2021
Interim Results

05 August 2021

Secure Trust Bank

Section 1

Interim 2021 Overview

DAVID McCREADIE
CHIEF EXECUTIVE OFFICER

Record profits delivered as recovery continues

- The Group delivered a record profit of £30.7m in H1 2021, an increase of 502% on H1 2020 predominately driven by a reduction in impairment charges
- New business lending increased by 28%
- Low levels of payment holidays outstanding (Retail: 0.05%, Motor: 0.03%), with the vast majority up to date
- Disposals of non-core portfolios completed in July 2021
  - Consumer Mortgages
  - Asset Finance
- New dividend policy agreed by the Board:
  - 25% of full year EPS to be returned to shareholders
  - Interim dividend of 20p proposed (Interim 2020: Nil)
- Our strategy, diversified business model and strong balance sheet position us to deliver our growth ambitions and medium term targets

CET 1 Ratio
14.2%
H1 2020: 13.5%

Net Interest Margin
6.3%
H1 2020: 6.4%

Cost of Funds
1.4%
H1 2020: 1.9%

Cost Income Ratio
64.0%
H1 2020: 52.7%

Return on Average Equity
18.8%
H1 2020: 3.0%

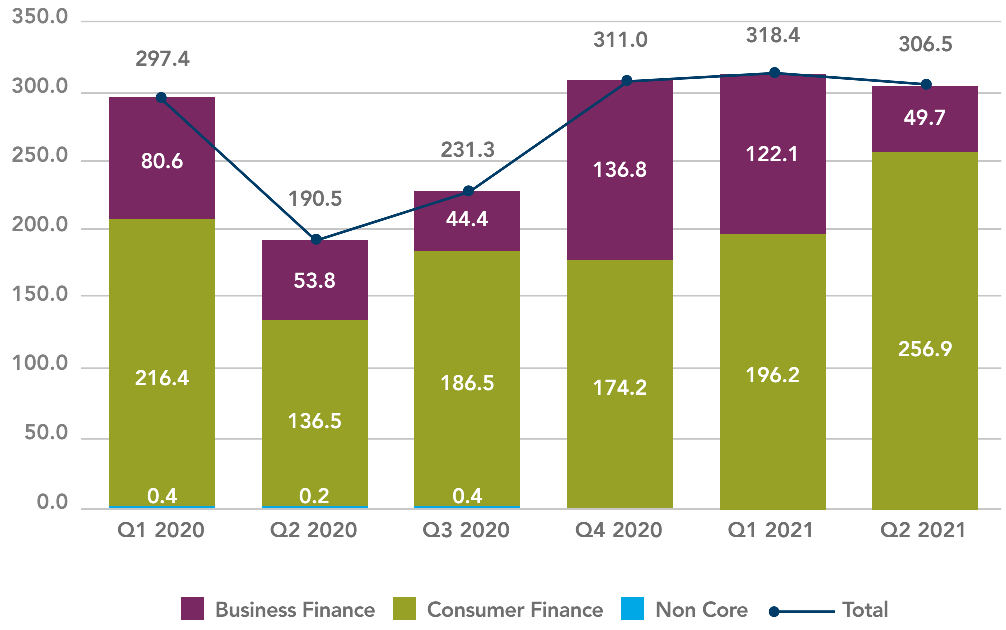
New Business Volumes

Strong Q4 2020 new business performance has continued into 2021

New business trends

- By Q4 2020, new business volumes had returned to pre-pandemic levels and they have continued to exceed the levels achieved in Q1 2020
- Consumer has performed strongly post the second lockdown with Q2 2021 delivering an 88% increase compared to Q2 2020
- Applications are strong in Retail Finance with near record months of new business in Q2 2021 and Motor has returned to pre-pandemic levels
- Business Finance has picked up significantly in H1 2021 with a 28% increase on H1 2020. The larger ticket size nature of this division produces some volatility. The pipeline in both Real Estate Finance and Commercial Finance enter H2 2021 in a strong position

New Business



Diversified Portfolio

Return to growth across all core divisions, margins remain steady and cost of risk improved.

	Business Finance 54.2% of loan book (FY 2020 54.4%)		Consumer Finance 43.1% of the loan book (FY 2020 41.7%)			Non Core 2.7% of loan book (FY 2020 3.9%)	STBG
	Real Estate	Commercial	Retail	Motor	DMS		
STBG product offering	Residential and commercial investment and development lending	Invoice discounting and debt factoring	Prime credit across a range of retail sectors including cycle, leisure and furniture	Prime and non-prime lending in the used car market	Debt collection acting for a range of internal Group and external clients	Asset Finance and Consumer Mortgages (both closed to new business)	
% Change	0.4%	3.8%	5.5%	0.2%	10.5%	(29.6)%	1.3%
Loan Book HY 2021 £m	1,056.6	239.4	694.3	244.3	90.4	64.9	2,389.9
Loan Book FY 2020 £m	1,051.9	230.7	658.4	243.9	81.8	92.2	2,358.9
Cost of Risk HY 2021	0.2%	(0.0)%	0.7%	(3.4)%	(1.8)%	(3.2)%	(0.2)%
Cost of Risk HY 2020	0.4%	1.0%	4.0%	11.4%	0.0%	6.9%	2.9%
Net Revenue Margin HY 2021	3.0%	5.6%	8.6%	13.7%	15.3%	15.1%	6.9%
Net Revenue Margin HY 2020	3.0%	4.7%	9.1%	13.6%	13.2%	14.1%	7.0%
Net Interest Margin HY 2021	3.0%	2.4%	8.4%	13.7%	15.0%	12.5%	6.3%
Net Interest Margin HY 2020	3.0%	1.9%	8.8%	12.5%	11.9%	10.4%	6.4%
Secured/Unsecured	Secured on Property	Secured on Debtors	Unsecured	Secured on Vehicles	Unsecured	Secured on Assets & Property	67.2%

Section 2

Financial Review

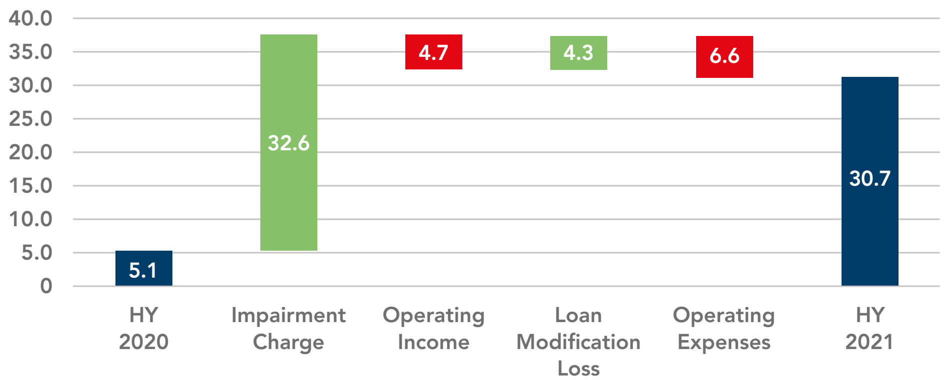
RACHEL LAWRENCE
CHIEF FINANCIAL OFFICER

Summary Income Statement

Record half year trading performance with statutory PBT of £30.7m.

£m	HY 2021	HY 2020	% Change
Net interest income	73.5	77.9	(5.6)%
Net fee, commission and other income	6.7	7.0	(4.3)%
Operating Income	**80.2**	**84.9**	**(5.5)%**
Impairment charge	1.1	(31.5)	103.5%
Loan modification loss	0.7	(3.6)	119.4%
Operating expenses	(51.3)	(44.7)	(14.8)%
Statutory profit before tax	**30.7**	**5.1**	**502.0%**
NIM	6.3%	6.4%	(1.6)%
Cost to income ratio	64.0%	52.7%	21.4%
ROAE	18.8%	3.0%	526.7%
Basic EPS (pence)	139.5	21.0	564.3%
Proposed HY dividend per share (pence)	20.0	–	–

HY20 to HY21 Profit Before Tax



Statutory PBT up 502.0%

Predominately driven by reduced impairment charges

5.6% decrease in net interest income

Lower average lending balances of 3.8%, a 3.3% reduction in higher yielding Consumer as a % of total average lending balances offset by continued improvement in cost of funds

4.3% decrease in net fee and commission income

All driven by the closure of OneBill product. Core divisions performed well with an increase of 32% when compared to H1 2020

103.5% decrease in impairment charges

As a result of improved credit quality in Consumer division, reduction in Motor lending balances and improved forward looking macroeconomic assumptions

14.8% increase in operating expenses

Reflects continuing investment, readiness for growth and one-off items relating to 2020

ROAE of 18.8% and stable NIM at 6.3%

Net Interest Income

Lower interest income driven by lower average lending balances but stable Net Interest Margin (NIM) as a result of continued management of cost of funds

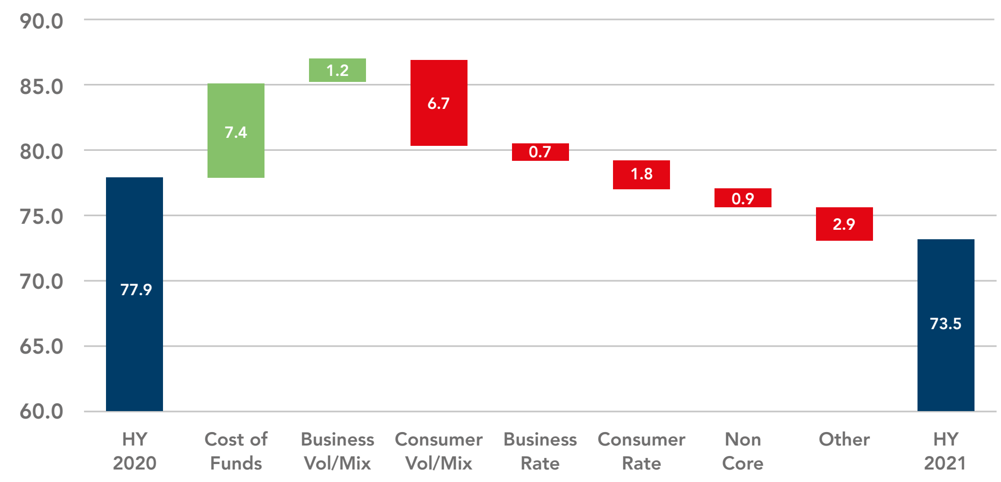
5.6% decrease in net interest income

- Continued management of deposits away from Term (50% H1 2021, 59% H1 2020) and lower rate environment reduced cost of funds by £7.4m in the year
- Average lending balances reduced by 3.8% resulting in a reduction of £3.8m of interest income
- Mix shifts away from Motor resulted in a reduction of £5.1m and the move away from interest bearing products in Retail also contributed a £2.8m reduction in interest income

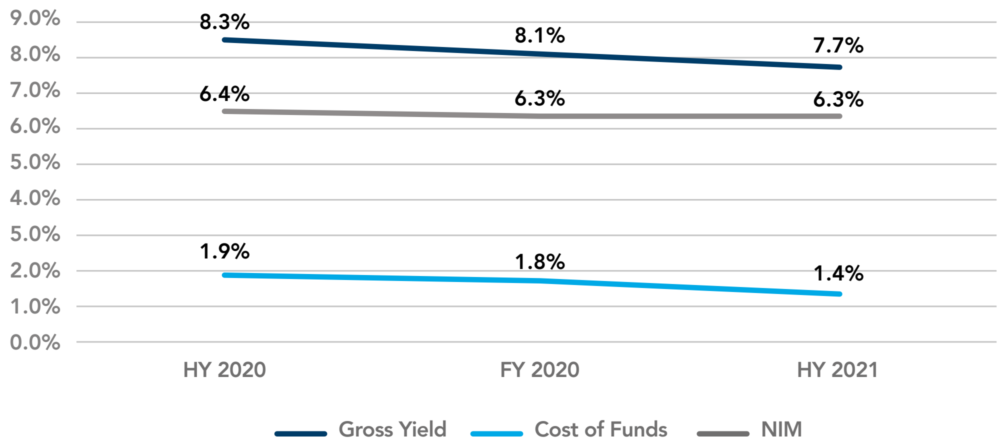
Stable NIM

- Cost of funds actions account for an increase in NIM of 52bps offset by lending mix impacts of 60bps (44bps Motor and 16bps Retail)
- As the Consumer lending balances grow over the second half of 2021 and in 2022 the mix impact on NIM should reduce

Net Interest Income (£m)



Net Interest Margin



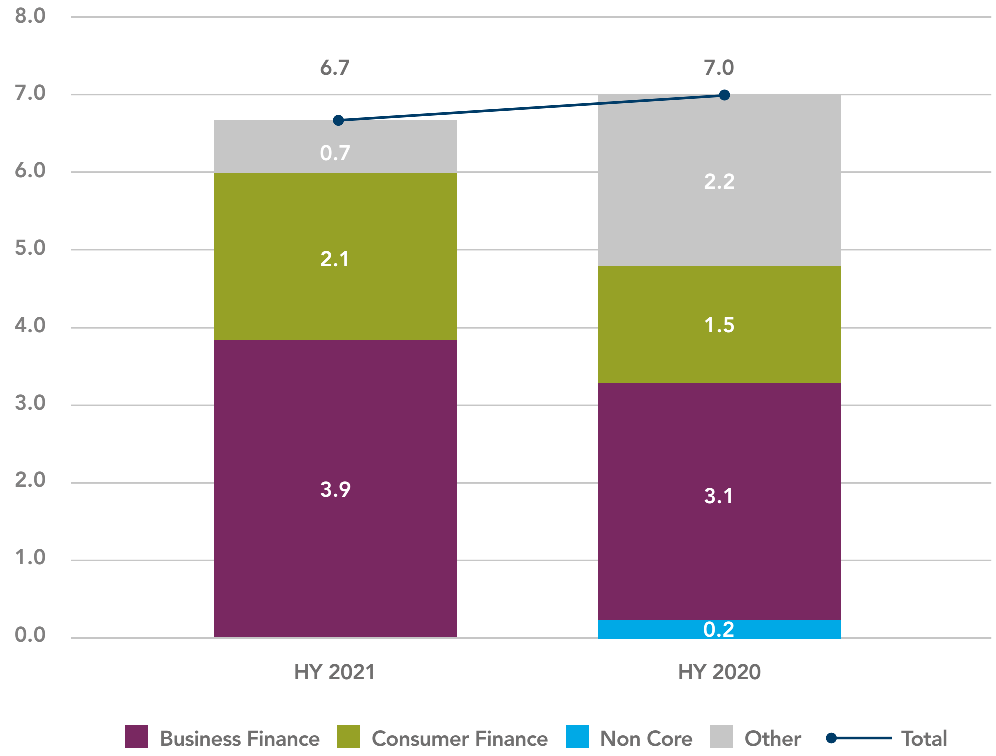
Net Fee, Commission and Other Income

Impacted by closure of OneBill but offset by increased activity in Core divisions

4.3% decrease in net fee, commission and other income

- Core divisions delivered a 30.4% increase in fee and commission income driven by increased volumes as the economy starts to open up
- Closure of OneBill resulted in the loss of £1.5m fee and commission income. There will be no income from this product in H2 2021. Cost savings arising from this closure are expected to be c.£1.2m in 2022

Net Fee and Commission Income (£m)



Operating Expenses

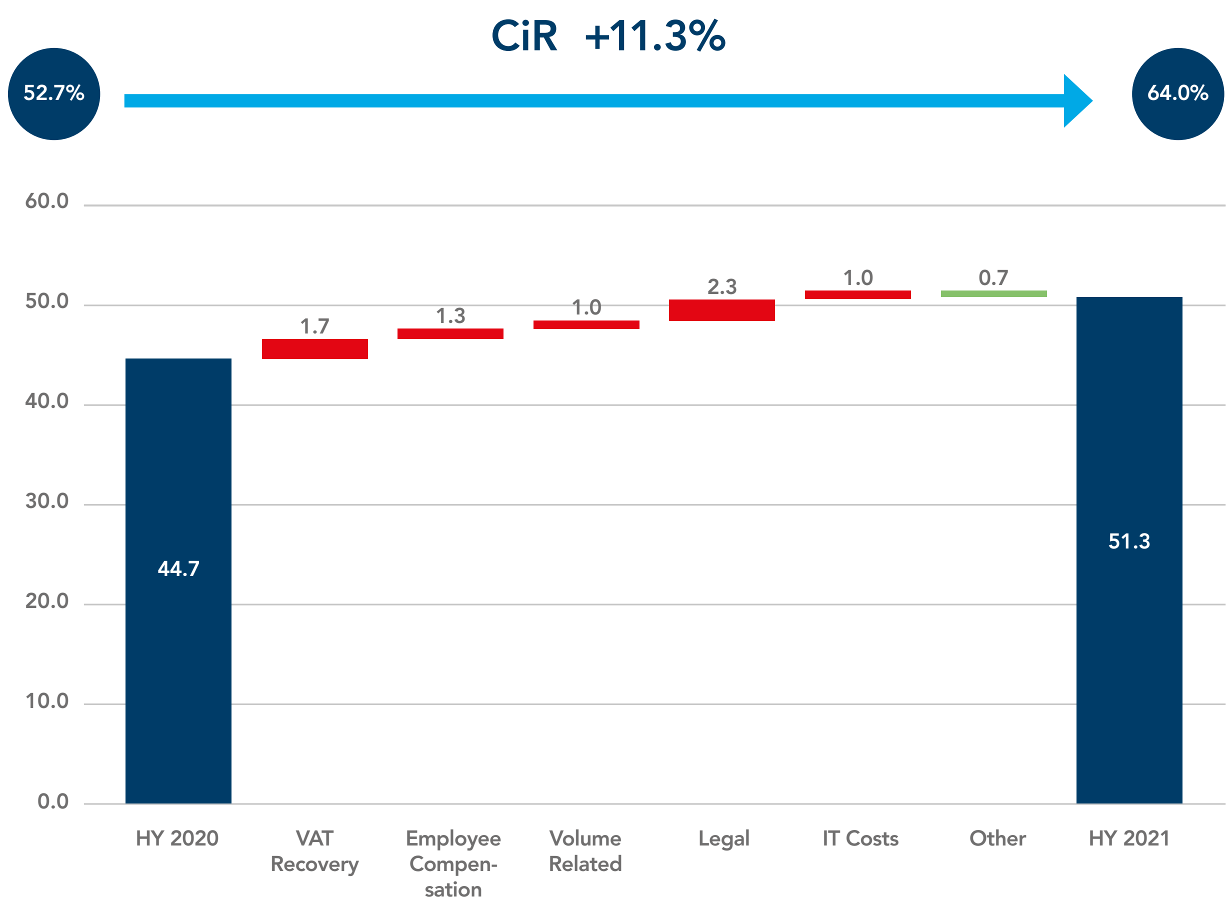
Increase in operating expenses and in cost income ratio reflects reversal of some one off costs, continued investment and readiness for growth.

£6.6m increase in operating expenses

- Increased volume related credit costs of £1.0m (+1.2% on CiR)
- Increased legal costs in relation to DMS as a result of new strategies to drive improved collections performance (£2.3m/2.9% on CiR)
- Investment in Motor Transformation drives an uplift in IT costs (£1.0m/+1.3% on CiR)
- Increase in employee costs as a result of dual roles for the CEO and CRO, level of bonus accrual, offset by lower headcount (£1.3m/+1.6% on CiR)
- No benefit of the one-off impact of VAT recovery £1.7m (+2.1% on CiR)

Outlook

- Growth strategy will impact CiR in the short term, medium term target of CiR between 50-55% will be achieved with increased income whilst maintaining cost discipline



Macroeconomic Scenarios (MES)

Improving macroeconomic outlook resulting in more favourable model assumptions while remaining prudent given near term uncertainties.

- A 1% reduction in peak unemployment rate in all scenarios except Severe has been applied, resulting in a still prudent weighted average peak unemployment rate of 7.2% (Dec 2020: 8.3%)
- HPI peak to troughs have also been reduced to reflect the current house price environment
- The weighting of the Severe scenario has reduced to 5% from 10% to reflect the improving environment and the lower probability of such a severe scenario
- Peaks have shifted out six months to reflect the extension to furlough scheme

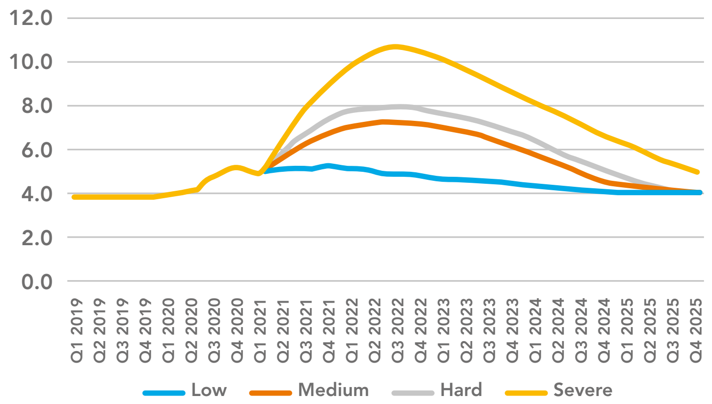
Sensitivities

Changing the Severe scenario weighting to 100% would result in an increase of £13.1m and a change to 100% weighting to the Low scenario would result in a decrease of £5.2m

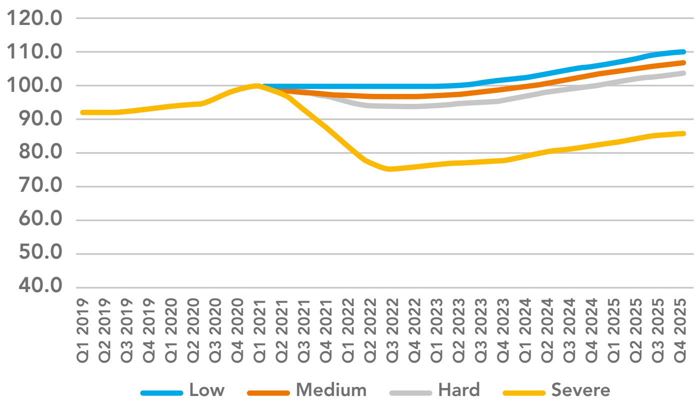
Economic Scenarios and Weightings (changes in red)

Scenario	30 Jun 2021 Weighting	30 Jun 2021 Peak Unemployment	30 Jun 2021 Peak to trough HPI reduction	31 Dec 2020 Weighting	31 Dec 2020 Peak Unemployment	31 Dec 2020 Peak to trough HPI reduction
Low	20%	**5.2%**	**0.8%**	20%	6.2%	4.1%
Medium	**50%**	**7.3%**	**3.9%**	45%	8.3%	8.2%
Hard	25%	**8.0%**	**7.0%**	25%	9.0%	8.2%
Severe	**5%**	10.7%	25.0%	10%	10.7%	25.0%

Unemployment Rate Scenarios



HPI Scenarios



Impairment Release

Improving quality of lending portfolio and improved macroeconomic outlook.

Impairment release of £1.1m

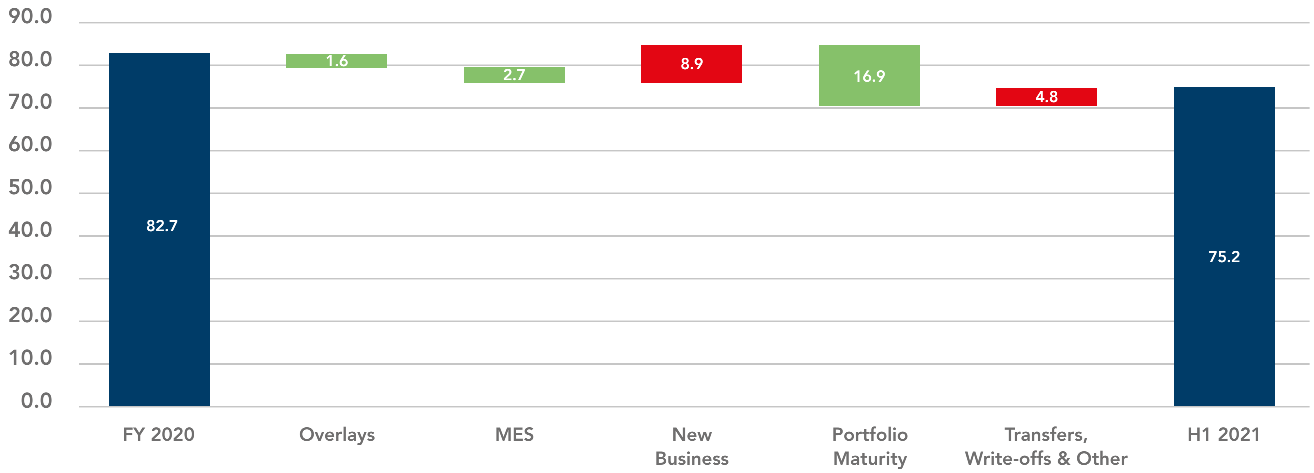
- Continued low arrears position, shifts to better credit quality assets and lower volumes of Motor new business drove a substantial decrease in provisions across the Consumer Finance portfolios
- A modest improvement in the forward looking macroeconomic indicators has been applied resulting in £2.7m reduction in provisions
- Coverage ratios remain prudent at 3.1% (Dec 2020 3.4%)

Cost of risk decreased from 2.9% at HY 2020 to (0.2)%

Impairment Charge/(Credit) by Division (£m)

	Business Finance		Consumer Finance			Non Core	STBG
	Real Estate	Commercial	Retail	Motor	DMS		All Products
H1 2021	1.1	-	2.4	(3.4)	(0.8)	(0.4)	(1.1)
H2 2020	3.2	-	1.6	5.8	8.9	0.3	19.8
H1 2020	2.0	1.1	12.9	14.9	-	0.6	31.5

Impairment Movement



Summary Balance Sheet

Assets remained steady with a small increase in loans to customers. Deposits from customers reduced by 2.6%.

£m	HY 2021	FY 2020	% Change
Cash and balances at central banks	138.4	181.5	(23.7)%
Debt securities	15.0	0.0	-
Loans and advances to banks	43.3	63.3	(31.6)%
Loans and advances to customers	2,389.9	2,358.9	1.3%
Other assets	50.5	60.4	(16.4)%
Total assets	**2,637.1**	**2,664.1**	**(1.0)%**
Deposits from customers	1,939.7	1,992.5	(2.6)%
Wholesale funding	310.4	276.4	12.3%
Tier 2	50.8	50.8	-
Other liabilities	47.5	73.9	(35.7)%
Total liabilities	**2,348.4**	**2,393.6**	**(1.9)%**
Total shareholders' equity	288.7	270.5	6.7%
Total liabilities and shareholders' equity	**2,637.1**	**2,664.1**	**(1.0)%**
Loan to deposit ratio	**123.2%**	**118.4%**	**4.1%**
Customer numbers	**1,546,068**	**1,536,602**	**0.6%**
Equity per share	15.49	14.52	6.7%

Balance sheet remains steady

- Loans and advances to customers increased by **1.3%** reflecting the return to growth. Excluding Non Core divisions underlying growth was **2.6%**
- Overall funding levels remained static at **£2.3 billion**, with a small reduction in customer deposits offset by higher TFS/TFSME drawings
- Tier 2 represents two tranches of **£25m 6.75%** fixed rate callable (2023) sub loans maturing in 2028
- Shareholders' equity increased by **6.7% to £288.7m**. Equity per share has risen from **£1.66** at IPO to **£15.49**, an increase of **833%**

Loans and Advances and New Business Volumes

Loans and advances grew by 1.3% at Group level and excluding Non Core divisions by 2.6%

New business volumes have continued to increase since H1 2020.

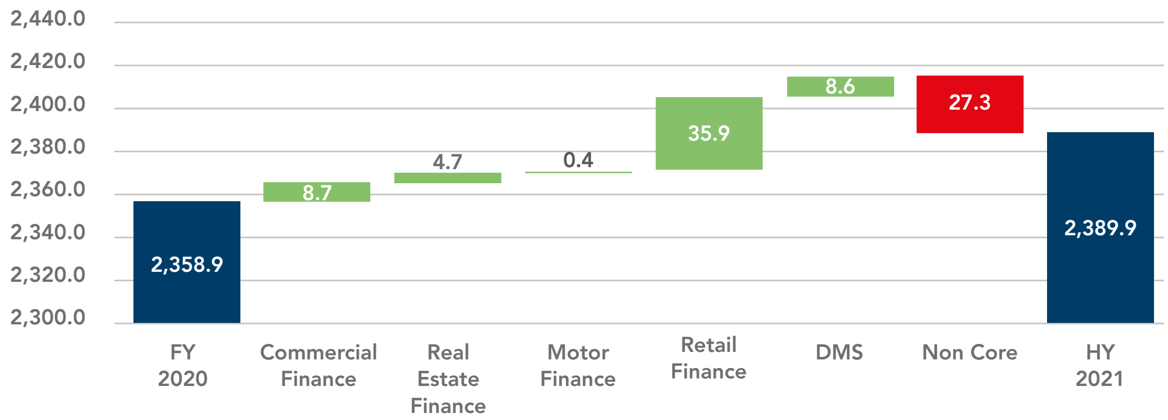
Loans and advances increase by £31.0m

- Business Finance remained relatively flat with growth of 1.0%
- Consumer Finance returned to growth, with Retail Finance growing 5.5% during the first half of 2021
- Non Core divisions reduced by 29.6% as these products run-off

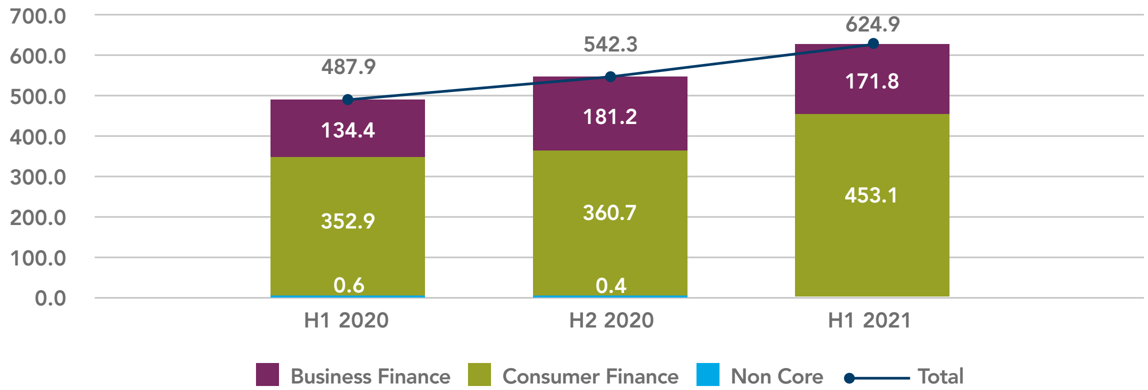
New business continues to grow, up 15.2% from H2 2020 and 28.1% from H1 2020

- Business Finance and Consumer Finance both up 28% on H1 2020
- Retail Finance achieving growth of 35% in Q2 2021 when compared with Q1 2020, surpassing pre-pandemic levels
- Motor has returned to pre-pandemic levels in Q2 2021

Net Loans and Advances



New Business



Funding

Total funding remained static

Mix of deposits continue to shift away from term delivering lower cost of funds

Product mix shift towards shorter dated deposits

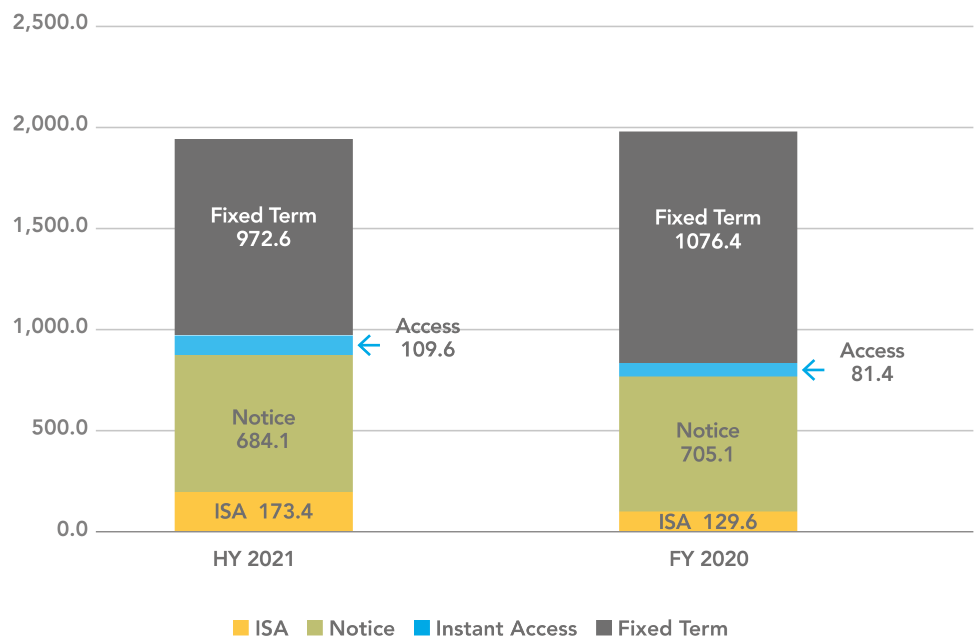
- Fixed term deposits represent 50.1% of customer deposits, a reduction of 3.9% from Dec 2020
- Focus on attracting ISA and Access account funding and the maturing of more expensive back book deposits and lower rate environment has reduced the cost of funds by 52bps to 1.4%

Additional funding from TFS/TFSME & ILTR

- TFS/TFSME drawings increased to £303.1m with no ILTR drawings remaining at H1 2021

LCR at 275.9% remains significantly in excess of regulatory minimums

£m	HY 2021	FY 2020	% Change
Deposits from customers	1,939.7	1,992.5	(2.6)%
TFS/TFSME & ILTR	303.1	273.1	11.0%
Amounts due from other credit insitutions	7.3	3.3	121.2%
Total Funding	**2,250.1**	**2,268.9**	**(0.8)%**



Capital

Strong and improved capital ratios.

Total capital increased by £11.4m

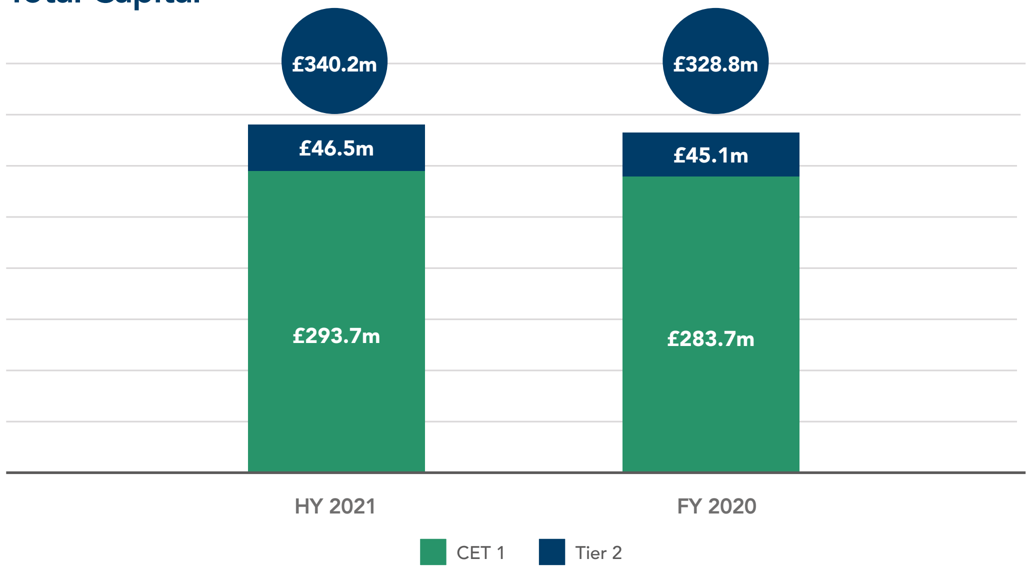
- CET 1 increased by £10.0m reflecting increased profits after tax of £26m but offset by reductions in IFRS transitional relief of £13.0m (£7.5m reversal of "Quick Fix" as a result of impairment releases and the reduction to 50% for the original IFRS 9 relief)
- Eligible Tier 2 increased by £1.4m reflecting the increase in RWAs

TCR improved by 0.1% with CET 1 stable at 14.2%

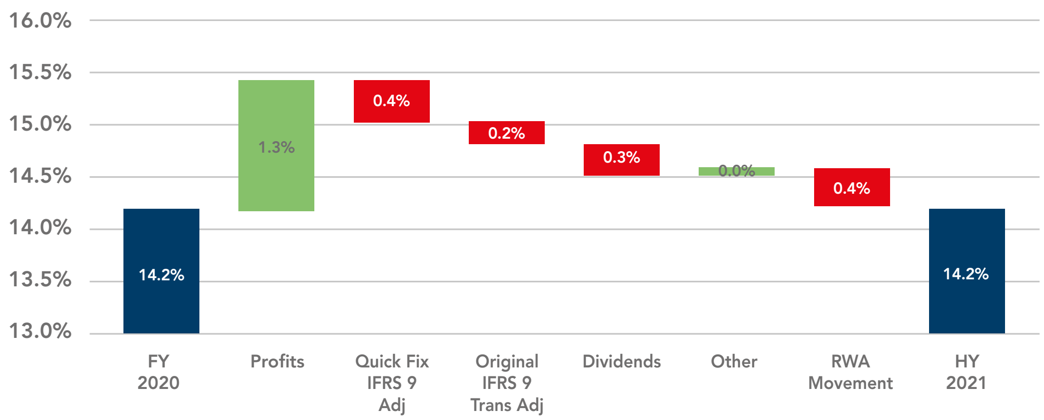
- Improvement driven by HY 2021 profits (+1.3%) and IFRS 9 transitional adjustment (-0.6%)
- RWAs have increased in line with balance sheet growth and operational risk movements

	HY 2021	FY 2020
CET 1	14.2%	14.2%
TCR	16.5%	16.4%
Leverage	10.9%	10.4%
RWAs	£2,065.0m	£2,001.5m

Total Capital



CET 1 Ratio Movement



Section 3

Looking Ahead: Strategy & Outlook

DAVID McCREADIE
CHIEF EXECUTIVE OFFICER

Strategic Priorities

We will continue to:-

- Serve businesses and consumers
- Operate in higher returning segments
- Utilise our specialist risk management skills
- Optimise our capital and liquidity strategies
- Create shareholder value

We will evolve and rearticulate our strategy:-

- Define our Core Purpose
- Simplify our business
- Become more efficient
- Scale organically
- Value-accretive M&A activity

Capital Markets Day to be held on 3 November 2021

- Share our rearticulated Purpose and Strategy
- Introduce leaders of our business units
- Articulate the growth opportunities in core businesses
- Capital allocation strategy and process outline
- Update on progress and growth ambitions

Medium Term Performance Targets

	H1 2021 Actual	Medium Term
Net Interest Margin	6.3%	>6.0%
Cost Income Ratio	64.0%	50% – 55%
Return on Average Equity	18.8%	14.0% – 16.0%
CET 1	14.2%	>12.0%

Outlook

- Evidence of developing economic recovery with increased lending activity
- Diversified and resilient business model is a key strength
- New dividend policy reflective of confidence in the business
- Strong capital and liquidity positions
- Positioned to deliver growth and ambitions and medium term targets

Section 4

Appendix

KPI Summary

Key Performance Indicator	HY 2021	HY 2020
Basic EPS (pence)	139.5	21.0
Return on average assets	2.0%	0.3%
Return on average equity	18.8%	3.0%
Return on required equity	21.6%	3.1%

Key Performance Indicator	HY 2021	HY 2020
Cost of risk	(0.2)%	2.9%
Cost of funding	1.4%	1.9%
Total cost to income ratio	64.0%	52.7%

Key Performance Indicator	HY 2021	HY 2020
Net interest margin	6.3%	6.4%
Net revenue margin	6.9%	7.0%
Gross revenue margin	8.3%	8.9%

Key Performance Indicator	HY 2021	HY 2020
Loan to deposit ratio	123.2%	118.9%
Common equity tier 1 ratio	14.2%	13.5%
Leverage ratio	10.9%	10.3%

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