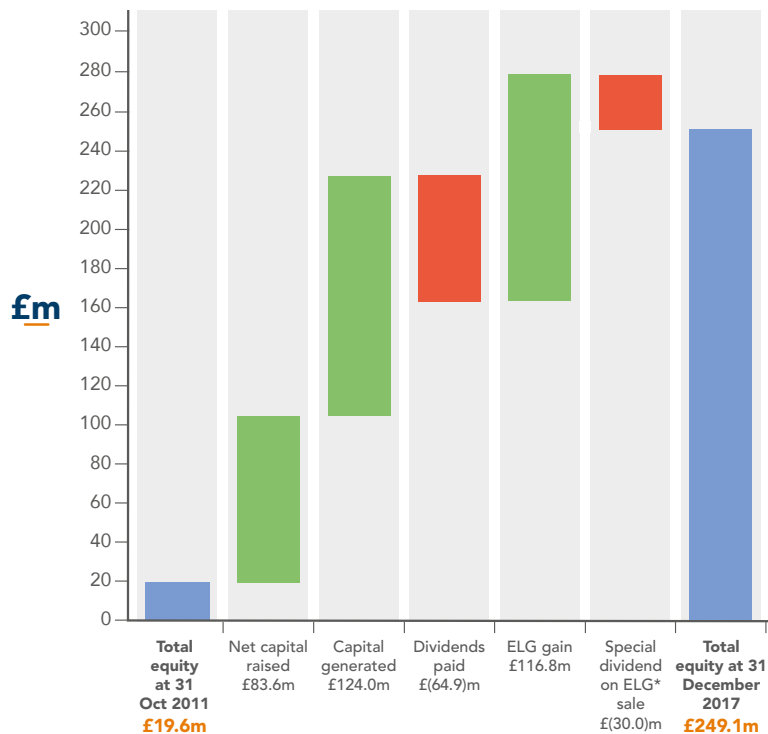
- Significant investment in new leadership in the Motor Finance business with a new MD and FD appointed and in place
- 2018-20 plan includes plan to deliver, prime and near-prime products and services in the Motor lending market through a new Motor Finance lending platform
- Continued focus on growth in the Real Estate Finance business which has significant scope due to the continuing shortage of new housing stock in the UK
- Consumer Mortgage platform to deliver enhanced new products to a wider customer base as well as providing the capability to fund partner front book originations

IFRS 9 impact

- IFRS 9 successfully implemented in 2017
- This standard changes the timing of provision recognition rather than the overall levels of impairment losses, resulting in a one-off impact to reserves in the range £22m – £27m
- This impact is offset by transitional relief for capital purposes which allows 95% to be added back in 2018

STRATEGY

Very significant shareholder value created since 2011 IPO



- **£240.8m** capital generated since IPO
- Consistently strong dividend payment pattern
- Capital remains strong with Common Equity Tier 1 ratio of **16.5%**
- Leverage ratio of **12.3%** well above the PRA minimum
- Equity per share at IPO **£1.66**
- Equity per share at FY 2017 of **£13.10 (689%** increase on equity per share at IPO) after **£5.21** was paid to shareholders by way of dividends

*ELG: Everyday Loans Group.

STRATEGY

Growth and diversification

- Continue to grow our business responsibly with new products where appropriate
- Use M&A to accelerate growth in portfolios that are less mature or repositioning in their market, with potential opportunities in the Asset Finance and Commercial Finance markets

Investment

- Investing in new platforms to provide future expected customer service
- Realising benefits of previous investments such as new Deposits platform, Commercial Finance platform and Consumer Mortgages platform

Leadership

- Continue to refresh expertise in our core businesses including recruiting highly experienced leaders with a history of strong business performance

CONTINUED GROWTH IN DIVERSE LOAN BOOK

	Business Finance 51.6% of loan book (FY 2016 50.3%)			Consumer Finance 45.5% of loan book (FY 2016 44.8%)		Consumer Mortgage Lending Initiated H1 2017 1.0% of loan book
	Real Estate Finance	Asset Finance	Commercial Finance	Retail Finance	Motor Finance	Consumer Mortgages
STB product offering	Residential and commercial investment and development lending	Hire purchase and finance leases	Invoice discounting and debt factoring	Prime credit portfolio customers across a range of retail sectors including cycle, leisure and furniture	Prime and non-prime lending in the used car market	Owner occupied mortgages for customers currently underserved by the market
% change	28.8%	-0.4%	101.4%	38.8%	16.3%	–
Loan book FY 2017 £m	580.8	116.7	126.5	452.3	274.6	16.5
Loan book FY 2016 £m	451.0	117.2	62.8	325.9	236.2	–
Consensus 2019*	1,000.0	71.0	268.0	691.0	369.0	371.0
Net revenue margin FY 2017	3.9%	4.9%	6.5%	10.9%	15.2%	1.6%
Net revenue margin FY 2016	4.9%	7.0%	7.7%	11.0%	16.4%	–
M&A appetite	Medium	High	Medium	Limited Opportunities	Medium	High

*Consensus formed from forecasts by Edison, Canaccord, KBW, Peel Hunt, Macquarie and Shore Capital for the year ending 31 December 2019.



SECTION **2**

FINANCIAL REVIEW

NEERAJ KAPUR | CHIEF FINANCIAL OFFICER

SUSTAINABLE POSITIVE PROGRESS

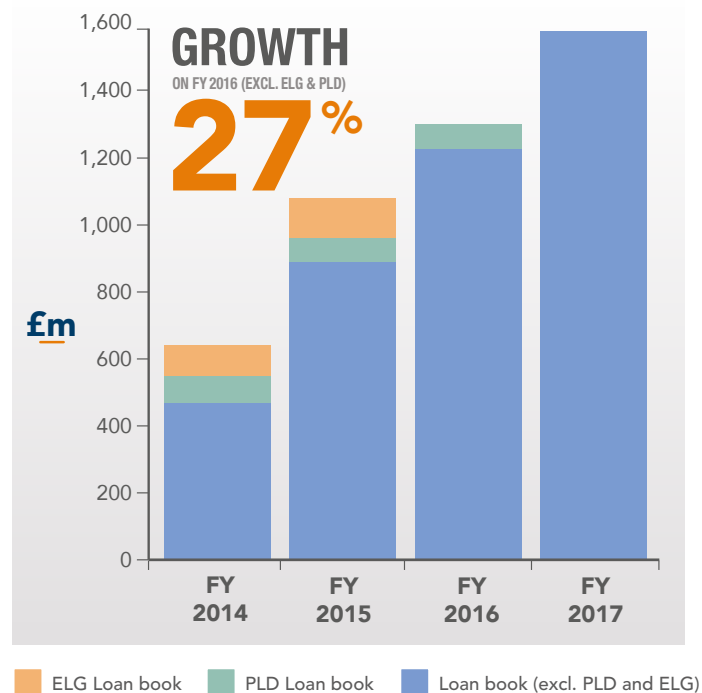
Continuing Operations (£m)	TOTAL FY 2017	SALE OF PLD	FY 2017 CONTINUING	FY 2016 CONTINUING
Gross interest income	149.3	8.0	141.3	118.8
Interest expense	(26.7)	-	(26.7)	(26.3)
Net interest income	122.6	8.0	114.6	92.5
Impairment losses	(36.9)	(3.4)	(33.5)	(23.3)
Statutory PBT	29.3	4.3	25.0	19.4
Underlying PBT	31.3	4.3	27.0	27.3
Loan book	1,598.3	-	1,598.3	1,255.5
Deposits	1,483.2	-	1,483.2	1,151.8
Loan to deposit ratio	107.8%	-	107.8%	109.0%
Customers	998,276	8,748	989,528	742,974
Total risk exposure	1,446.1	-	1,446.1	1,264.0
CET1 ratio*	16.5%	-	16.5%	18.0%
Basic EPS (pence)	128.8	21.1	107.7	77.9
Underlying EPS (pence)	137.8	21.4	116.4	113.0

Key Performance Indicators	TOTAL FY 2017	SALE OF PLD	FY 2017 CONTINUING	FY 2016 CONTINUING
Underlying ROAA ⁽¹⁾	1.6%	0.3%	1.3%	1.6%
Underlying ROAE ⁽²⁾	10.6%	1.7%	8.9%	9.8%
Underlying RORE** ⁽³⁾	16.0%	2.5%	13.5%	17.1%

FY 2016 and FY 2017 results exclude PLD and ELG trading profits and gain on disposal. See Slide 11 for further details.

*Group consolidated statutory basis. **Underlying return on required equity (required equity is calculated as 12% of average total risk exposure (TRE)).

Total Lending Assets £m



(1) Return on average assets

(2) Return on average equity

(3) Return on required equity

SUMMARY INCOME STATEMENT

Balancing growth and risk by repositioning the business

Continuing Operations £m	FY 2017	FY 2016	% change
Net interest income	114.6	92.5	23.9%
Net fee, commission and other income	14.9	14.5	2.8%
Operating income	129.5	107.0	21.0%
Impairment losses	(33.5)	(23.3)	43.8%
Operating expenses	(71.3)	(64.3)	10.9%
Profit on sale of NSF shares	0.3	-	-
Statutory profit before tax	25.0	19.4	28.9%
Underlying profit before tax	27.0	27.3	(1.1)%
Basic EPS (pence) (excl. ELG & PLD)	107.7	77.9	38.3%
Underlying EPS (pence)	116.4	113.0	3.0%
Proposed FY dividend per share (pence)	79	75	5.3%
Cost to income ratio	55.1%	60.1%	-
Underlying RORE	13.5%	17.1%	-

➤ 24% increase in net interest income

- Maintaining strong growth in both Consumer Finance and Business Finance sectors whilst moving to lower risk, lower margin lending. This increase is lower than the growth in impairments due to the curtailment of writing sub-prime business in 2017

➤ Impairment losses up 44%

- Loan impairments have increased year on year, partly as a result of increased lending balances (+27%) and increased provisions in respect of the sub-prime Motor Finance legacy book which also shrank in the period due to STB's exit from that sector of the Motor market
- Impairments in Business Finance remain modest

➤ Operating expenses up 11%

- Reflecting continuing investment in people, leadership, infrastructure, new Deposits platform and the mortgage proposition
- Regulatory compliance remains a disproportionately high cost

➤ Proposed FY dividend per share up 5%

- FY 2016 included a special interim dividend of **165p** paid in July 2016 following ELG disposal. Interim dividend of **17p** paid in September 2016 and proposed final dividend of **58p** per share

SALE OF PLD

Impact of the sale

	Total STB FY 2017	Less PLD 2017	Continuing STB FY 2017
Profit & Loss £m			
Interest income	149.3	8.0	141.3
Interest expense	(26.7)	-	(26.7)
Net fee income/commissions	14.9	-	14.9
Total revenues	137.5	8.0	129.5
Loan impairment charges	(36.9)	(3.4)	(33.5)
Operating expenses	(71.6)	(0.3)	(71.3)
Profit on sale of NSF shares	0.3	-	0.3
Statutory PBT*	29.3	4.3	25.0
PBT adjustments	2.0	-	2.0
Underlying PBT	31.3	4.3	27.0

*Excludes extraordinary gain of £0.5m on sale of PLD.

IFRS 9

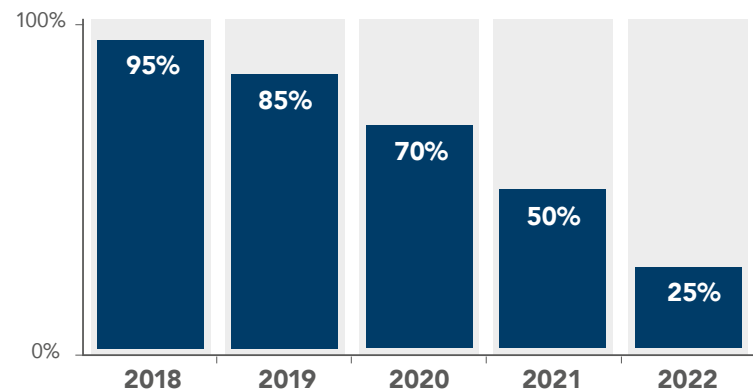
Impact of the new accounting standard on results

Significant changes brought about by IFRS 9

- Requires accounting for impairment losses on an expected rather than incurred loss basis
- Introduces much higher up front levels of provision for expected losses, while not affecting the overall impairment losses expected over the lifetime of a loan
- No impact on actual cash flows received
- Successful delivery of the Finance and Risk systems required for this accounting

Impact on opening distributable reserves

- Impact of the initial transition is passed through opening distributable reserves
- The estimated impact (net of tax) is a reduction of distributable reserves in the range of £22m to £27m primarily driven by Motor Finance and Retail Finance
- This reduction affects CET 1 capital, but transitional relief agreed by regulators allows 95% to be added back in 2018 and the following amounts to be added back in future years:



KPI SUMMARY

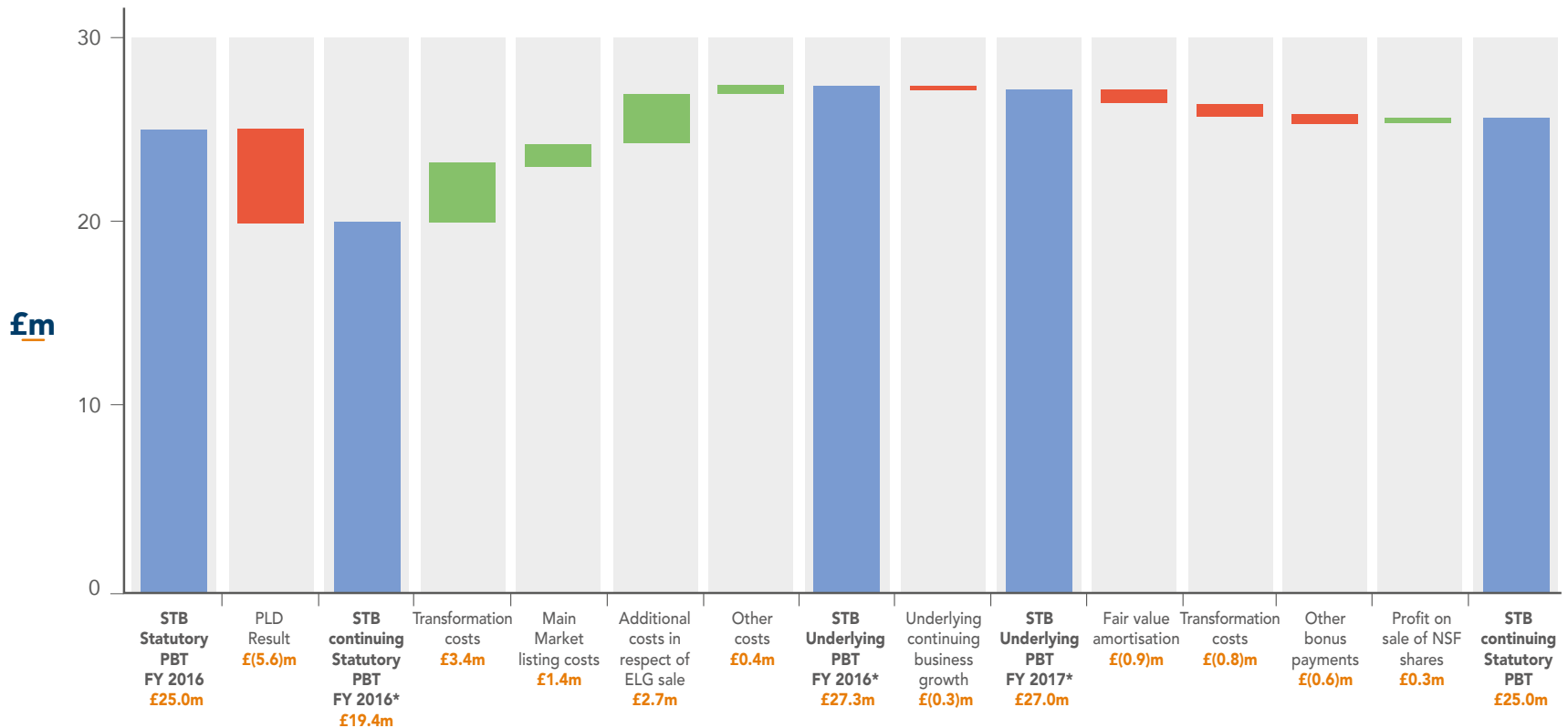
Repositioned ready for growth

Key Performance Indicator	FY 2017	FY 2016
Gross revenue margin	11.1%	12.7%
Net interest margin	8.1%	8.7%
Net revenue margin	9.1%	10.0%
Cost of risk	2.4%	2.2%
Annualised underlying ROAA	1.3%	1.6%
Annualised underlying RORE	13.5%	17.1%

Key Performance Indicator	FY 2017	FY 2016
Cost of funding	1.9%	2.5%
Total cost to income ratio	55.1%	60.1%
Loan to deposit ratio	107.8%	109.0%
Common equity tier 1 ratio	16.5%	18.0%
Leverage ratio	12.3%	14.5%
Annualised underlying ROAE	8.9%	9.8%

PROFIT BRIDGE

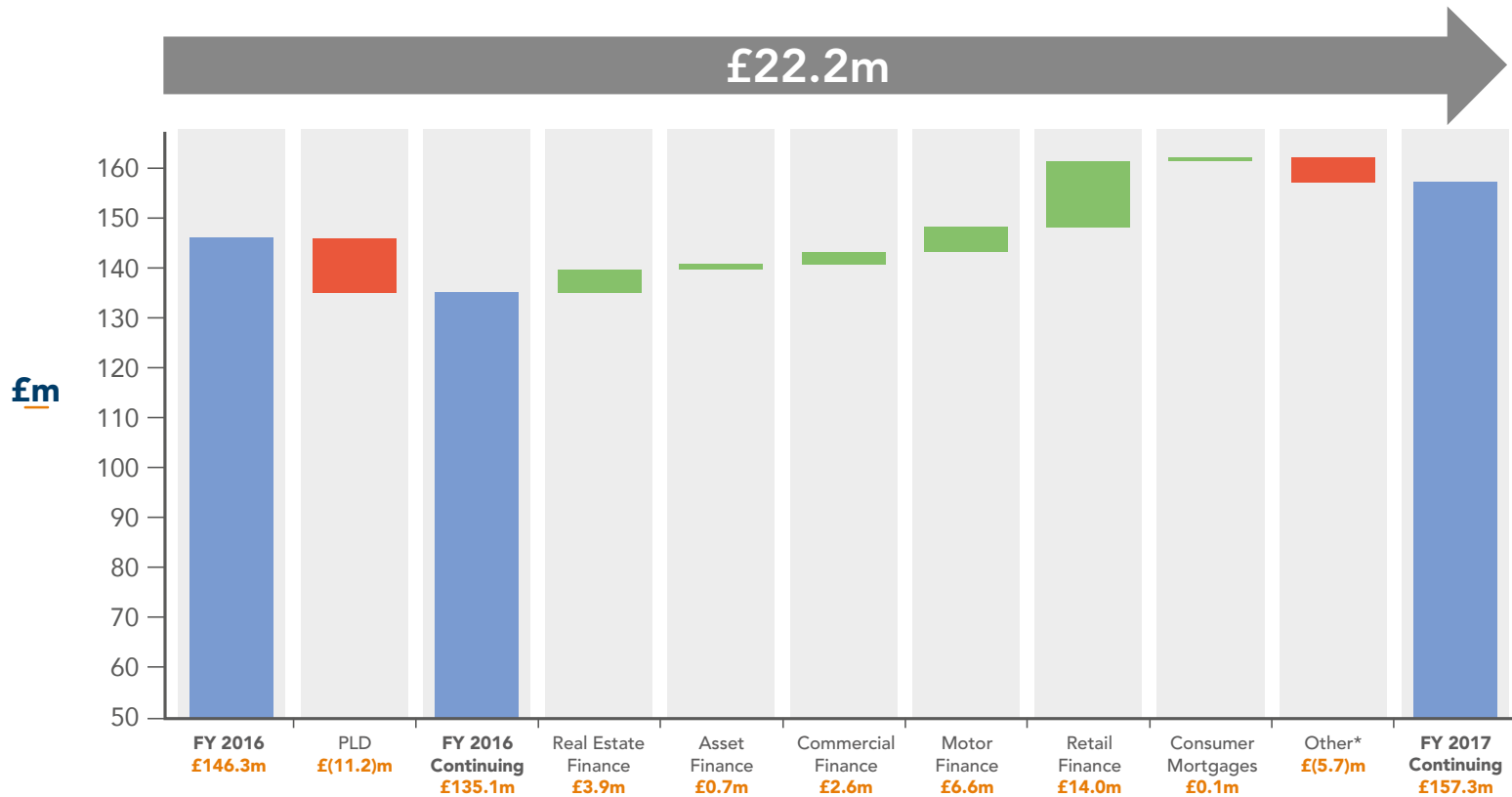
Statutory continuing PBT of £25.0m an increase on FY 2016 of £5.6m (28.9%)



*PBT is on a continuing basis and excludes the gain on sale of ELG and PLD. See slide 11 for further details.

INCOME BRIDGE

Increase on FY 2016 of £22.2m on a continuing basis

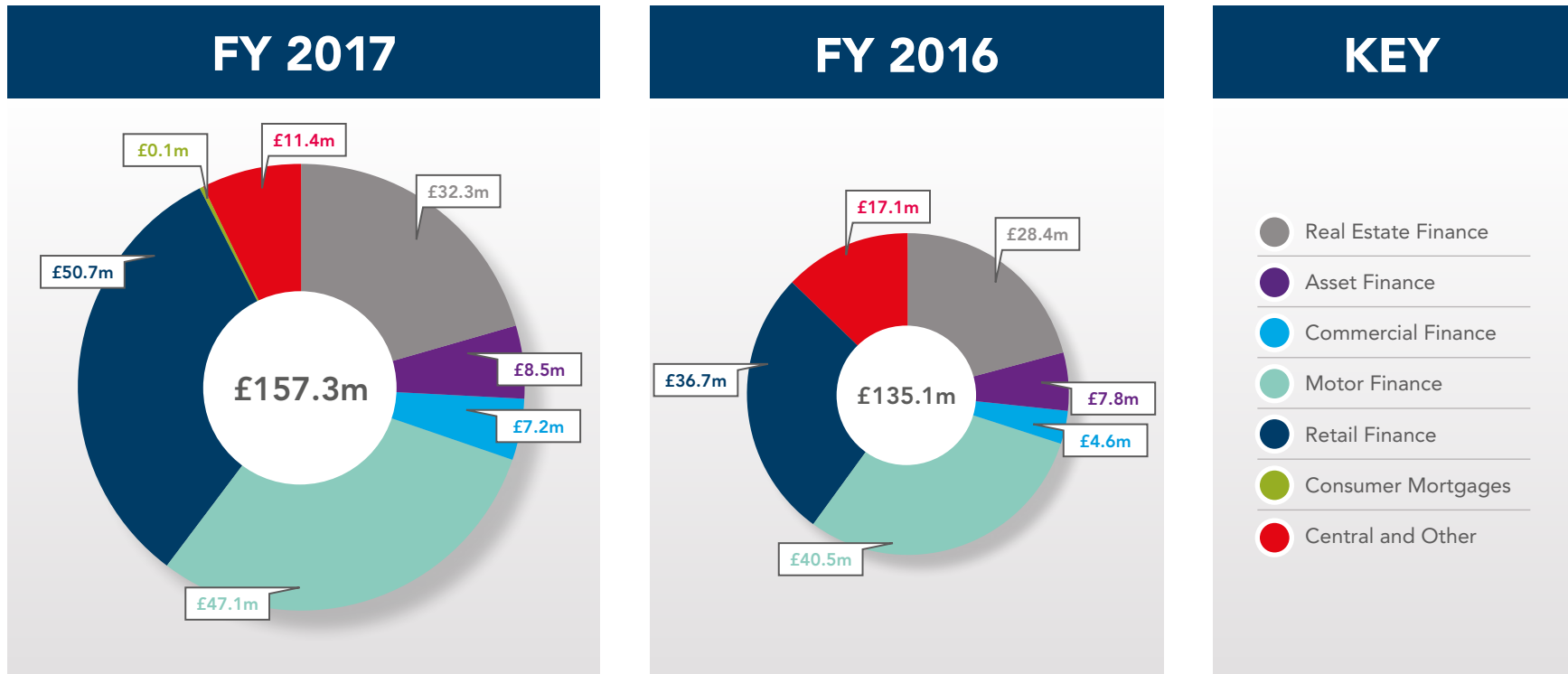


Continuing income before interest expense, commission expense and impairment losses.

*Central, Transactional and Other Income. Transactional includes OneBill, DMS and Current Account (closed Q3 2016).

INCOME ANALYSIS

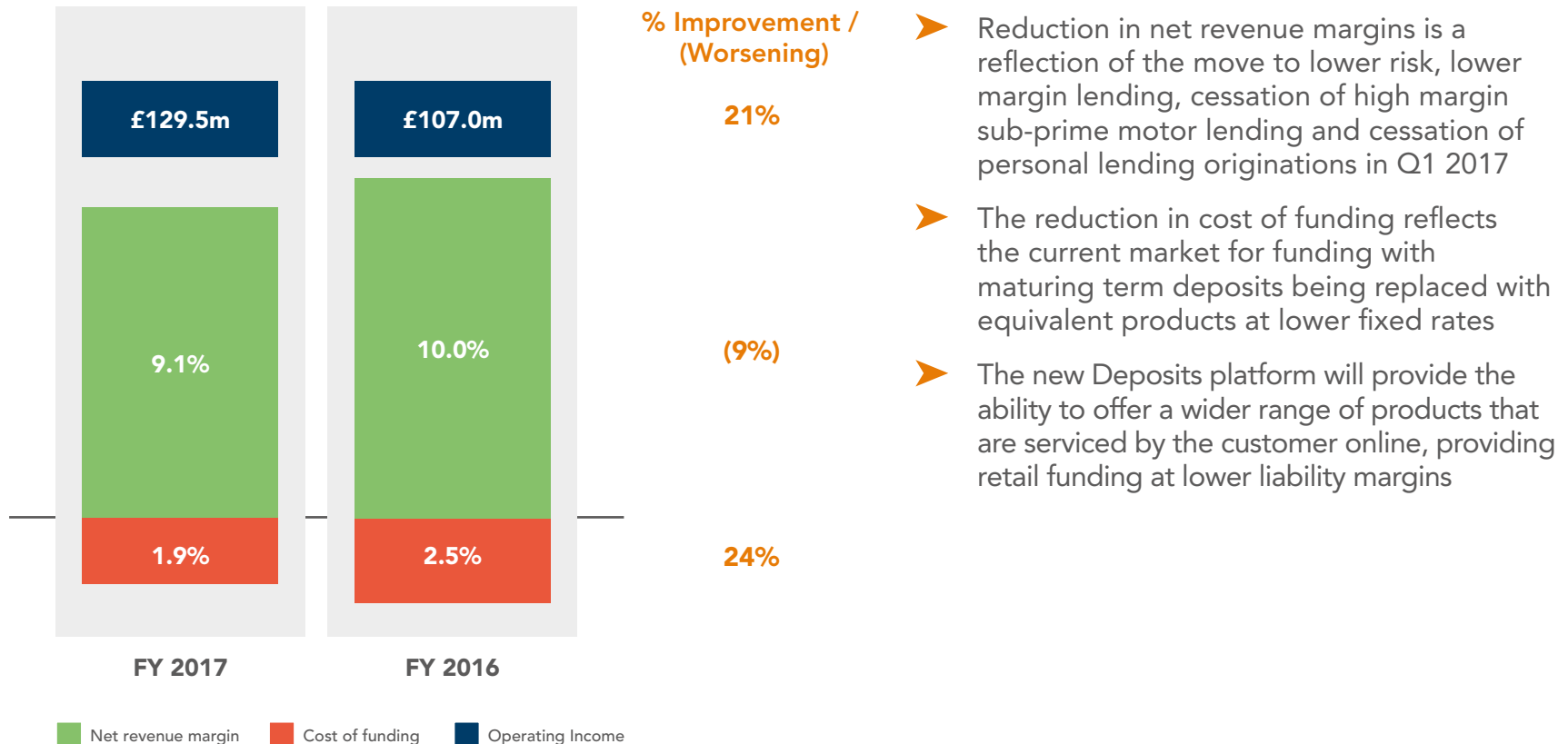
Changing mix with focus on growth of lower risk lending activities



Continuing income before interest expense, commission expense and impairment losses.

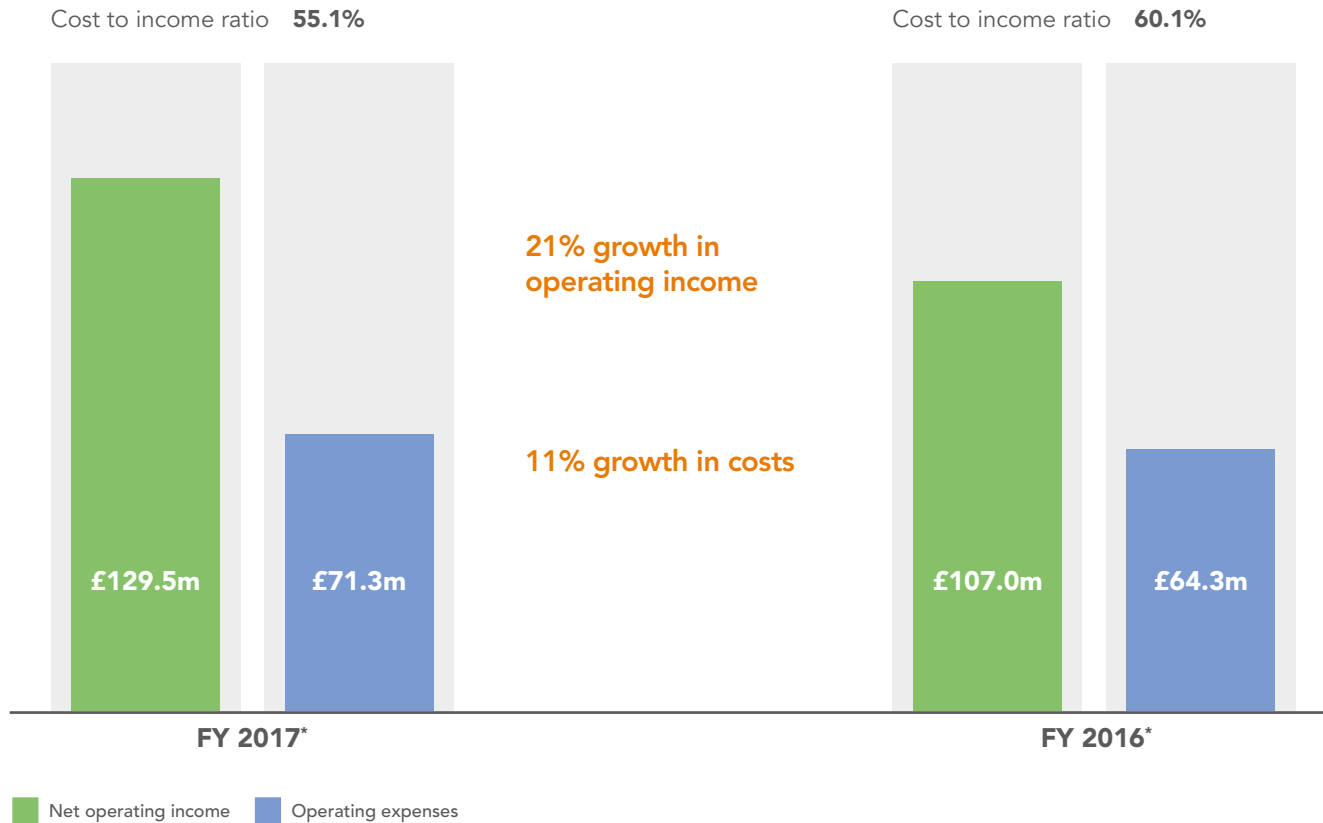
NET REVENUE MARGIN SUMMARY

Change of mix towards lower risk, lower margin lending on a continuing basis



COSTS AND INCOME ANALYSIS

Increasing operating leverage



*Reported on a continuing basis excluding ELG and PLD.

BALANCE SHEET SUMMARY

£m	FY 2017 Continuing Operations	FY 2016 Continuing Operations
Cash and balances at central banks	226.1	112.0
Debt securities held to maturity	5.0	20.0
Loans and advances to banks	34.3	18.2
Loans and advances to customers	1,598.3	1,255.5
Other assets	27.9	38.8
Total assets	1,891.6	1,444.5
Deposits from customers	1,483.2	1,151.8
Wholesale funding	113.0	70.0
Other liabilities	46.3	52.2
Total liabilities	1,642.5	1,274.0
Total shareholders' equity	249.1	236.0
Total liabilities and shareholders' equity	1,891.6	1,510.0
Loan to deposit ratio	107.8%	109.0%
Customer numbers	989,528	742,974
BoE asset encumbrance*	10.6%	12.0%

On a continuing basis:

- ✓ Customer loans
up 27% to £1,598.3m
- ✓ Customer numbers
up 33% to 990k
- ✓ Deposits from customers
up 29% to £1,483.2m
- ✓ Shareholders' equity
up 6% to £249.1m

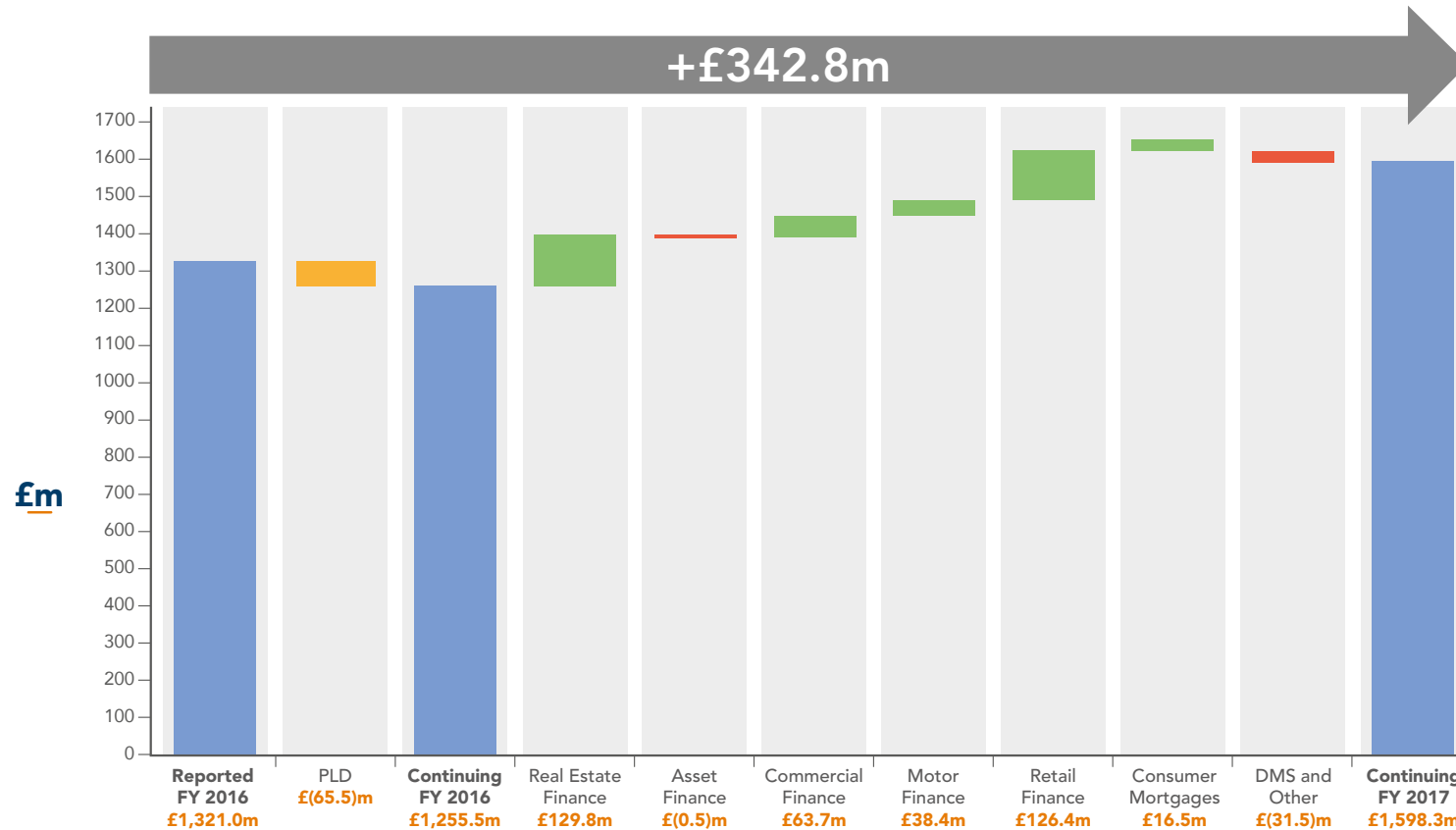
FY 2016 reported asset position:

- ✓ £1,510.0m, made
up of £1,444.5m
(Continuing)
+ £65.5m (PLD)

*BoE asset encumbrance is the process by which STB assets are pledged with the Bank of England in order to secure funding under the FLS and TFS. STB limits asset encumbrance to 25% of total assets on loans that the Bank can pledge.

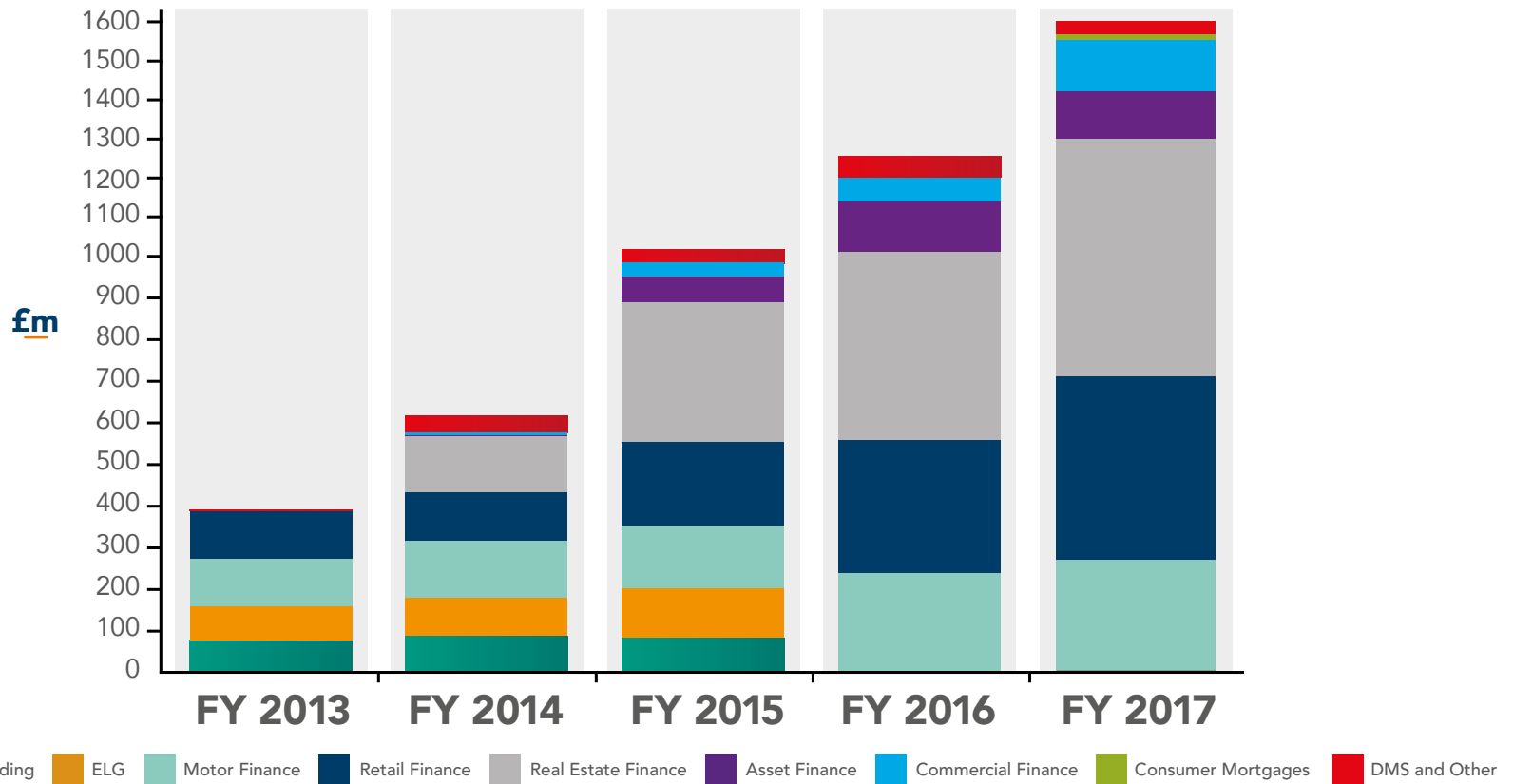
LENDING BRIDGE

Increase on FY 2016 of £342.8m (27.3%) on a continuing basis (excl. ELG and PLD)



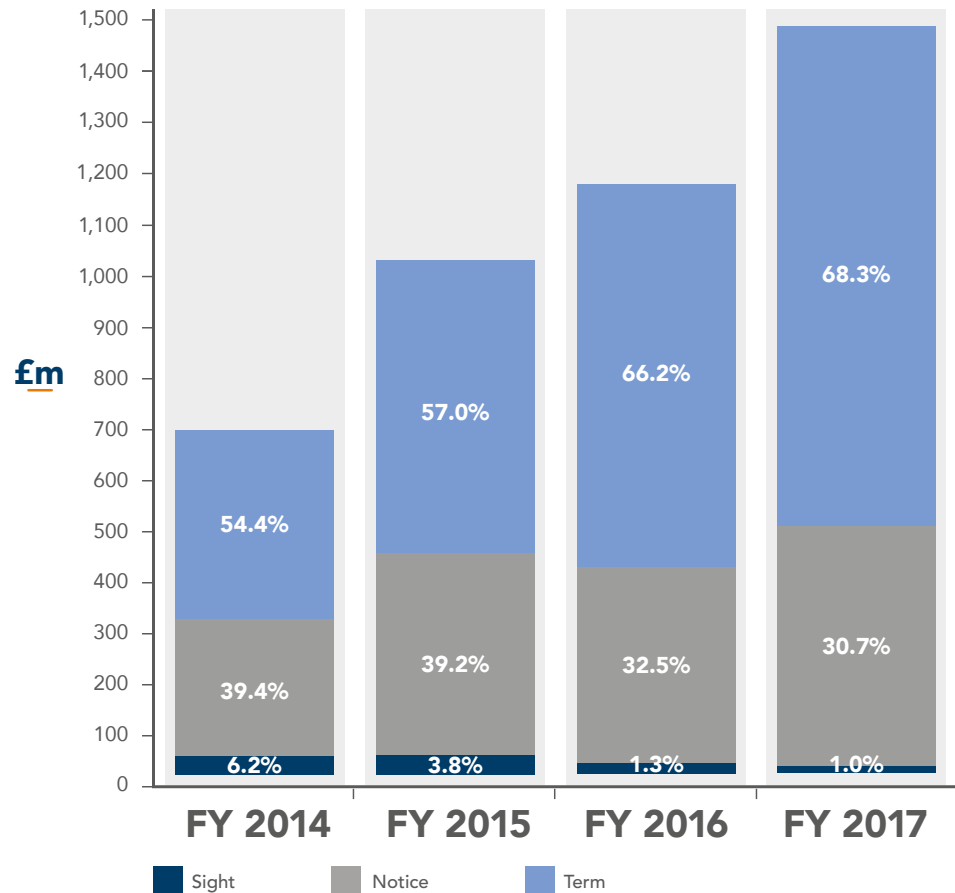
CUSTOMER LOAN PROGRESSION

Growth of 27.3% on FY 2016 on a continuing basis (excl. ELG and PLD)



CUSTOMER DEPOSIT PROGRESSION

Increase on FY 2016 of £331.4m, weighted towards term deposits



SUMMARY AND OUTLOOK

Well positioned to accelerate future growth

- The benefits of strategic repositioning will become increasingly apparent through 2018 and beyond
- Future lending growth expectations are high as STB entered 2018 with the largest ever pipeline of new business opportunities in all continuing operations

Strategy to grow and invest in platforms and people

- Leveraging the new customer Deposits platform
- Growth in Consumer Mortgage product
- Investment in new Motor Finance platform
- New Motor Finance senior management appointments

Prudent balance sheet and risk management

- STB's capital and liquidity management, and de-risked balance sheet following the sale of PLD, will allow the bank to **grow profitably** from a strengthened base
- Exploring options to optimise capital structure using AT1 and/or Tier 2 capital instruments
- Significant progress made in repositioning Motor Finance with the cessation of new sub-prime loan originations, new senior management team and investment in new products and platform in progress

2018 OUTLOOK

Strategic priorities to deliver further growth

- **Organic growth**
 - Continuing to invest in the quality of our leadership and platforms to ensure sustainable and significant growth and enhance customer experience, particularly in Retail Finance and Motor Finance businesses
 - SME businesses – accelerate momentum of growth especially in the Commercial Finance business
- **Diversification**
 - New consumer mortgage products to go to market in Q1 2018
 - New Deposit products to be launched in 2018 with self-service functionality
- **M&A Activity**
 - STB looks to accelerate growth plans and broaden its strategic options
 - Actively pursuing new business opportunities that provide a good strategic fit and meet risk appetite

Managing competitive, economic and regulatory challenges

- **Capital and liquidity management and de-risked balance sheet, enhanced through the ELG and PLD sales, will protect the Bank and grow the momentum of profitable growth in the context of:**
 - Continuing uncertainty until the economic nature of the UK's exit from the European Union has been clarified
 - The increase in required capital buffers
 - The changes that IFRS 9 brings into the banks reporting
- **Capitalise on potential regulatory opportunities to provide a more level playing field for Challenger Banks including:**
 - MREL (Minimum Requirement for own funds and Eligible Liabilities) capital requirements
 - Basel Committee new capital regime
 - British Business Bank programmes



SECTION **3**

APPENDICES

CUSTOMER FEEDBACK AND AWARDS

V12

Customer feedback from feefo^{co}

4.8 stars

“ The company were very quick and thorough in completing my loan. It was nice to do the questionnaire on my phone instead of waiting for paper work. Would recommend and use again. ”

“ I thought the service was excellent, yes I would use V12 again. I also would recommend them. ”

“ Very quick with the decision. I would recommend this company. ”

“ Very quick and efficient, had to call to confirm some details and the person on the other end was polite and helpful. ”

“ Yes, you are fantastic. You're so easy to work with, one call and job done. Thank you for a fantastic service, I will be telling my family and friends; you are so easy to deal with. ”

“ Very easy to deal with and great customer support. Would recommend this company and would use again. ”

“ An entirely trouble free experience again. Easy to set-up and use. No issues whatsoever and I'll seek to re-use it. ”

“ V12 finance has been simple and easy to use. To secure the finance was a quick process and organising and managing the payments again has been very simple and easy. Staff are friendly when you need to ring customer services. ”

All scores and comments as of December 2017.

CUSTOMER FEEDBACK AND AWARDS

Deposits

Customer feedback from feefo^{ee}

4.5 stars

- “ Excellent and efficient service, I would definitely use them again. ”
- “ Was recommended Secure Trust Bank by my Mum who had had excellent service from them. I then had the same excellent service when I went ahead and invested in one of their bonds. ”
- “ Brilliant service and very efficient. The application process was easy and was kept informed at every step. My initial deposit was followed up immediately with a letter confirming receipt. ”
- “ Clear and concise information, with straightforward instruction that was user friendly. Very Good!! ”
- “ Very satisfied with service and would use again if interest rates were right! ”

All scores and comments as of December 2017.

CUSTOMER FEEDBACK AND AWARDS

Motor Finance

Customer feedback from **feefo**^{ee}
4.7 stars

“ Brilliant service. A truly problem free process from start to finish. I would have no hesitation recommending Moneyway to friends and family. If I need financial services again, they would be the ones I would try first. ”

“ Excellent service by Moneyway. Great service, great interest rates. ”

“ Could not have been any faster or simpler; could not find any fault at all. ”

“ Excellent service by Moneyway. Staff are very helpful and friendly - first class service. ”

“ Very polite staff, very helpful in getting things moving to an end result. Very happy with the service they provided, would use them again and recommend to others in the future. ”

“ Completely overwhelmed by the trust Moneyway had towards me. I was very happy to have been granted finance by you, it helped me get my dream car... ”



All scores and comments as of December 2017.

BUSINESS TO BUSINESS FEEDBACK

Motor Finance

“ Our partnership with Moneyway during 2017 has strengthened considerably, we have worked closely with the team and are looking forward to more changes to benefit our customers in the coming year. ”

Andy Coulthurst,
Chief Executive Officer, The Trade Centre Wales

“ Strong long term lender partnerships are important to Evolution and Moneyway exemplify the necessary values to create this. We find Moneyway responsive at all levels of their organisation to feedback, constantly looking for ways to improve, and keen to understand our future needs in a fast changing market. The Moneyway sales management team work closely with Evolution to position products and services that create value to our dealer clients, integrate into our customer journey and provide transparent, clear, fair and competitive funding solutions to end consumers. In the past year Moneyway have delivered tremendous additional value to our partnership with improved service levels, re-engineered products, pricing and policy, and the introduction of an electronic signature solution. Moneyway are a critical partner to the ongoing success of Evolution Funding. ”

Lee Streets,
Chief Operating Officer, Evolution Funding Ltd

“ Having worked with Moneyway for a number of years, we have developed a mutually beneficial relationship that is easy to maintain and a pleasure to manage. Their level of communication means that we are always kept up to date and any queries we do have are dealt with promptly. We are always impressed by the speed of turnaround, which is clearly driven by the effective processes and systems that they have in place. We're keen to see how we can develop our partnership with Moneyway in the future to ensure that we're providing the best possible offering to the consumer. ”

Alex Hurst,
Commercial Director, Car Finance 247

BUSINESS TO BUSINESS FEEDBACK

Commercial Finance

“ Having built our reputation successfully in the theatre and entertainment industry, working on some of the most well-known productions, we recognised the opportunity to restructure our business and drive further growth. With plans to expand our geographical presence in the near future, we needed a financial partner capable of producing an innovative financial solution.

We had developed a long-term relationship with the team at Secure Trust Bank, who were approachable and understood the workings of our business. As a result, they were able to provide a tailored financial package that worked alongside our expansion objectives over the next three years. ”

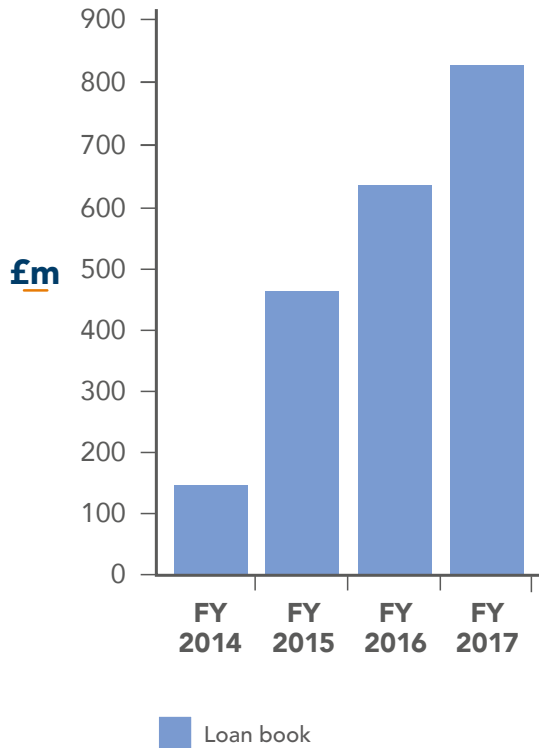
Maria Townsend,
Chief Executive, Stage Electrics

Real Estate Finance

“ It is essential to us that our funder provides a facility with the flexibility to quickly adapt our business model to changing market conditions. Secure Trust Bank did that at the outset tailoring the facility to our needs giving us the ability to offer a Plan B when necessary. We were able to build a close relationship with the team at Secure Trust Bank ensuring a quick and smooth process both in closing and then in managing our facility. ”

Charles Silver,
Heyford Park

BUSINESS FINANCE



Business Finance	FY 2014	FY 2015	FY 2016	FY 2017
Revenue £m	2.6	24.3	40.8	48.0
Impairments £m	-	(0.3)	(0.9)	(0.9)
Loan book £m	143.3	468.0	631.0	824.0

BUSINESS FINANCE

Business overview – Real Estate Finance

- Supports SMEs over a financing term of up to 5 years with prudent loan to value levels
- Strength of the proposition is supported by: **the speed of decision making and experience in our ability to structure transactions**
- **Main products** available: residential development, residential investment, commercial investment and mixed development
- **Route to market** via introducers served by a team of Real Estate Finance regional managers

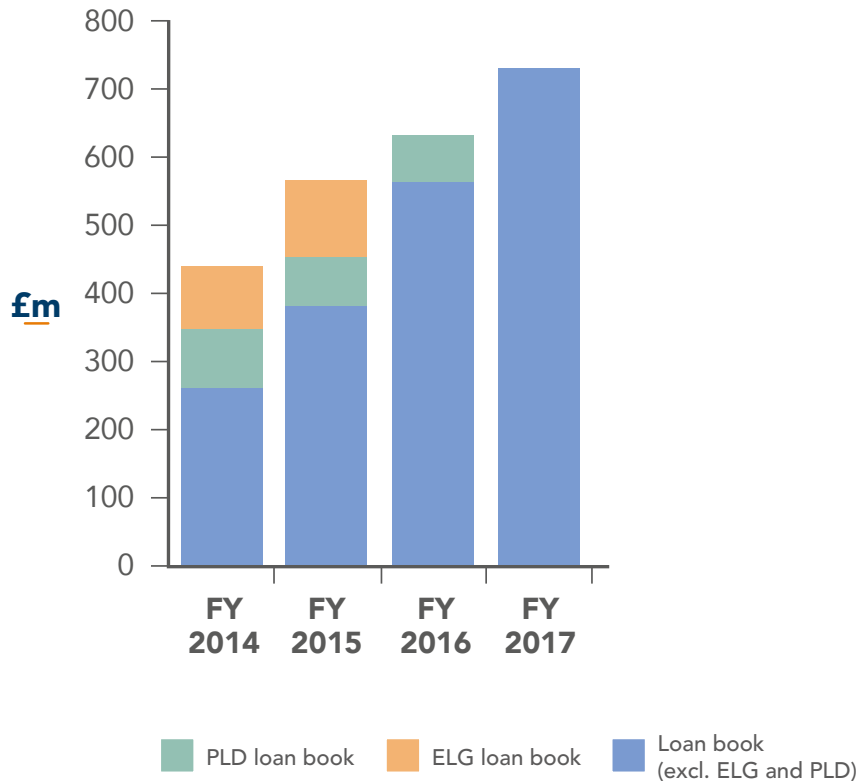
Business overview – Commercial Finance

- Provides a full range of asset based lending solutions including invoice factoring and discounting
- Also provides SME commercial owner occupiers with finance to buy the property they trade from
- Key factors to the strength of the business: **the speed of decision making and strong risk management**
- Operates from premises in **Manchester** with national coverage via regional teams

Business overview – Asset Finance

- Supports SMEs to acquire commercial assets, such as building equipment, commercial vehicles and manufacturing equipment, and who may not be adequately served by the traditional banks
- Hire purchase and finance lease arrangements up to **5 years**
- Operates via a **partnership** with Haydock Finance, a **well established** asset finance company operating across the UK

CONSUMER FINANCE



Consumer Finance	FY 2014	FY 2015	FY 2016*	FY 2017
Revenue £m	90.2	115.4	99.6	97.8
Impairments £m	(15.0)	(24.8)	(31.1)	(34.6)
Net loan book £m (excl. ELG and PLD)	254.6	386.1	562.1	726.9
ELG loan book £m	93.9	114.3	-	-
PLD loan book £m	87.5	74.3	65.5	-
Net loan book £m	436.0	574.7	627.6	726.9

*FY 2016 includes ELG results from 1 January to 12 April 2016.

CONSUMER FINANCE

Business overview – Retail

- Targeting **Prime Credit Portfolio Customers**
- **Active across a range of retail markets** including cycle retailers, season tickets, jewellery and art
- Term ranges **up to 84 months**, loan size **up to £25,000**
- Growth opportunities include entry into new sectors and the ability to pitch for full national retailer contracts

Business overview – Motor

- **Prime lending and near-prime** offering greater participation across the risk curve
- Maximum loans of **£25,000** with finance terms **up to 5 years**
- Growth driven by:
 - speed and quality of service
 - relationships with introducers
 - product and channel distribution innovation

STRATEGY CONTINUES TO DELIVER

Maximise shareholder value:



grów

To maximise shareholder value through strong lending growth by delivering great customer outcomes in both our existing and new markets.



sustain

To protect the reputation, integrity and sustainability of the Bank for all of our customers and stakeholders via prudent balance sheet management, investment for growth and robust risk and operational control. Controlled growth is one of the top strategic priorities for the Bank.



love

To ensure that the fair treatment of customers is central to corporate culture and that the Bank is a highly rewarding environment for all staff and one where they can enjoy progressive careers.

IMPORTANT NOTICE

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