2022

Interim Results

4 August 2022

Secure Trust Bank

Reporting basis

Throughout this document reference is made to statutory results which reflects both continuing ("Core") and discontinued ("Non-Core") operations as reported in the Interim Report for the 6 months ended 30 June 2022. Core businesses include the Retail Finance, Vehicle Finance, Real Estate Finance and Commercial Finance businesses only and Non-Core includes Debt Management Services, Consumer Mortgages and Asset Finance business.

Section 1

Interim 2022 Overview

DAVID McCREADIE
CHIEF EXECUTIVE OFFICER

Continued growth and significant strategic progress

- Continued growth and momentum
  - Core Net Lending balances +12.2% on FY 2021
  - Core New Business lending +85.8% on HY 2021
- Strong operational progress – Core Operating Income +14.1% on HY 2021
- Cost management programme continues to support reduction in Cost Income Ratio
- Compared to HY 2021, IFRS9 impairment charges normalised as expected – Core Cost of Risk 1.3%
- Statutory Profit before Tax (PBT) of £24.7m (HY 2021: £30.7m)
  - Core business PBT of £17.1m (HY 2021: £29.3m)
  - Core PBT before impairments £34.3m (HY 2021: £28.2m)
- Completed disposal of Debt Managers (Services) Limited's portfolio of loans recognising a gain on sale of £8.1m in HY 2022
- Completed acquisition of digital Buy Now Pay Later platform, AppToPay Limited
- Interim dividend of 16p proposed (Interim 2021: 20p)

Our purpose is to help more consumers and businesses fulfil their ambitions. Our strategy, diversified business model and strong balance sheet position us to deliver our growth ambitions and medium term targets.

[1] CAGR from 31 December 2020

CET 1 Ratio
14.0%
FY 2021: 14.5%

Core Net Interest Margin
5.7%
HY 2021: 6.0%

Core Cost Income Ratio
57.0%
HY 2021: 60.3%

Return on Average Equity
12.5%
HY 2021: 19.0%

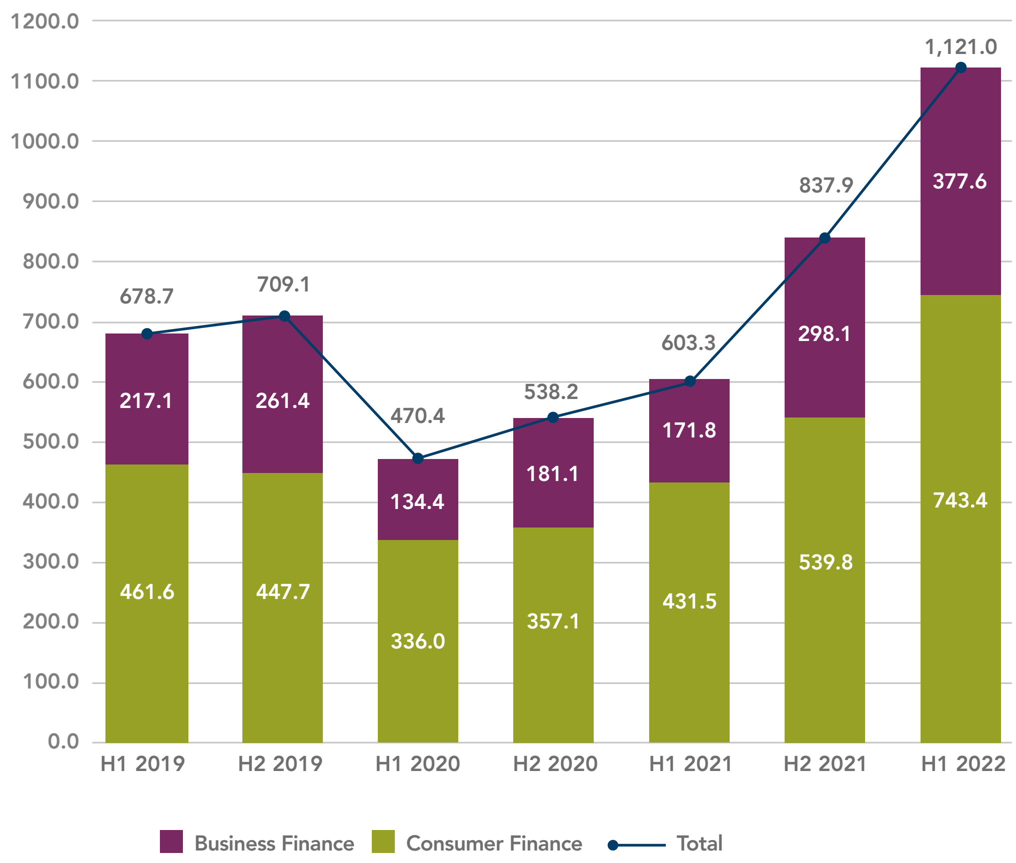
Core Lending Book CAGR[1]
16.7%
FY 2021: 12.2%

New Business

Strong momentum in New Business lending volumes

- Core New Business lending increased in H1 2022 to £1,121m, 86% above H1 2021 and continued to exceed 2019 pre-pandemic levels.
- The Group continues to adopt a disciplined, risk based approach to growth.
- Retail Finance: 52% growth, supported by continued success in expanding retailer relationships.
- Vehicle Finance: growth of 166%, driven by continued expansion of distribution and new products that launched in 2021.
- Real Estate Finance: delivered New Business lending growth of 87%.
- Commercial Finance: delivered New Business lending growth of 222%.

New Business



Retail Finance

We help by providing instant credit for the purchase of goods online and in store

Strong New Business volumes in lower risk, interest free products through Furniture and Jewellery retailers

	HY 2022	FY 2021	% Change
Spot lending balances	£916m	£765m	20%
Average lending balances	£819m	£693m	18%
	HY 2022	**HY 2021**	**% Change***
New business	£535m	£353m	52%
Cost of risk	1.4%	0.9%	0.5pp
Net revenue margin	7.6%	8.8%	(1.2)pp
Operating income	£35.9m	£32.7m	10%

* pp represents a percentage point movement

- Net Lending growth of 20% since year end 2021
- Net revenue margin reflects focus on lower risk, prime lending
- Cost of risk has increased in HY2022 compared to HY2021, and remains below pre-pandemic levels
- Acquisition of AppToPay Limited provides capability to expand into the digital Buy Now Pay Later market

Vehicle Finance

We help by providing finance solutions for used vehicles

Distribution expansion and growth of new products and driving record New Business

	HY 2022	HY 2021	% Change
Spot lending balances	£333m	£263m	26%
Average lending balances	£296m	£246m	20%
	HY 2022	**HY 2021**	**% Change***
New business	£208m	£78m	166%
Cost of risk	8.0%	(3.0)%	11.0pp
Net revenue margin	13.0%	13.9%	(0.9)pp
Operating income	£22.3m	£19.4m	15%

* pp represents a percentage point movement

- Net Lending growth of 26% since year end 2021
- Cost of Risk is elevated due to models being overly sensitive to short-term movements in defaults
- Arrears remain below pre-pandemic levels
- Net revenue margin reduced with improved credit quality new business

Real Estate Finance

We help by providing financial support for professional property developers and investors

Strong New Business flows in residential investment loans have maintained balance sheet growth

	HY 2022	FY 2021	% Change
Spot lending balances	£1,143m	£1,110m	3%
Average lending balances	£1,118m	£1,045m	7%
	HY 2022	**HY 2021**	**% Change***
New business	£242m	£130m	87%
Cost of risk	(0.0)%	0.2%	(0.2)pp
Net revenue margin	2.7%	3.0%	(0.3)pp
Operating income	£27.0m	£27.5m	(2)%

* pp represents a percentage point movement

- Spot lending balances grew by 3% since year end 2021 due to strong New Business flows
- Average lending balances increased 7% since year end 2021
- Reduced mix of higher yielding development loans led to reduced net revenue margin
- Cost of risk has remained at historically low levels

Commercial Finance

We help by providing working capital solutions for SMEs with the benefit of asset based security

Client utilisation of new and existing facilities has driven New Business growth

	HY 2022	FY 2021	% Change
Spot lending balances	£360m	£313m	15%
Average lending balances	£352m	£260m	36%
	HY 2022	**HY 2021**	**% Change***
New business	£136m	£42m	222%
Cost of risk	0.0%	(0.0)%	0.0pp
Net revenue margin	5.9%	5.4%	0.5pp
Operating income	£12.5m	£7.6m	65%

* pp represents a percentage point movement

- 36% growth in average lending balances since year end 2021
- Continued low client attrition and strong new business performance in H1 2022
- Government backed scheme balances of £36.2m at 30 June 2022 - no Bounce Back Loans provided
- Net revenue margin growth due to higher fee income on both existing clients and new business
- Cost of risk remains negligible

Section 2

Financial Review

RACHEL LAWRENCE
CHIEF FINANCIAL OFFICER

Core Income Statement

£m	HY 2022	HY 2021	% Change
Net interest income	73.1	65.2	12.1%
Net fee income	7.9	5.8	36.2%
Core Operating Income	**81.0**	**71.0**	**14.1%**
Operating expenses	(46.2)	(42.8)	7.9%
Other	(0.5)	-	(100.0)%
Core profit before tax pre impairments	**34.3**	**28.2**	**21.6%**
Impairment charge	(17.2)	1.1	(1663.6)%
Core profit before tax	**17.1**	**29.3**	(41.6)%
Discontinued operations	7.6	1.4	442.9%
Statutory profit before tax	**24.7**	**30.7**	**(19.5)%**

KPI			
NIM – Core	5.7%	6.0%	(0.3)%
NRM – Core	6.3%	6.6%	(0.3)%
Cost of risk – Core	1.3%	(0.1)%	1.4%
Cost income ratio – Core	57.0%	60.3%	(3.2)%
Total ROAE – statutory	12.5%	19.0%	(6.5)%
EPS – statutory	102.4	139.5	(37.1)
EPS – Core	69.1	133.2	(64.1)

Core profit before tax down by 41.6%

Primarily driven by higher impairment charges, Core profit before tax pre impairments of £34.3m, 21.6% higher than H1 2021.

12.1% increase in core net interest income

Increase is driven by growth in the lending book but offset by the shift mix to lower yielding higher quality lending which has driven reduction in Core NIM to 5.7% (6.0% H1 2021).

36.2% increase in core net fee and commission income

Driven by growth in new business and existing client base.

7.9% increase in core operating expenses

Increase driven by employee costs, and non-recurring corporate activity costs, but remain controlled with a 3.3% reduction in CiR to 57.0% (CiR of 55.7% excluding non-recurring corporate activity costs).

Normalisation of impairment charges

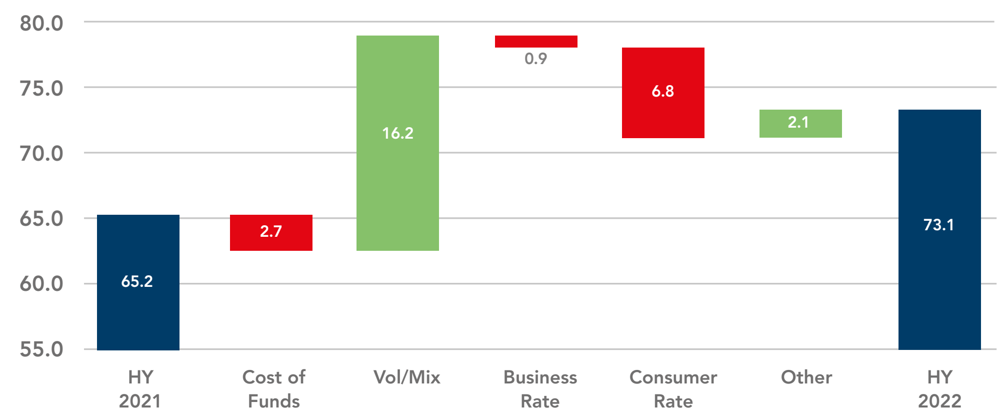
H1 2022 reflects normalisation of charge and growth in lending balances, whereas 2021 was impacted by release of pandemic provisions.

Core Net Interest Income and Net Interest Margin (NIM)

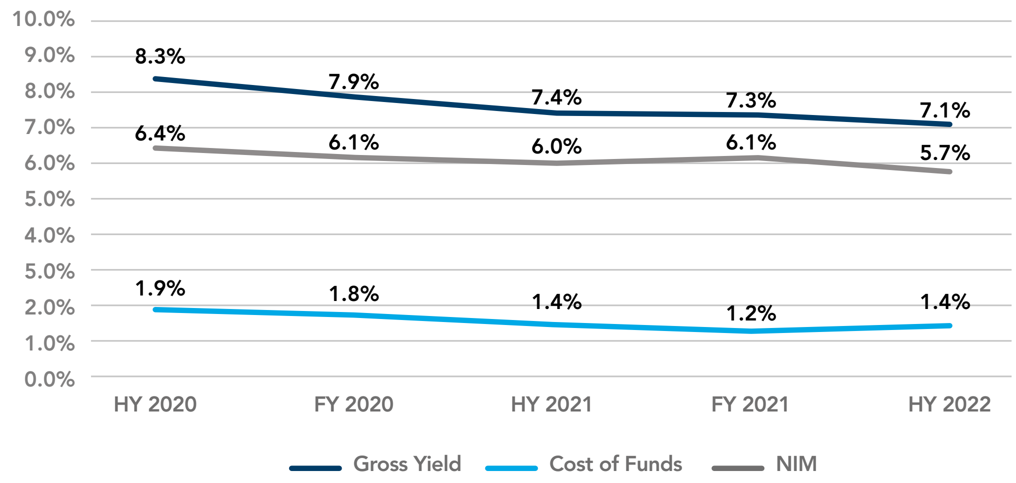
12.1% increase in net interest income, NIM reduced by 30 bps on HY 2021

- Volume driven increased cost of funding has impacted NII by £2.7m. CoF flat on H1 21 at 1.4%.
- Increased average lending balances of 18.9% has increased interest income by £15.4m.
- Continued lower yielding interest free lending in Retail Finance reduced NII by £5.5m, with an offsetting positive impact on the credit quality of New Business.
- Continued focus on margin and mix management in H2 2022 will help mitigate the rising steep yield curve impact on cost of funds in the medium term.

Net Interest Income (£m)



Net Interest Margin – Core



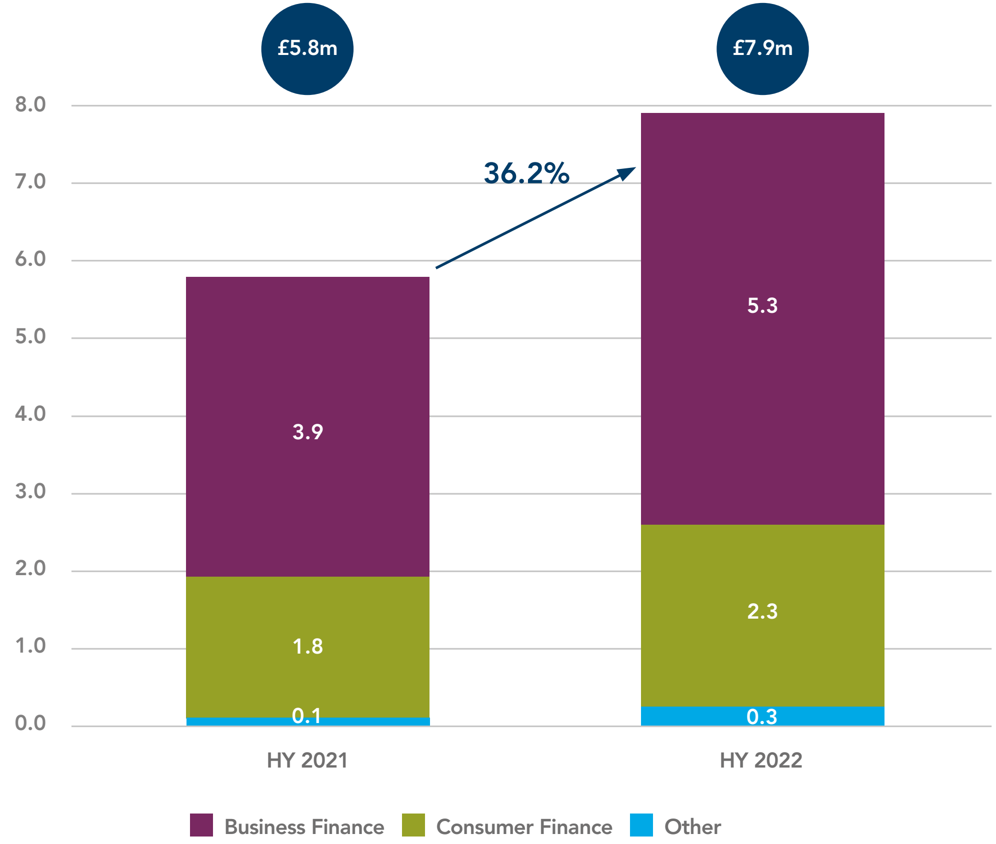
Financial Review

Core Net Fee, Commission and Other Income

Net fee, commission and other income increase by 36.2%

- Increased new business from Commercial Finance (£1.7m) and Retail Finance (£0.5m) is driving higher net fee and commission income from core businesses.

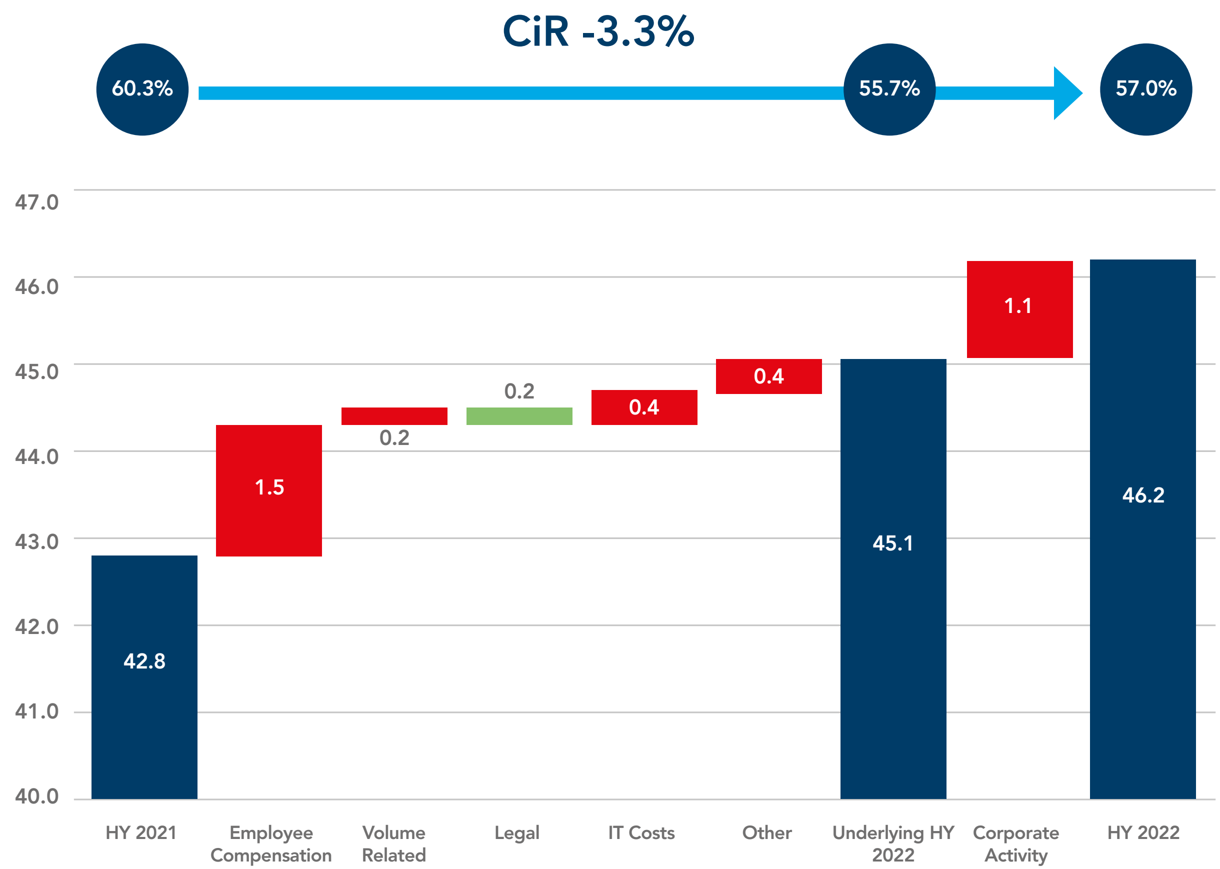
Net Fee and Commission Income (£m)



Core Operating Expenses

Core underlying cost to income ratio down by 4.6 percentage points and cost growth limited to £2.3m

- Higher employee costs due to payroll inflation and increased FTE.
- Focus on cost management programme has supported reduction in CIR from 60.3% to 55.7% excluding £1.1m non-recurring corporate activity costs.
- Further cost efficiencies will continue to be delivered in the medium term eg: property optimisation, which will support our medium term target for CIR of below 50%.



IFRS9 Macroeconomic Assumptions

Macroeconomic outlook improves from FY 2021 based on scenarios provided by external economic advisors, while remaining prudent given near term uncertainties

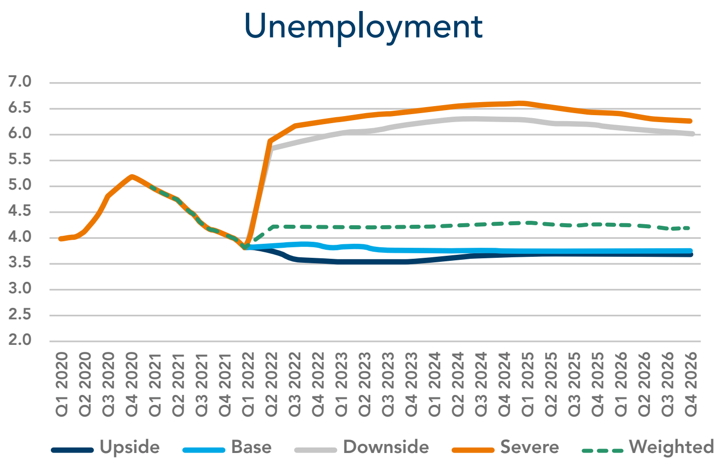
- A reduction in peak unemployment rate in all scenarios has been applied, resulting in a weighted average peak unemployment rate of 4.4% (Dec 2021: 5.5%)
- HPI peak to troughs have been updated to reflect current house price environment.
- Scenario weighting remain the same as December 2021
- The change in macro economic assumptions released £2.6m in IFRS9 provisions in H1 2022

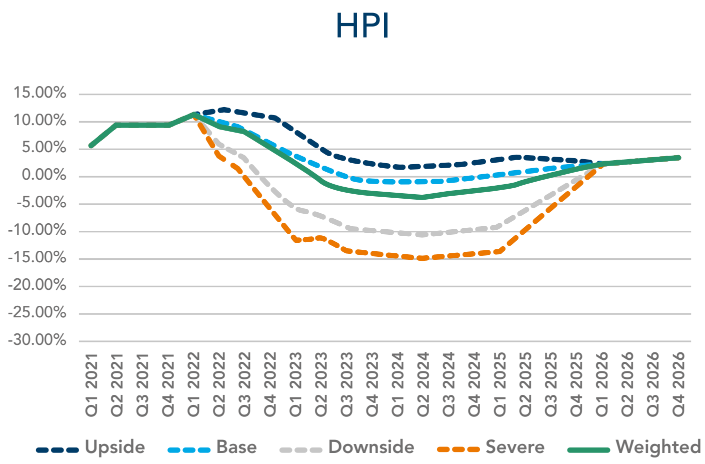
Sensitivities

- Changing the severe scenario weighting to 100% would result in an increased provision of £10.5m and a change to 100% weighting in the upside scenario would result in a decreased provision of £4.6m

Economic Scenarios and Weightings

Scenario	30 Jun 2022 Weighting	30 Jun 2022 Peak Unemployment	30 Jun 2022 Peak/ Low HPI change	31 Dec 2021 Weighting	31 Dec 2021 Peak Unemployment	31 Dec 2021 Peak/ Low HPI change
Upside	20%	3.8%	11.9%	20%	4.3%	7.2%
Base	50%	3.9%	9.3%	50%	5.2%	6.5%
Downside	25%	6.3%	-10.8%	25%	6.3%	-5.7%
Severe	5%	6.6%	-15.2%	5%	8.8%	-24.5%





Impairment Charges and Provisions

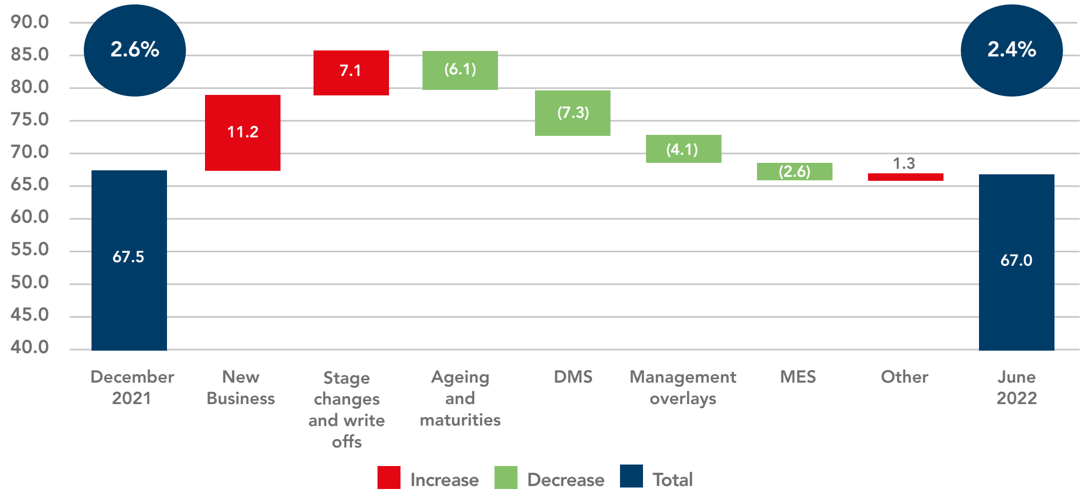
Charges normalise for HY 2022, following releases in 2021. Coverage ratios remain prudent at 2.4%.

- Transfers into Stage 2 (up 3% on Dec-21) for Vehicle Finance have driven an increase in provisions. The IFRS9 models are sensitive to relative changes in defaults and arrears and given the all time low starting position the model has over-extrapolated observed arrears and default normalisation. An underlay of £2.2m has been taken to account for a proportion of this over-extrapolation.
- Impact of new business growth accounts for £11.2m of additional provisions.
- The customer affordability overlay introduced in Dec-21 has been increased by £0.7m to £5.3m.
- DMS provisions were released as a result of the sale of the portfolio.
- Improvements to the Business Finance ECL models has resulted in the reduction of overlays held.
- Change of the MES assumptions to scenarios provided by external economic advisors, has released £2.6 million of provision.

Impairment Charge/(Credit) (£m)

	Business Finance		Consumer Finance		STB – Core	Core Cost of Risk
	Real Estate Finance	Commercial Finance	Retail Finance	Vehicle Finance		
H1 2022	(0.2)	0.1	5.6	11.8	17.2	1.3%
H2 2021	(1.0)	(0.2)	1.7	2.6	4.5	0.2%
H1 2021	1.1	(0.0)	2.9	(3.6)	(1.1)	(0.1)%
H2 2020	3.1	(0.0)	3.3	10.3	9.9	2.0%
H1 2020	2.0	1.1	12.6	14.9	34.5	3.1%
H2 2019	(0.1)	(0.1)	10.4	5.1	16.0	1.6%
H1 2019	0.2	0.2	9.1	7.4	17.4	1.8%

IFRS9 Provision movement



Summary Balance Sheet

12.2% Growth in core business lending balances

£m	HY 2022	FY 2021	% Change
Cash and balances at central banks	253.0	235.7	7.3%
Debt securities	34.9	25.0	0.0%
Loans and advances to banks	54.2	50.3	7.8%
Loans and advances to customers (Core)	2,751.2	2,451.0	12.2%
Loans and advances to customers (Non Core)	–	80.9	(100.0)%
Other assets	41.8	43.0	(2.8)%
Total assets	**3,135.1**	**2,885.9**	**8.6%**
Deposits from customers	2,290.9	2,103.2	8.9%
Wholesale funding	390.9	390.1	0.2%
Tier 2 Instruments	51.0	50.9	0.2%
Amounts due from other credit institutions	9.4	0.7	1242.9%
Other liabilities	78.5	38.6	103.4%
Total liabilities	**2,820.7**	**2,583.5**	**9.2%**
Total shareholders' equity	314.4	302.4	4.0%
Total liabilities and shareholders' equity	**3,135.1**	**2,885.9**	**8.6%**
Loan to deposit ratio	**120.1%**	**120.4%**	**(0.2)%**
Customer numbers	**1,557,335**	**1,560,827**	**(0.2)%**
Equity per share	16.84	16.21	4.0%

Balance sheet growth of 8.6%

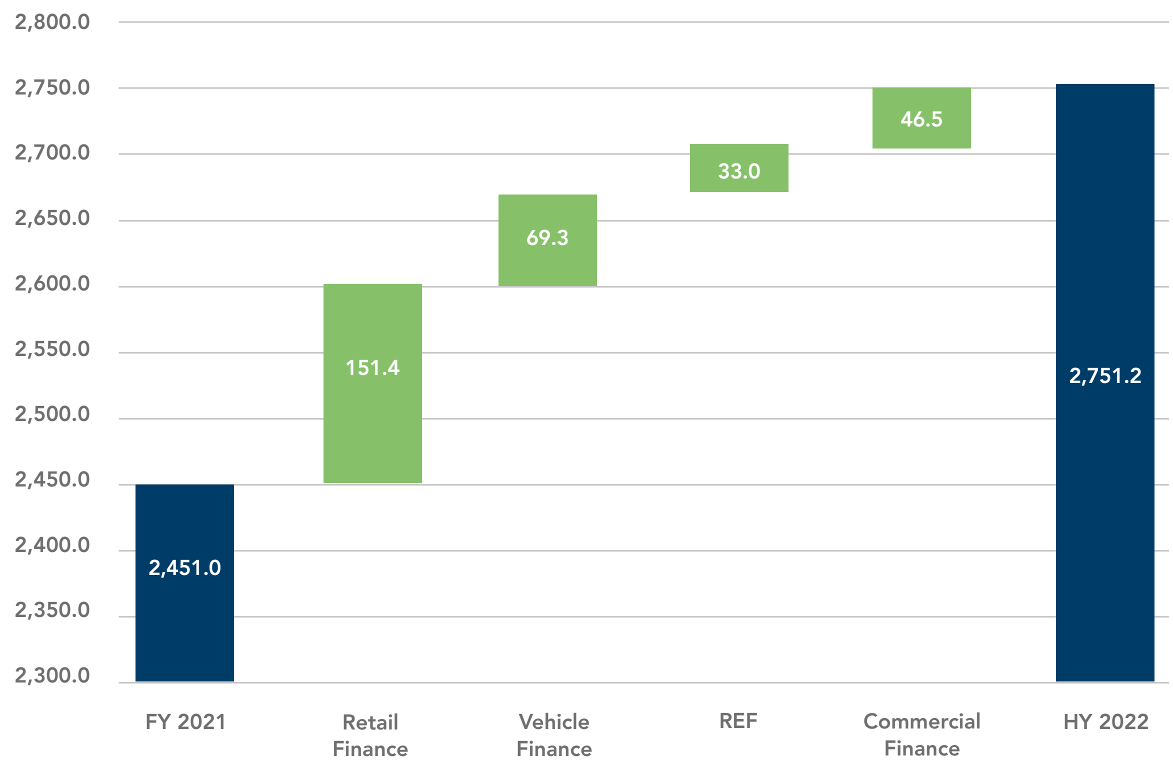
- Cash and balances at central banks increase of **7.3%** reflects pre funding Business Finance pipeline
- Loans and advances to customers increased by **8.7%**. Excluding non-core businesses underlying growth was **12.2%**
- Deposits from customers have grown by **8.9%** funding the growth in lending balances
- Tier 2 represents two tranches of **£25m 6.75%** Fixed Rate callable (2023) sub loans maturing in 2028
- Shareholders equity increased by **4.0%** to £314.4m. Equity per share has risen from **£1.69** at IPO to **£16.84**, an increase of **896%**

Core loans and advances to customers

Loans and Advances increase by £300.2m

- Retail Finance grew by 19.8% to £916.2m mainly through higher quality lower yielding furniture, jewellery and healthcare sectors
- Vehicle Finance grew by 26.3% to £332.6m, with continued momentum in HP Prime, Near Prime PCP and Stock Funding
- Real Estate Finance grew by 3.0% to £1,142.6m mainly through its residential investment portfolios
- Commercial Finance grew by 14.8% to £359.8m, through healthy new business levels and increasing utilisation from existing clients

Net Loans and Advances



Funding

Pipeline and lending balance growth drives requirement for increased funding

Change in Deposit mix

- Fixed term deposits share increased from 46% to 52% with a reduction of 6% in notice deposits, the largest increase in term funding in the 1 year Bond and ISA products.
- The rising interest rate environment has created additional funding acquisition and retention pricing challenges, resulting in cost of funds rising by 0.2% on FY 2021 to 1.4%.
- Acquisition focus continues to be delivering short term funding and ISA to manage the mix of funding and cost of funds.
- The balance sheet remains contractually matched, with a weighted average residual duration of 1.3 years and behaviourally funded long.

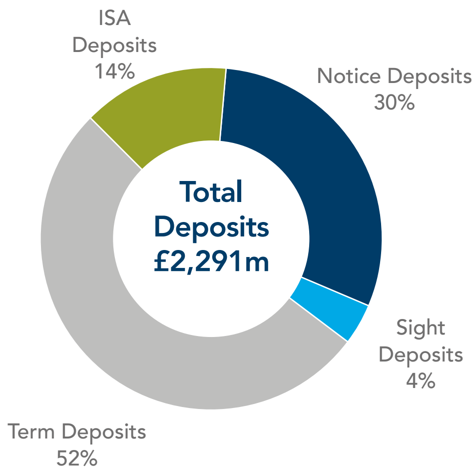
TFSME

- TFSME drawing remains at £390.9m with no ILTR drawings in the period

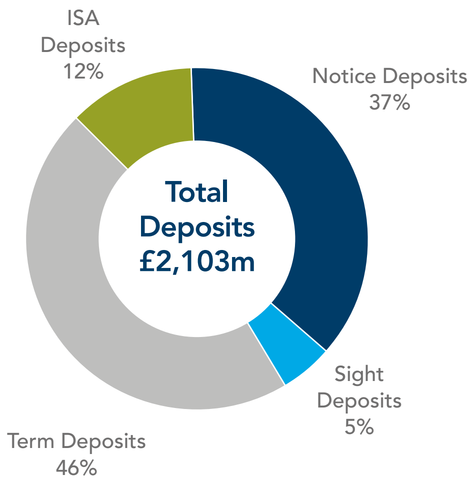
LCR at 277.3% and NSFR at 155.9% remain significantly in excess of regulatory minimums

£m	HY 2022	FY 2021	% Change
Deposits from customers	2,290.9	2,103.2	8.9%
Wholesale funding	390.9	390.1	0.2%
Tier 2 Instruments	51.0	50.9	0.2%
Amounts due from other credit institutions	9.4	0.7	1242.9%
Total Funding	**2,742.2**	**2,544.9**	**7.8%**

HY 2022



FY 2021



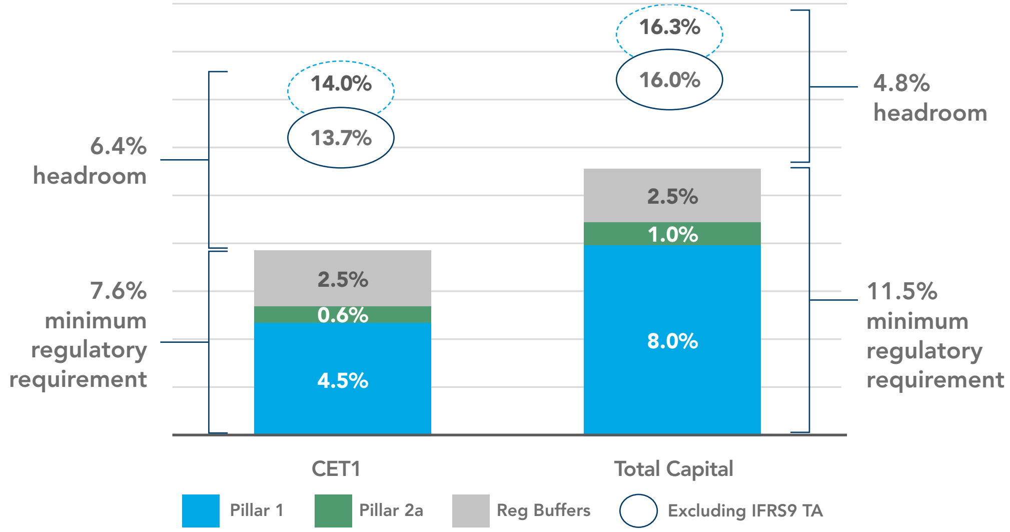
Capital

Healthy capital ratios with significant headroom over regulatory minimums

- Strong capital base for growth with solid headroom above regulatory minimums.
- Tier 2 is callable in 2023 and we continue to investigate and plan for improvements in the efficiency of the capital stack.
- CET1 & TCR reduced by 50bps driven by and increase in RWAs as a result of lending growth and a reduction in IFRS transitional relief (net 20bps).

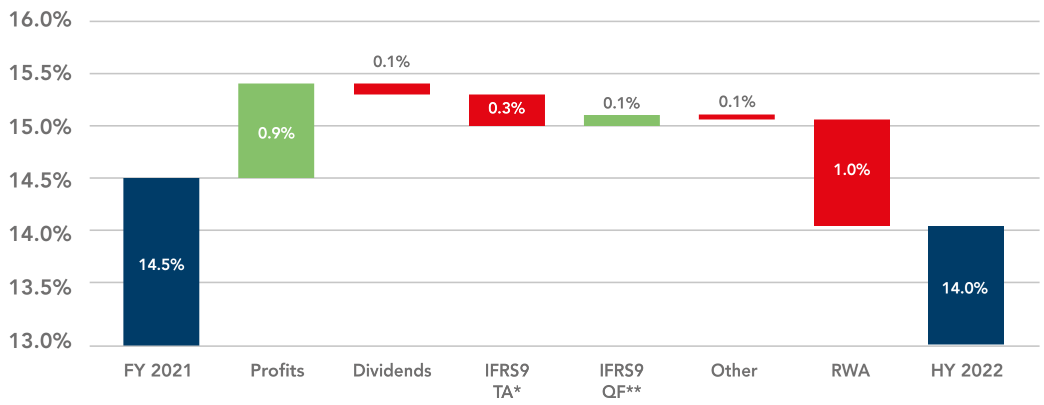
	HY 2022	FY 2021
CET1	14.0%	14.5%
Eligible Tier2	£49.8m	£47.0m
Total Capital	£363.6m	£350.6m
Leverage	10.6%	10.3%
RWAs	£2,237.0m	£2,087.4m

Capital Base



*As at June 2022 and excluding any applicable PRA buffer

CET 1 Ratio Movement



*IFRS9 TA – Transitional Arrangement **IFRS9 QF – Quick Fix

Section 3

Looking Ahead: Strategy & Outlook

DAVID McCREADIE
CHIEF EXECUTIVE OFFICER

New Vision, Purpose and Strategy

Vision

To be the most trusted specialist lender in the UK

Purpose

To help more consumers and businesses fulfil their ambitions

Strategy

Grow

- ✓ Generate growth and attractive returns in specialist segments
- ✓ Exploit digital capabilities to build scale and drive cost efficiency

Sustain

- ✓ Create sustainable value through market expertise and deep customer knowledge
- ✓ Utilise strong credit discipline, capital allocation and risk management capabilities

Care

- ✓ Help customers with simple, clear and compelling products
- ✓ Deliver consistently excellent customer care and swift outcomes

Always act with integrity and transparency, delivering value for all stakeholders

Progress against Strategic Priorities

	2022 Progress	Priorities
Grow	• Growth in core loan book of 12.2% • Return on average equity of 12.5% • Completed sale of Debt Managers (Services) portfolio • Completed acquisition of AppToPay Limited – Q2 2022 • Launched Access savings product – Q1 2022	• Improve return on average equity • Deliver loan book growth - targeting 15%+ CAGR • Complete DMS customer migration – Q4 2022 • Prepare to launch digital BNPL proposition – Q1 2023 • Expand geographical footprint in business finance
Sustain	• Strong capital ratios - CET1 14.0% • Continued new business lending momentum • Continued investment in risk management capability • Improved cost income ratio	• Maintain CET1 ratio above 12% • Deliver sustainable growth within existing risk appetite • Optimise capital allocation • Drive further efficiency improvements – property, suppliers, operating model
Care	• Maintained customer satisfaction (FEEFO 4.5 stars) • Support for colleagues with cost of living challenge • Great Place to Work: UK Best Workplace, UK Best Workplace for Wellbeing, UK Best Workplace for Women • Signed Women in Finance Charter	• Continuous improvement in customer experience • Define plan and targets for reduction in Scope 1 and Scope 2 CO2 emissions – Q4 2022 • Support colleagues and customers in uncertain times • Improve diversity and inclusion

Looking ahead

- Clear plan to capture further growth in specialist lending businesses and leverage platform
- Uncertain economic environment, with specific challenges to household incomes
- Diversified and resilient business model remains a key strength
- Proven ability to adapt plans dependent on market conditions
- Strong market expertise, relationships and digital capabilities
- Strong capital and liquidity positions
- Well positioned to deliver on our medium term targets

Total Return on Average Equity	Core Cost Income Ratio	CET1 Ratio	Core Net Interest Margin	Core Lending Book CAGR[1]
Target: 14% – 16%	Target: < 50%	Target: > 12%	Target: > 5.5%	Target: 15%+
12.5%	**57.0%**	**14.0%**	**5.7%**	**16.8%**

[1]CAGR from 31 December 2020

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Q & A