# SECURE TRUST BANK PLC

Secure Trust Bank
Straightforward transparent banking

## 2019 INTERIM RESULTS

7 AUGUST 2019

SecureTrust Bank
Straightforward transparent banking

SECTION 1

# INTRODUCTION & BUSINESS REVIEW

PAUL LYNAM | CHIEF EXECUTIVE OFFICER

# POSITIVE MOMENTUM SUSTAINED

- H1 2019 statutory PBT of **£18.1m** v £15.1m (H1 2018), an increase of 19.9%
- H1 2019 adjusted PBT of **£18.8m** vs £16.5m (H1 2018), an increase of 13.9%
- H1 2019 adjusted ROAE of **12.7%** vs 12.3% (H1 2018), an increase of 3.3%
- H1 2019 adjusted EPS of **82.3p** vs 74.7p (H1 2018), an increase of 10.2%
- H1 2019 loans of **£2,278.3m** vs £1,839.1m (H1 2018), an increase of 23.9%
- H1 2019 cost of risk of **1.7%** vs 1.9% (H1 2018), a reduction of **10.5%**
- Interim dividend of **20 pence** (2018: 19 pence)

- Continued investment delivering growth strategy
- Significant income growth in both Business and Consumer finance
- Customer numbers are up **31.9%** to **1,446,342** (2018: **1,096,854**)
- Continuing high levels of customer and employee satisfaction
- Higher quality book has further reduced cost of risk
- Diversified and flexible business model builds in resilience and ability to take advantage of market opportunities
- Healthy capital and liquidity position
- Positive momentum into 2019 with the Group well placed to achieve its strategic objectives

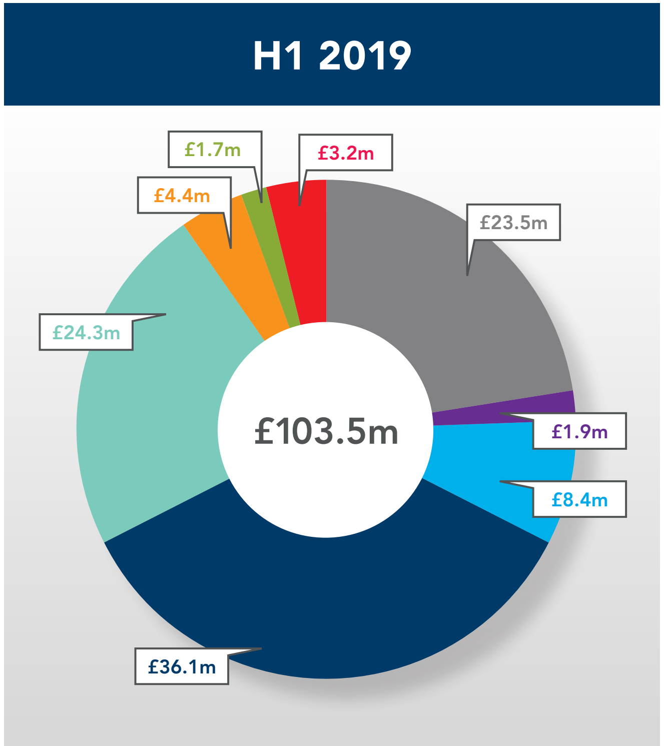
# CONTINUED GROWTH IN DIVERSE LOAN BOOK

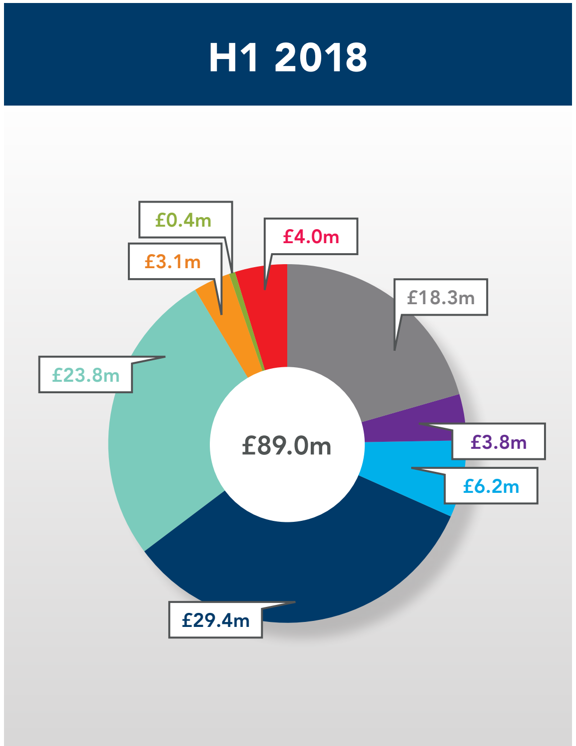
| | Business Finance<br>50.1% of loan book (H1 2018 53.3%) | | | Consumer Finance<br>49.5% of loan book (H1 2018 46.0%) | | | |
|---|---|---|---|---|---|---|---|
| | Real Estate Finance | Asset Finance | Commercial Finance | Retail Finance | DMS | Motor Finance | Consumer Mortgages |
| STB product offering | 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 | The Group's debt collection business acting for a range of internal Group and external clients | Prime and non-prime lending in the used car market | Owner occupied mortgages for customers currently underserved by the market |
| % change | 24.7% | (51.4)% | 17.7% | 32.2% | 49.5% | 10.2% | 203.5% |
| Loan book H1 2019 £m | 879.0 | 42.7 | 220.7 | 671.7 | 42.3 | 299.8 | 113.2 |
| Loan book H1 2018 £m | 704.8 | 87.9 | 187.5 | 508.0 | 28.3 | 272.0 | 37.3 |
| Consensus 2020* | 1144.3 | 5.2 | 378.3 | 781.6 | n/a | 379.1 | 75.7 |
| Net revenue margin H1 2019 | 3.4% | 5.0% | 6.6% | 9.6% | 18.1% | 14.2% | 2.7% |
| Net revenue margin H1 2018 | 3.4% | 5.0% | 6.2% | 10.5% | 23.1% | 15.2% | 3.1% |
| M&A appetite | Medium | High | Medium | Limited Opportunities | Medium | Medium | Low |
| Est market size | c£19.7bn (development)<br>c£60bn (investment) | c£29bn | c£22bn | c£8-£20bn | c£20bn | c£62bn | >£1,000bn |

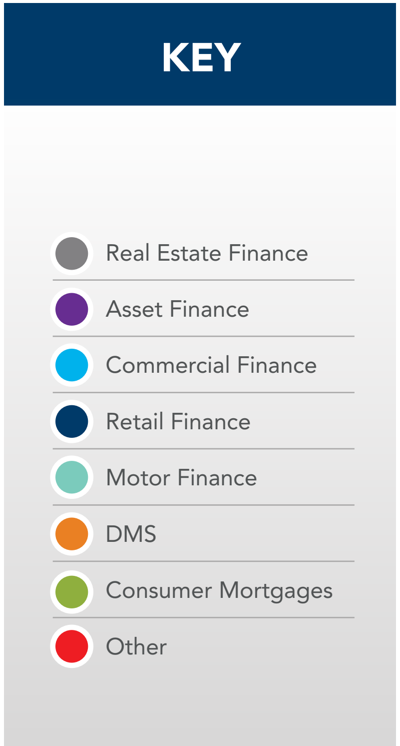
*Consensus formed from forecasts by Edison, Canaccord, KBW, Peel Hunt and Shore Capital for the year ending 31 December 2020.

# INCOME DIVERSIFIED ACROSS LENDING TYPE

## Income growth across the core businesses




*Income before interest expense, commission expense and impairment losses.*

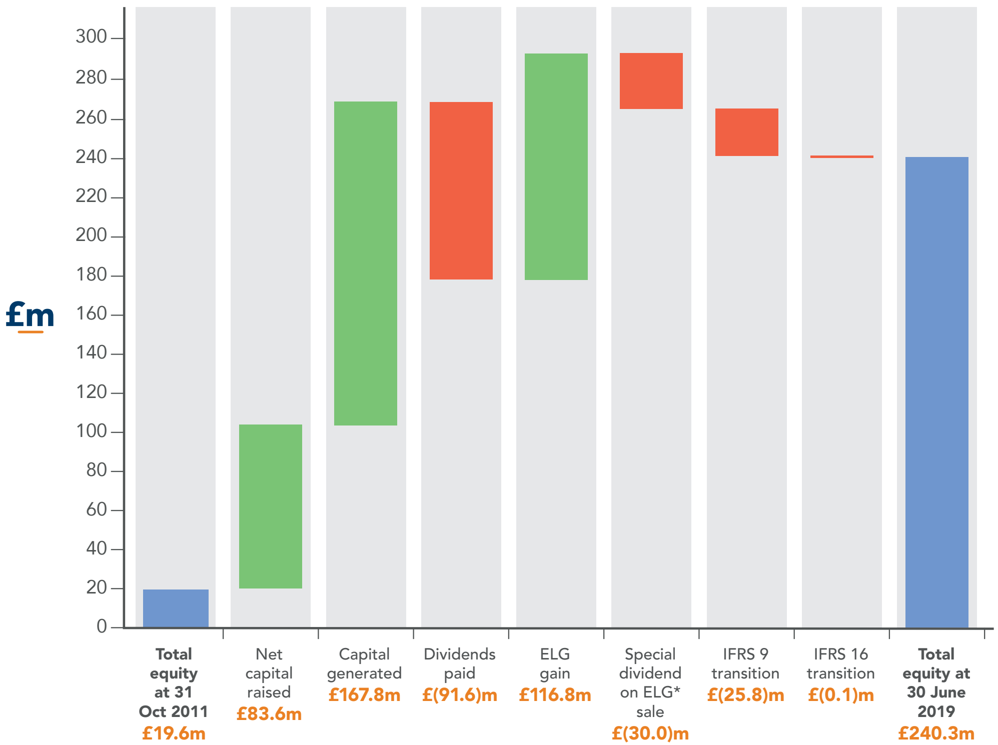
# WELL POSITIONED TO MEET CUSTOMER DEMAND AND GROW EARNINGS

- Group strategy remains unchanged as one of responsible lending across a diverse portfolio of attractive segments
- Group lending portfolio continues to be appropriately positioned for current macroeconomic conditions following strategic repositioning of balance sheet
- Diversified business model has allowed capital to be allocated to meet customer demand within existing risk appetite
- Group enters H2 2019 with healthy capital positions (CET 1 ratio **12.8%*** and total capital ratio of **15.2%***) and significant surplus liquidity over minimum regulatory requirements
- Short duration nature of the Consumer asset portfolio also means Group can react quickly to both opportunities and threats
- Clear market opportunity exists to deliver prime and near-prime products and services, and provide dealer stocking finance, through a new Motor Finance lending platform and V12 Vehicle Finance brand
- First phase of Motor Finance transformation delivered, with auction stocking product well received
- New Cash ISA product launched in April 2019
- Significant further growth in Real Estate Finance, primarily in residential investment lending
- Further growth in Commercial Finance with regional footprint extended

**Excluding proposed dividend of £3.7m.*

# STRATEGY YIELDING STRONG RETURNS

## Shareholder value created since 2011 IPO




- **£284.6m** capital generated since IPO including the sale of Everyday Loans
- **43%** of total capital generated paid in dividends
- Capital remains strong with Common Equity Tier 1 ratio of **12.8%****
- Leverage ratio of **9.5%**** well above the PRA minimum
- Equity per share at IPO **£1.66**
- Equity per share at H1 2019 of **£13.01**, a **684%** increase on equity per share at IPO after **£121.6m** was paid to shareholders by way of dividends

** ELG: Everyday Loans Group, which was disposed of by the Group in H1 2016*
*** Excluding proposed dividend of £3.7m*


SECTION 2

# FINANCIAL REVIEW

NEERAJ KAPUR | CHIEF FINANCIAL OFFICER

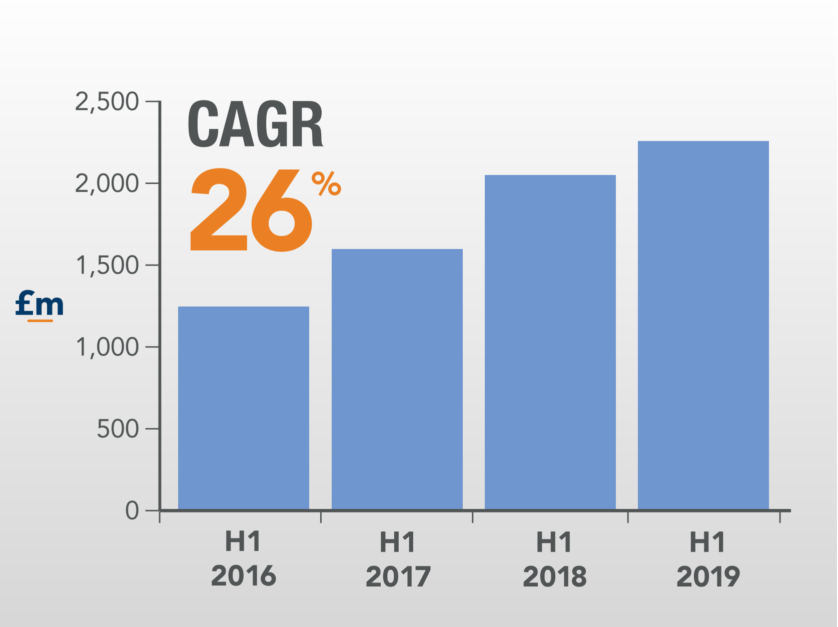
# SUSTAINABLE POSITIVE PROGRESS

## Earnings growth driven by increased revenues and well managed impairments and costs

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Gross interest income | 92.3 | 79.2 |
| Interest expense | (21.8) | (15.5) |
| Net interest income | 70.5 | 63.7 |
| Impairment losses | (17.8) | (16.3) |
| Statutory PBT | 18.1 | 15.1 |
| Adjusted PBT | 18.8 | 16.5 |
| | H1 2019 | H1 2018 |
| Loan book | 2,278.3 | 1,839.1 |
| Deposits | 2,001.5 | 1,656.8 |
| Loan to deposit ratio | 113.8% | 111.0% |
| Total risk exposure | 1,987.8 | 1,729.2 |
| CET1 ratio* | 12.8% | 13.8% |

| Key Performance Indicators | H1 2019 | H1 2018 |
|---|---|---|
| Customers | 1,446,342 | 1,096,854 |
| Basic EPS (pence) | 79.0 | 68.7 |
| Adjusted EPS (pence) | 82.3 | 74.7 |
| Adjusted ROAA | 1.2% | 1.4% |
| Adjusted ROAE | 12.7% | 12.3% |
| Adjusted RORE** | 13.6% | 14.6% |

Total Lending Assets £m




* *Group consolidated statutory basis excluding proposed dividend of £3.7m*
****Adjusted return on required equity**
*(required equity is calculated as 12% of average total risk exposure (TRE))*

# SUMMARY INCOME STATEMENT

## Strong profit and earnings growth, with progressive dividend policy maintained

| £m | H1 2019 | H1 2018 | % change |
|---|---|---|---|
| Net Interest income | 70.5 | 63.7 | 10.7% |
| Net Fee, commission and other income | 10.9 | 8.8 | 23.9% |
| **Operating Income** | **81.4** | **72.5** | **12.3%** |
| Impairment losses | (17.8) | (16.3) | 9.2% |
| Operating expenses | (45.5) | (41.1) | 10.7% |
| **Statutory profit before tax** | **18.1** | **15.1** | **19.9%** |
| **Adjusted profit before tax** | **18.8** | **16.5** | **13.9%** |
| Basic EPS (pence) | 79.0 | 68.7 | 15.0% |
| Adjusted EPS (pence) | 82.3 | 74.7 | 10.2% |
| Proposed interim dividend per share (pence) | 20p | 19p | 5.3% |
| Cost to income ratio | 55.9% | 56.7% | -1.4% |
| Underlying ROAE | 12.7% | 12.3% | 3.3% |

- **10.7% increase in net interest income**
  - Both Consumer Finance and Business Finance continue to grow strongly
- **Reduction in cost of risk**
  - Improved book quality has maintained control of impairments
  - Impairments in Business Finance remain minimal
- **Improvement in cost to income ratio**
  - Continuing investment in the Lending and Savings businesses, Compliance and Risk
  - Cost growth is proportionately lower than growth in lending balances
  - Cost to income ratio reduced from **56.7%** to **55.9%**
- **Proposed H1 dividend per share up 5.3%**
  - Interim dividend of **20p** to be paid in September 2019

# KPI SUMMARY

## Increased earnings delivers improved return on average equity of 12.7%

| Key Performance Indicator | H1 2019 | H1 2018 |
|---|---|---|
| EPS (Basic) | 79.0 | 68.7 |
| EPS (Adjusted) | 82.3 | 74.7 |
| Annualised underlying ROAA | 1.2% | 1.4% |
| Annualised underlying ROAE | 12.7% | 12.3% |
| Annualised RORE | 13.6% | 14.6% |

| Key Performance Indicator | H1 2019 | H1 2018 |
|---|---|---|
| Cost of risk | 1.7% | 1.9% |
| Cost of funding | 2.1% | 1.8% |
| Cost of customer funding* | 1.9% | 1.8% |
| Total cost to income ratio | 55.9% | 56.7% |

| Key Performance Indicator | H1 2019 | H1 2018 |
|---|---|---|
| Net interest margin | 6.7% | 7.6% |
| Net revenue margin | 7.7% | 8.6% |
| Gross revenue margin | 9.8% | 10.6% |

| Key Performance Indicator | H1 2019 | H1 2018 |
|---|---|---|
| Loan to deposit ratio | 113.8% | 111.0% |
| Common equity tier 1 ratio | 12.8%** | 13.8% |
| Leverage ratio | 9.5%** | 10.4% |

** Cost of customer funding excludes the cost of Tier 2 capital*
*** Excluding proposed dividend of £3.7m*

# IMPAIRMENT

## Cost of risk reduced from 1.9% to 1.7%, driven by improved credit quality

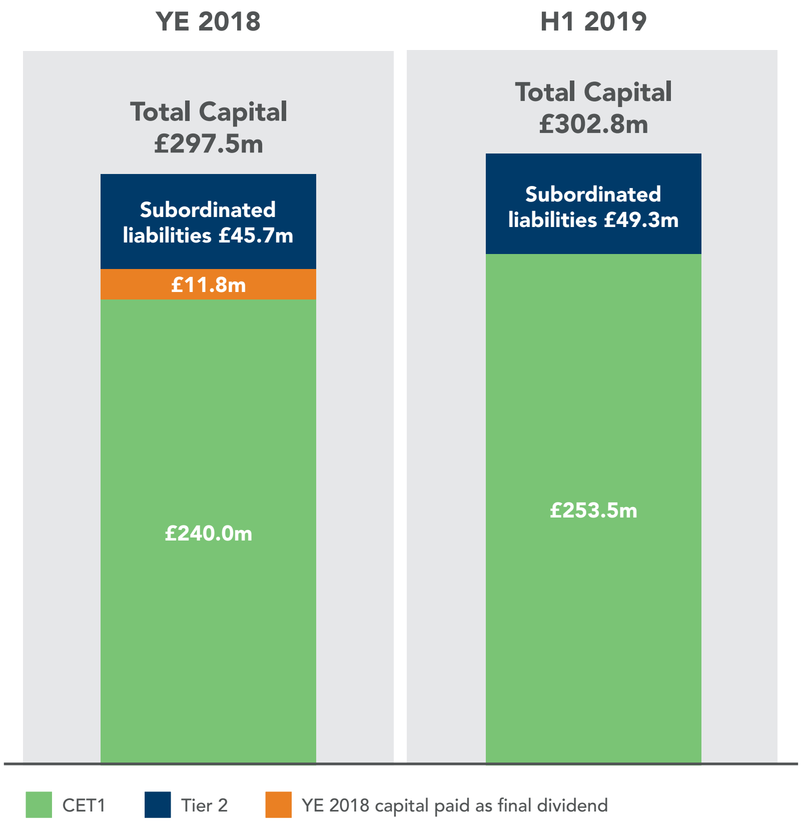
| | Business Finance | | | Consumer Finance | | |
|---|---|---|---|---|---|---|
| | Real Estate Finance | Asset Finance | Commercial Finance | Retail Finance | Motor Finance* | Consumer Mortgages |
| Impairment losses H1 2019 £m | 0.2 | 0.3 | 0.2 | 9.1 | 8.0 | 0.1 |
| Impairment losses H1 2018 £m | 0.5 | 0.9 | 0.2 | 9.0 | 6.4 | 0.0 |
| Loan book % change from June 2018 | 24.7% | (51.4%) | 17.7% | 32.2% | 10.2% | 203.5% |
| Credit quality improvement** | <£1m | <£1m | <£1m | 8% | 2% | <£1m |
| Cost of risk H1 2019 % | 0.0% | 1.1% | 0.2% | 2.9% | 5.6% | 0.2% |
| Cost of risk H1 2018 % | 0.2% | 1.7% | 0.3% | 3.8% | 4.9% | n/a |

- Impairment losses on Business Finance products continue to be insignificant
- Cost of risk reduced reflecting improved book quality
- Motor Finance provision movement driven by the market-wide fall in used car values; cost of risk will reduce with a stabilisation in values
- The probability of default of the Motor Finance book continues to reduce

** Impairment losses for Motor Finance include those in respect of voluntary terminations*
*** Credit quality improvement represents the change in provision charge, including the impact of increasing balances but excluding model changes such as used car valuations*

# CAPITAL ANALYSIS

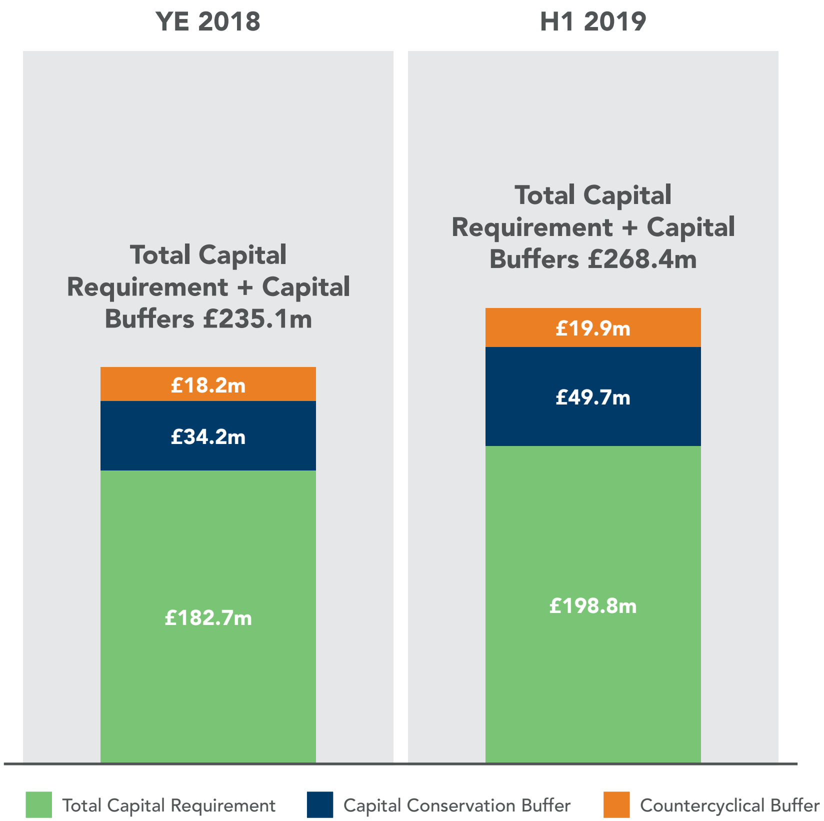
## Progressive Capital Strategy




- The Group's capital management policy is based on optimising shareholder value over the long term
- Capital is allocated to achieve targeted risk adjusted returns whilst ensuring appropriate surpluses are held over regulatory requirements
- Key factors influencing the management of capital include new business volumes and product mix, both of which are actively managed by the Group in order to balance growth, profitability and conservation of capital

# CAPITAL ANALYSIS (CONTINUED)

## Healthy Capital Ratios

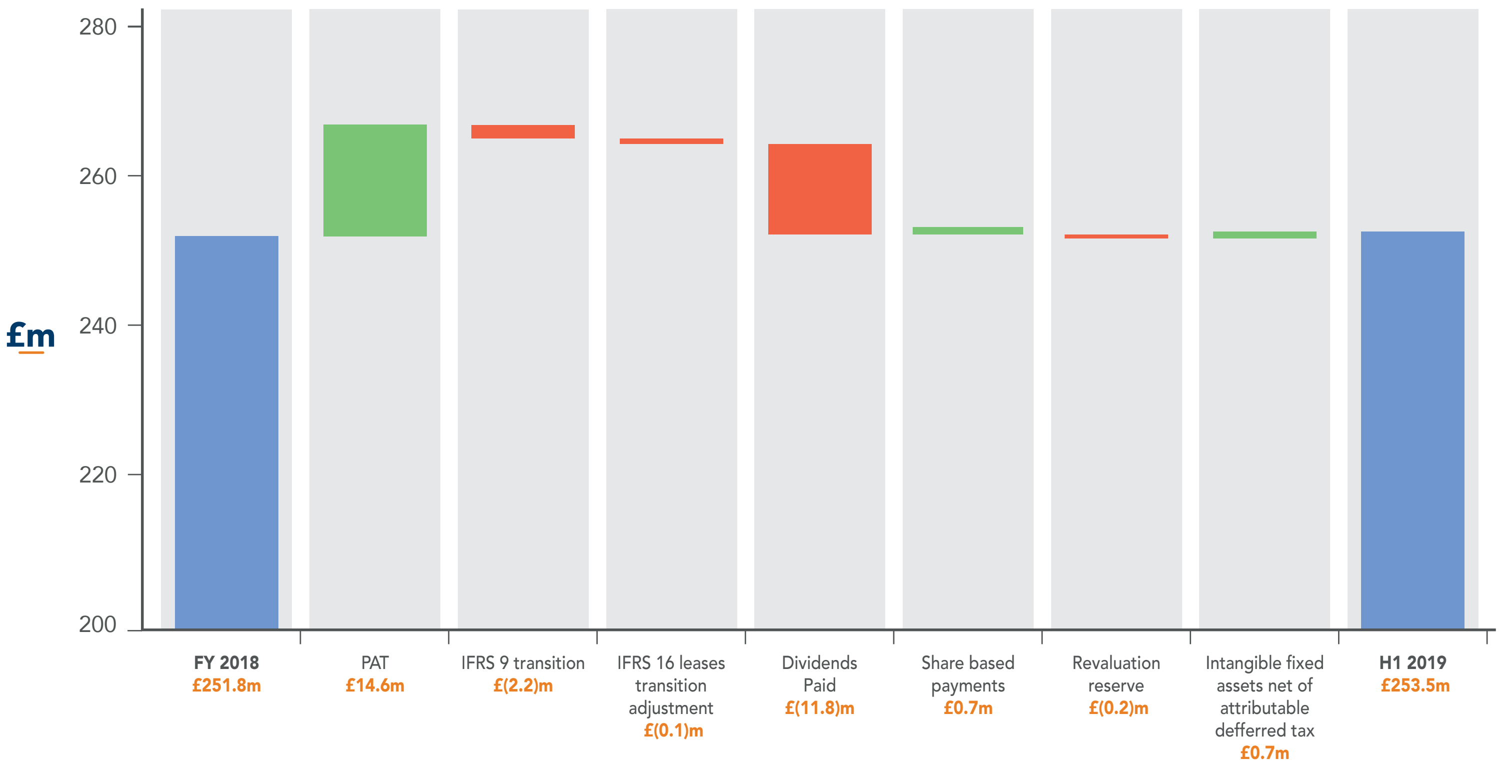



- The capital conservation and countercyclical buffers have increased 33% to £69.6m due to balance sheet growth and the increase to the Capital Conservation Buffer
- The Group's CET1 capital levels are healthy with a CET1 ratio of 12.8% (2018: 13.8%) and a total capital ratio of 15.2% (2018: 13.8%)
- The year on year movement in the CET1 ratio is a function of the investment of capital to support the strong growth in the loan portfolios
- Both ratios remain comfortably ahead of the minimum regulatory requirements and demonstrate capacity to continue growing customer lending balances in H2

*The countercyclical buffer increased from 0.5% to 1% on 28 November 2018.*
*The capital conservation buffer increased from 1.875% to 2.5% on 1 January 2019.*

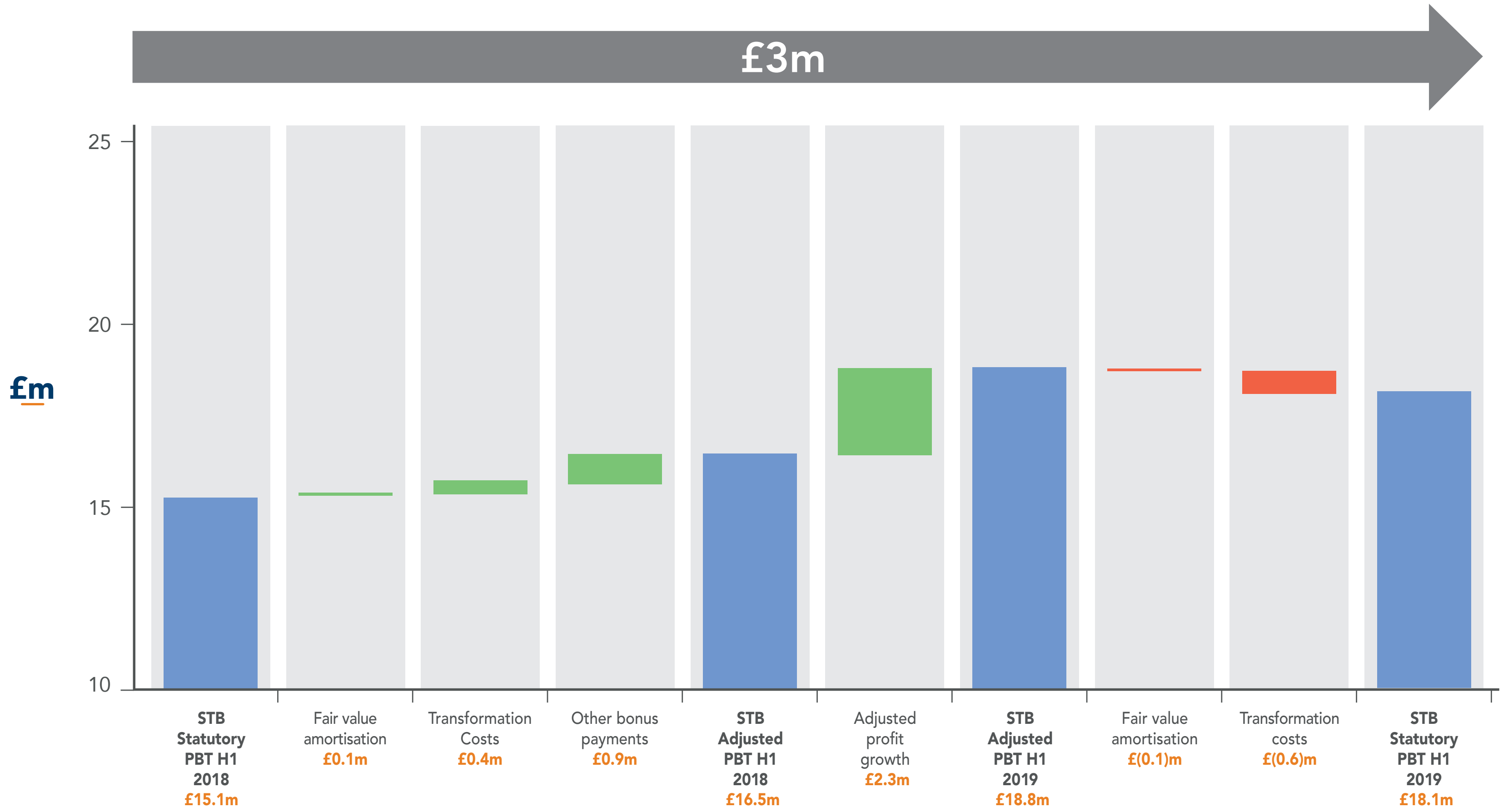
# CET 1 CAPITAL BRIDGE

- CET1 of **£253.5m** reflecting an increase on FY 2018 of **£1.7m (1%)** and primarily driven by the increase in Group profits net of final dividend paid.
- The IFRS 9 transitional adjustment to capital arises from the group making an election to phase in the impact of transitioning to IFRS 9 over a five year period, by applying add back factors of **95%**, **85%**, **70%**, **50%** and **25%** for years one to five respectively. Hence the **£2.2m** adjustment arises from the add back factor changing from **95%** to **85%**.



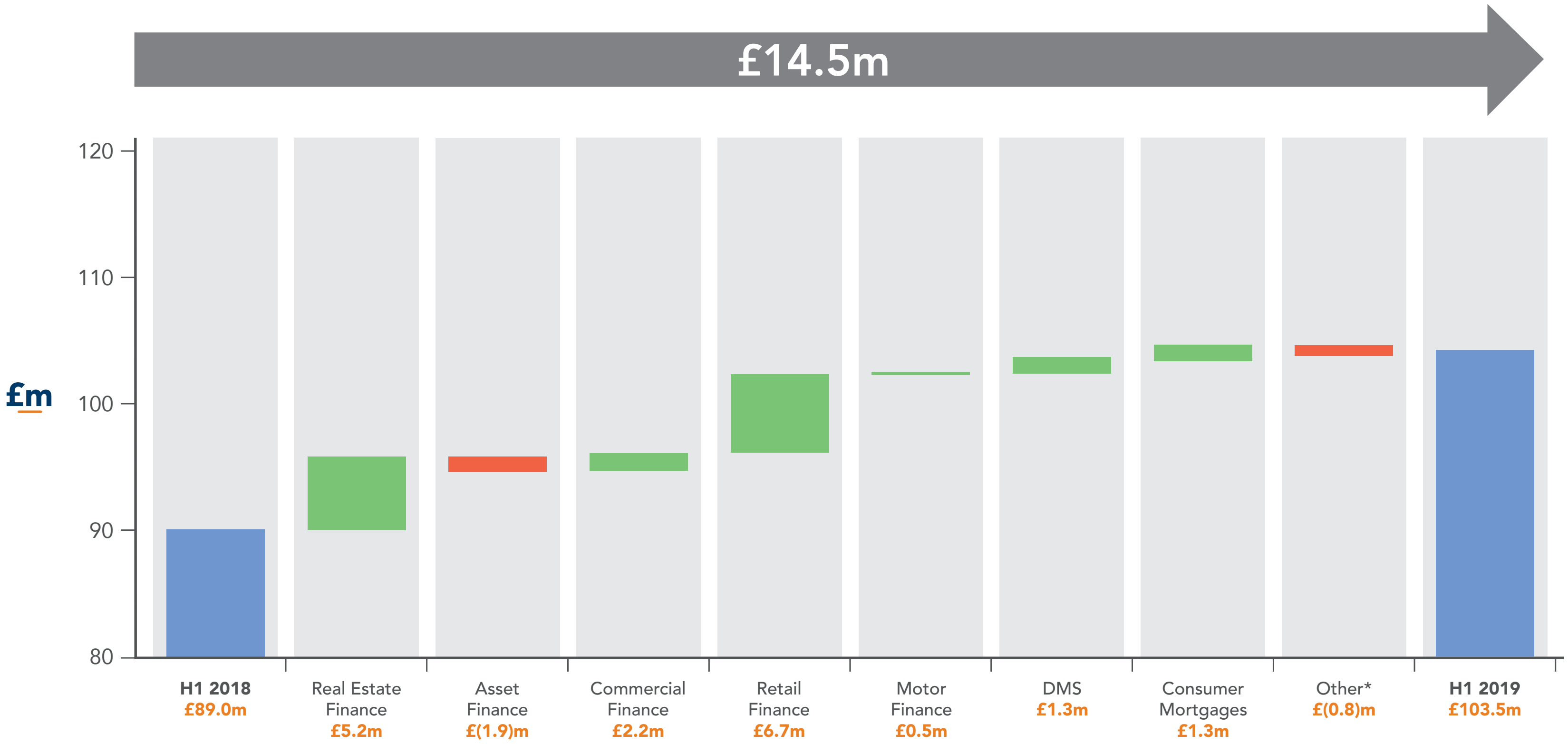
# PROFIT BRIDGE

## Statutory PBT of £18.1m reflecting an increase on H1 2018 of £3m (20%)



# INCOME BRIDGE

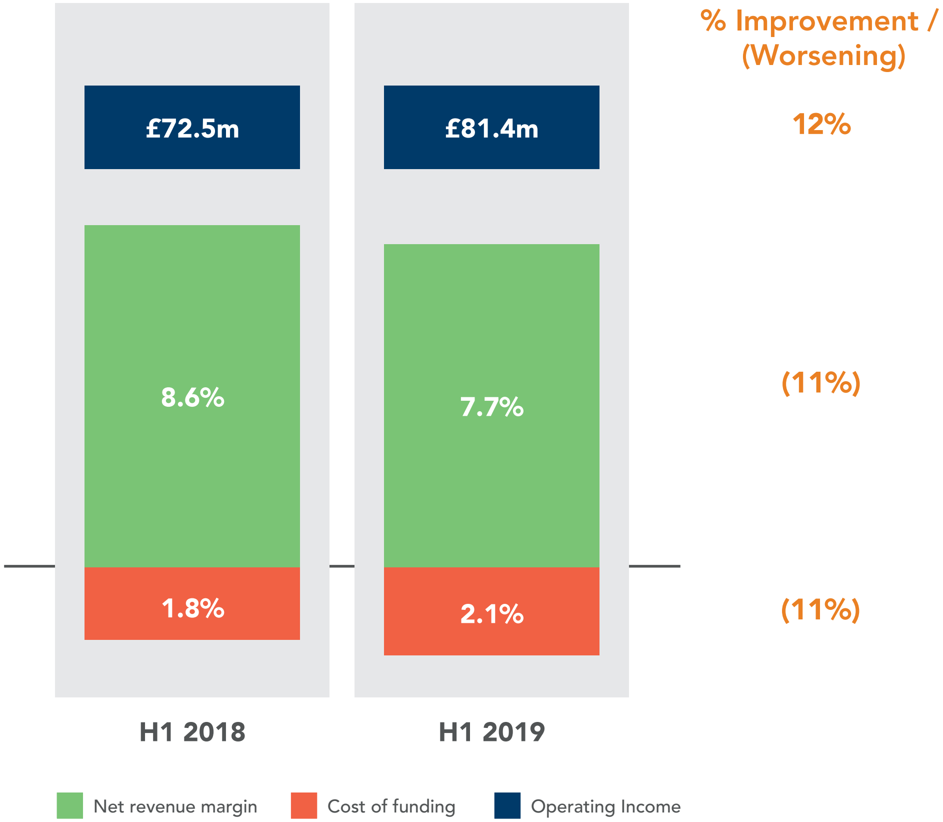
## Increase on H1 2018 of £14.5m (20%)




*Income before interest expense, commission expense and impairment losses.*
**Central, Transactional and Other Income. Transactional includes OneBill and Rentsmart.*

# EVOLVING NET REVENUE MARGIN

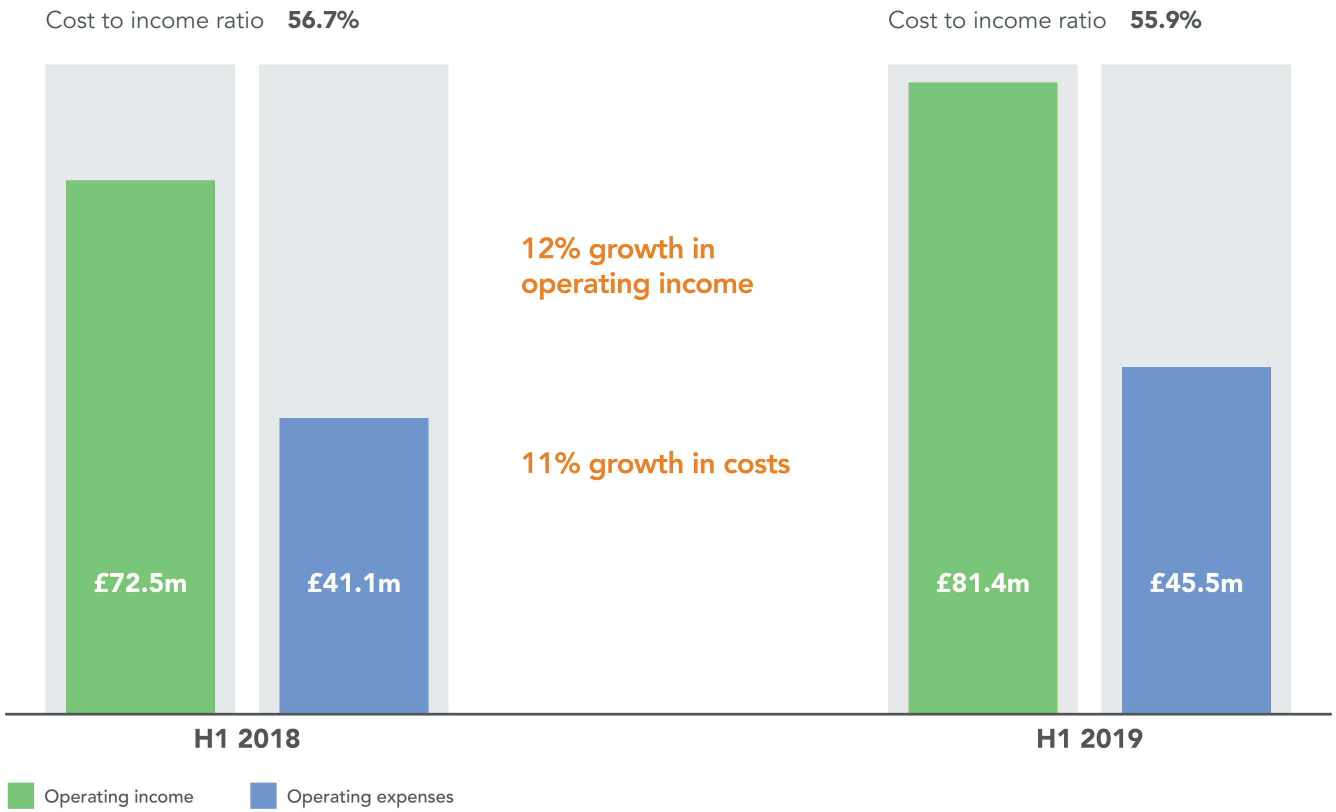
## Successful shift towards lower risk, lower margin lending




- New business volumes have driven 12% increase in operating income
- Reduction in net revenue margin driven by shift to better quality lending within the Consumer Finance books
- The higher cost of funds arises due to the raising of subordinated debt in 2018 and the Bank of England base rate rise in the same year
- Extension of Savings product range including ISAs will serve to reduce cost of funds

# INVESTING IN BUSINESS GROWTH AND NEW PRODUCT LINES

## Reflects continued investment in the Group's businesses, most notably Motor Finance, as well as in Treasury and Risk Management capabilities



# BALANCE SHEET SUMMARY

| £m | H1 2019 | H1 2018 |
|---|---|---|
| Cash and balances at central banks | 101.9 | 126.7 |
| Debt securities held to maturity | 110.0 | 150.0 |
| Loans and advances to banks | 67.3 | 34.2 |
| Loans and advances to customers | 2,278.3 | 1,839.1 |
| Other assets | 49.6 | 37.1 |
| **Total Assets** | **2,607.1** | **2,187.1** |
| Deposits from customers | 2,001.5 | 1,656.8 |
| Wholesale funding | 263.5 | 263.3 |
| Tier 2 | 50.5 | 0.0 |
| Other liabilities | 51.3 | 42.0 |
| **Total Liabilities** | **2,366.8** | **1,962.1** |
| Total Shareholders' equity | 240.3 | 225.0 |
| **Total liabilities and shareholders' equity** | **2,607.1** | **2,187.1** |
| **Loan to deposit ratio** | **113.8%** | **111.0%** |
| **BoE asset encumbrance*** | **14.4%** | **7.0%** |
| **Equity per Share (£)** | **13.01** | **12.18** |

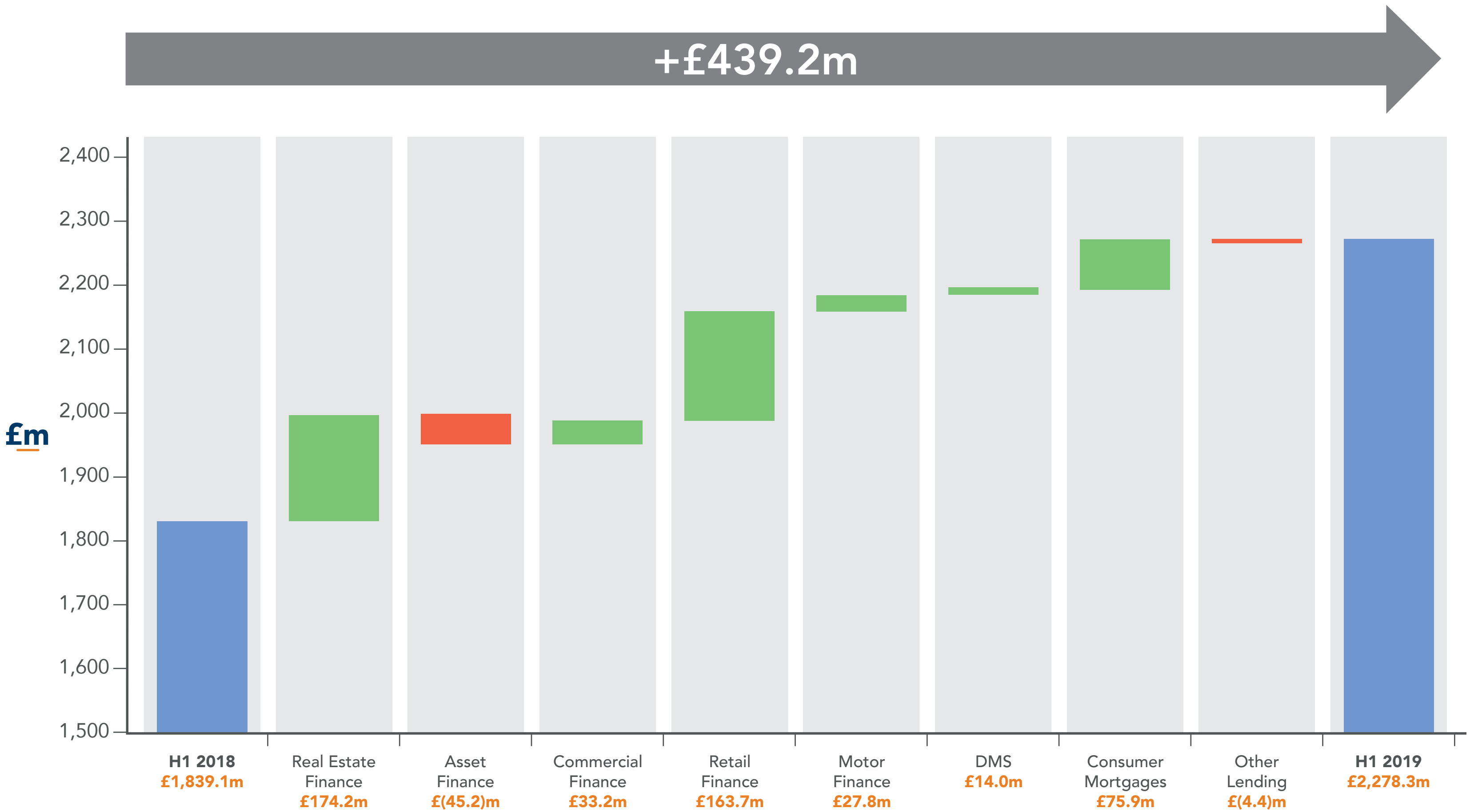
**On a continuing basis:**

- Loan book has exceeded **£2.2bn** up **24%** over prior year (H1 2018: £1.8bn)
- Deposits from customers up **21% to £2,001.5m**
- Modest utilisation of TFS
- The Group has maintained its liquidity ratios in excess of regulatory requirements throughout the year and continues to hold significant levels of high quality liquid assets
- Shareholders' equity **up 6.8% to £240.3m**

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

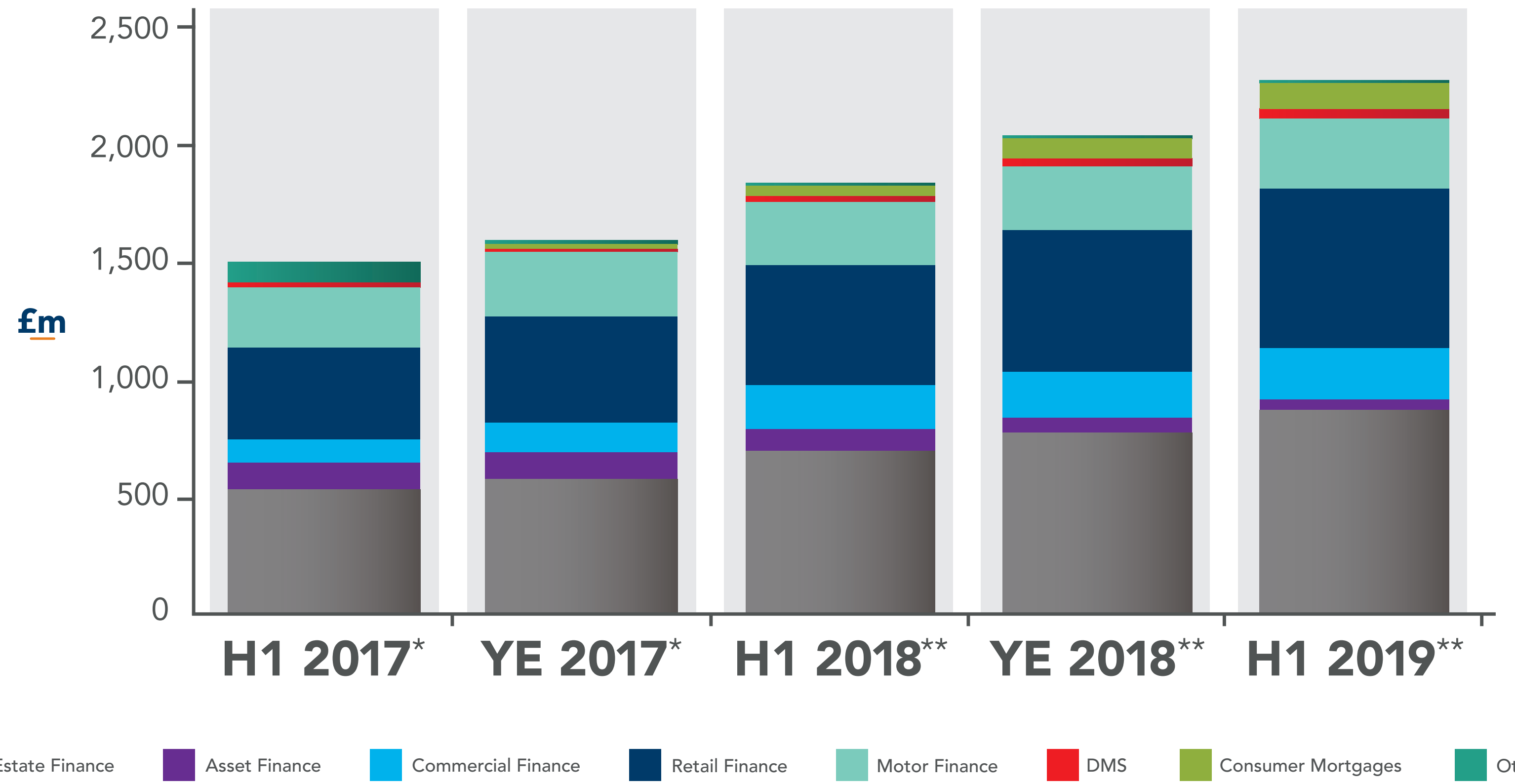
# LENDING BRIDGE

## Increase of £439.2m (24%) year on year



# CUSTOMER LOAN PROGRESSION

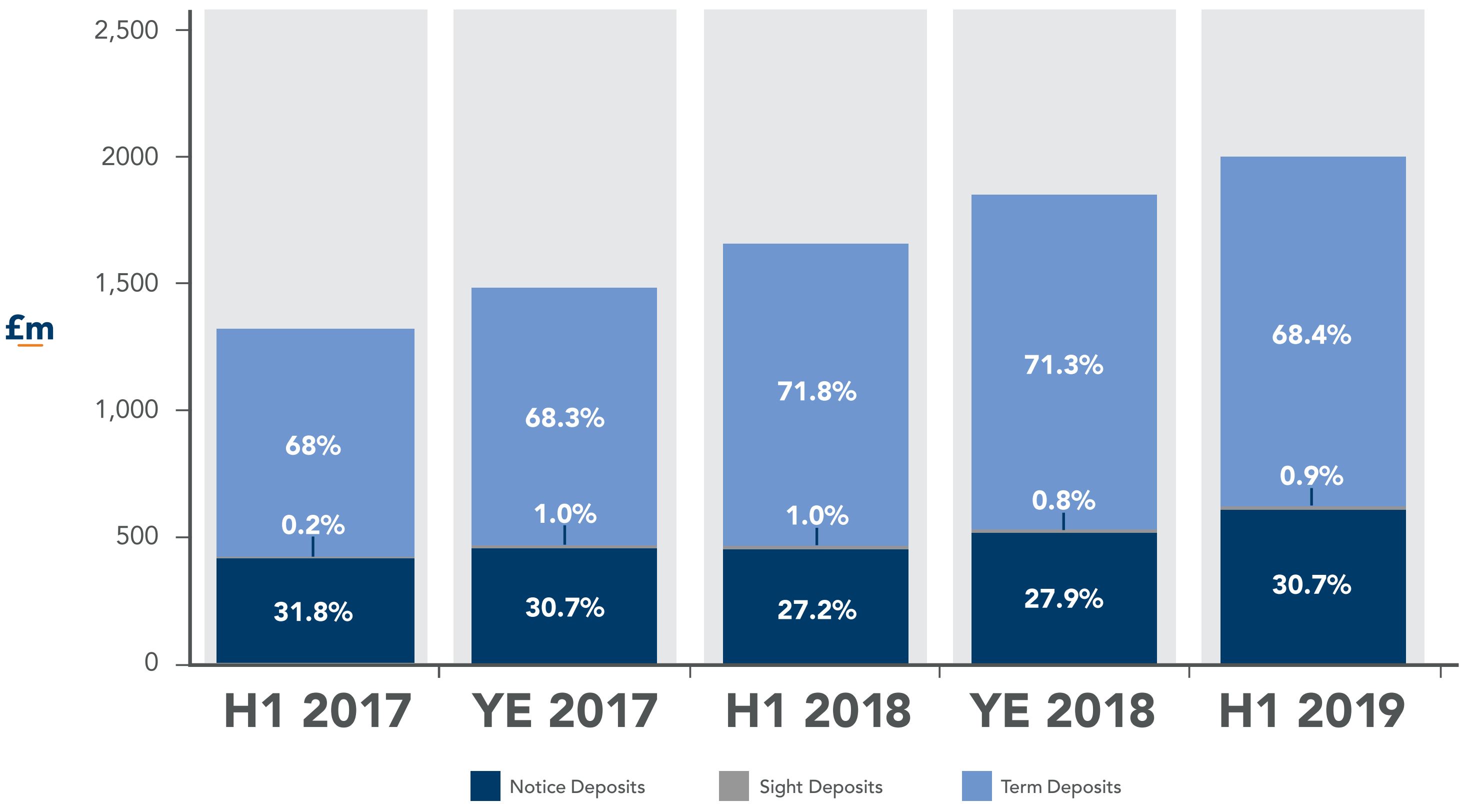
## Increase on YE 2018 of £249.4m (12.3%) on a continuing basis




*On an IAS 39 basis.
**On an IFRS 9 basis.

# CUSTOMER DEPOSIT PROGRESSION

## Increase on YE 2018 of £153.8m (8.3%)



# STRATEGIC PRIORITIES DELIVERING FOR FURTHER GROWTH

## Organic growth

- Motor transformation underway with first wholesale finance product, auction stocking, delivered under the V12 Vehicle Finance brand
- Continuing to invest in our people and platforms to ensure sustainable and significant growth as well as enhance customer experience, particularly in Retail Finance and Motor Finance businesses
- SME businesses – continued growth in the Real Estate Finance and Commercial Finance businesses

## Diversification

- New Deposit products to be launched this year, with Fixed rate Cash ISAs launched in April 2019

## Credit quality

- New business mix to continue to reduce credit risk

## M&A Activity

- The Group continues to progress growth plans and broaden its strategic options
- Actively pursuing new business opportunities that provide a good strategic fit and meet risk appetite
- Evercore appointed as Financial Advisors

# NAVIGATING CONTINUED UNCERTAINTY

**The Group is well positioned to navigate uncertain conditions:**

- Continuing economic and political uncertainty
- Variable demand for property development finance and slowing house price growth
- More cautious business outlook
- Little change noted in consumer behaviour

**Strong position due to:**

- Diverse and flexible business model
- Short-duration nature of Retail Finance assets
- Well placed in a number of attractive lending classes
- Improving quality of the lending books

**Regulatory direction of travel appears to continue to move towards a more level playing field for specialist lenders including:**

- MREL (Minimum Requirement for own funds and Eligible Liabilities) capital requirements
- Basel Committee new capital regime (capital floors)
- British Business Bank programmes, particularly within Real Estate Finance

# SUMMARY AND OUTLOOK

- Positive momentum has continued delivering strong profit growth:
  - Statutory PBT up **20%** and adjusted PBT up **14%**
- Healthy capital and liquidity positions maintained
- Continued focus on credit quality improvement
- Continuing investment in the business, including further phases of motor transformation
- Benefits of diverse and flexible business model demonstrated by ability to take advantage of market opportunities
- Well-positioned for current conditions and ready to take advantage when the economic outlook improves

SecureTrust Bank

Straightforward transparent banking

SECTION 3

# APPENDICES

# CUSTOMER FEEDBACK AND AWARDS

## V12

### Customer feedback from feefo
### 4.8 stars

“I have used this service on a few occasions and have found it very handy. It has allowed me to purchase goods on sale prices and save money by paying off the finances early. Would highly recommend.”

“Hassle free seamless purchase of goods using V12 finance. I've used them several times when buying tyres etc... Top marks for a very well provided service. Thank you V12.”

“It was simple and straightforward at point of sale and until end of contract. Enabled me to splash out on a statement piece.”

*All scores and comments as of June 2019.*

# CUSTOMER FEEDBACK AND AWARDS

## Deposits

### Customer feedback from feefo
### 4.4 stars

“Everything ran very smoothly and customer service staff were very helpful.”

“First class. So happy, I have just reinvested with Secure Trust when my current bond matured.”

“Fantastic customer service, gives you reassurance that your money is safe.”

“Very professional. Gave the impression that security was crucial. Very helpful on asking queries.”

“So far I can't fault them. Communication is excellent and it was easy to set up the account. Brilliant.”

“Excellent customer service by friendly, efficient staff.”

“Simple to set up and excellent rate offered.”

“Thoroughly recommend.”

“Excellent, easy to set up.”

“Very easy to open account and communication very good on first deposit.”

“Easy to apply, good communication, good rate of interest. What's not to like?”

“Very easy to set up an account, would recommend.”

*All scores and comments as of June 2019.*

# CUSTOMER FEEDBACK AND AWARDS

## Motor Finance

### Customer feedback from feefo
### 4.7 stars

"Quick and easy to deal with."

"No problems no hassle, which is what we all want as time is precious."

"From making one phone call to approving my car finance in less than a day. Then picking up our new car again hassle free. In 45 years of having cars on finance, Moneyways have been the easiest, quickest, company I have ever used. I will be recommending you to family & friends."

"Great company helped me when others wouldn't and always helpful if I have any problems."

"Really quick response easy to set everything up. Everything went really smoothly and paid out quickly. Great service. Absolutely amazing from start to finish, very quick turnaround will be recommending to friends and family."

"I am grateful and thankful for the excellent service I have received from Moneyway."

*All scores and comments as of June 2019.*

# CUSTOMER FEEDBACK AND AWARDS

## Motor Finance

### Customer feedback from feefo
### 4.7 stars

“Moneyway was fantastic from start to the end, service 10 out of 10. Patience, polite, helpful. Kept us informed all the way.”

“The service from Moneyway has been second to none. I cannot recommend Moneyway highly enough and will definitely be using them to finance my next vehicle.”

“I can honestly say I have nothing but praise for this company, from the start to the end of my finance agreement with them. Great honest advice all the way through, and great communication. I thoroughly recommend them.”

“I used Moneyway for a hire purchase agreement and they have been nothing but amazing!”

“Can't fault Moneyway, gave me all the help and put everything in place for me just to pick up the car and made sure I was happy with everything before I got the car, will definitely use moneyway again.”

*All scores and comments as of June 2019.*

# BUSINESS TO BUSINESS FEEDBACK

## Motor Finance

"The V12 VF stock funding facility system and process was so simple and easy to use, from initial set up to the purchase of vehicles at the auction. I would definitely recommend the facility to other dealers for ease of use combined with competitive rates."

**Ray Najim,**
**Director, Car Kingdom**

## Commercial Finance

"Secure Trust Bank Commercial Finance made an excellent partner in this transaction. Working with a lender that has a long-term view was essential, and Secure Trust Bank offered a facility that can be flexible and grow in-line with the business. We look forward to continuing our work with the team as we strive for Prima's national expansion."

**Nick Russel,**
**Chairman, Prima Electronics**

"Endless has worked with Secure Trust Bank on a number of transactions in the past, and we've been impressed by the team's can-do attitude and speed of delivery. We're looking forward to continuing our work with the team, as we embark on the implementation of our value creation plan."

**Chris Cormack,**
**Investment Director, Enact**

*All comments as of June 2019.*

# BUSINESS TO BUSINESS FEEDBACK

## Real Estate Finance

“We have built a good relationship with the team at STB and were once again impressed by their passion for our product and drive to deliver on a loan structure that worked well for us.”

**Sevi Rixson,**
**Managing Director, Studious**

“Secure Trust Bank provided a commercial approach which allowed us to repay our existing funder over a tight deadline where a pre-Christmas 2018 outcome was strongly preferred. By working closely with Secure Trust Bank and our advisors, we achieved the objective in the required timescales.”

**Alan Webb,**
**Director, Mew Investments Limited**

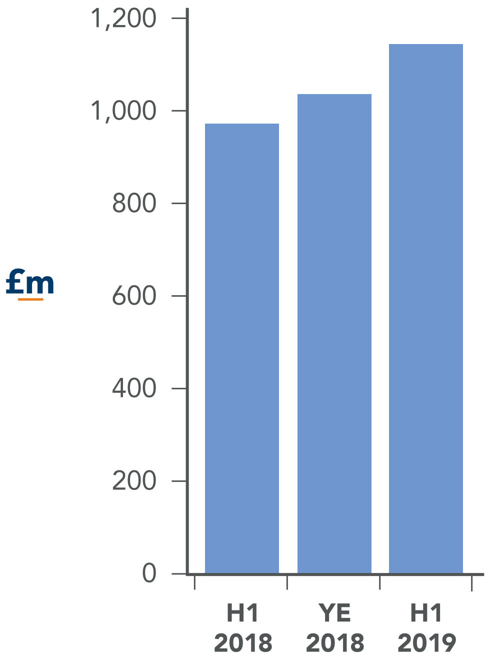
“At Kingsford Group we have been impressed with the proactive approach taken by the team at Secure Trust. Professional, and keen to compete strongly in the market, but what was clear to us from the start was that building a successful long term relationship was an overriding driver for the bank. As a client we are aligned and value that approach. Agile in response, the team took the time to fully understand Build to Rent as an emerging assets class and had the flexibility to create the right commercial structure to fit the project requirements all of which provided great confidence in Secure Trust as a funding partner. It is an exciting time for Kingsford to be leading and at the forefront of an innovative new growth sector in housing delivery and we are looking forward to Secure Trust being very much a part of the team as we grow our business.”

**Alex Watts,**
**CEO, Kingsford Estates**

*All comments as of June 2019.*

# BUSINESS FINANCE

## Business Finance Loan book £m




| Business Finance | H1 2018 | YE 2018 | H1 2019 |
|---|---|---|---|
| Revenue £m | 28.3 | 61.2 | 33.8 |
| Impairments £m | (1.6) | (2.7) | (0.7) |
| Loan book £m | 980.2 | 1,027.3 | 1,142.4 |

# 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

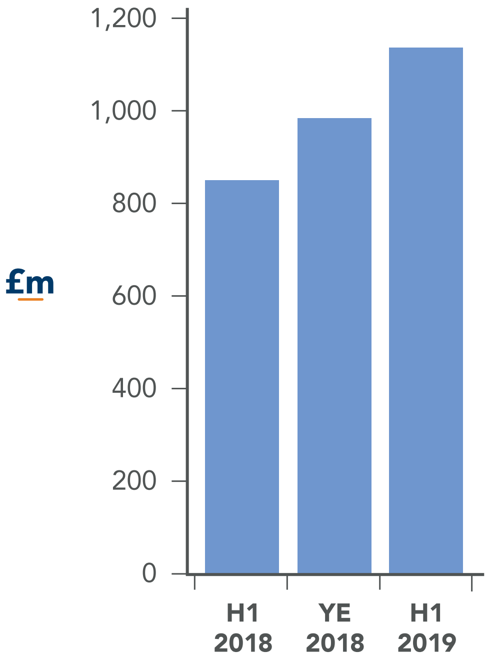
- Provides a full range of asset based lending solutions including invoice factoring and discounting
- Also provides SME commercial owner occupiers with finance to buy the property they trade from
- Key factors to the strength of the business: **the speed of decision making and strong risk management**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

# CONSUMER FINANCE

## Consumer Finance Loan book £m




| Consumer Finance | H1 2018 | YE 2018 | H1 2019 |
|---|---|---|---|
| Revenue £m | 56.7 | 119.8 | 66.5 |
| Impairments £m | (15.4) | (30.8) | (17.2) |
| Loan book £m | 845.6 | 990.4 | 1,127.0 |

*H1 2018 and YE 2018 Consumer Financials have been restated to include Consumer Mortgages results, which is now categorised with Consumer Finance FY 2018 onwards*

# 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
- Auction stocking product launched in July 2019

# STRATEGY CONTINUES TO DELIVER

## Maximise shareholder value:

### grow

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.

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