2024
Interim Results

14 August 2024

Secure Trust Bank Group

Reporting basis

Throughout this document reference is made to adjusted results which reflects continuing operations, excluding exceptional items as reported in the Interim Report and Accounts for the 6 months ended 30 June 2024. Unless otherwise stated, financial metrics and key performance indicators relate to adjusted results. Continuing operations include the Retail Finance, Vehicle Finance, Real Estate Finance and Commercial Finance businesses only and discontinued operations include the Debt Management Services business.

A reconciliation of adjusted results to total results per the Interim Report and Accounts for the 6 months ended 30 June 2024 is included in the Appendix to this presentation.

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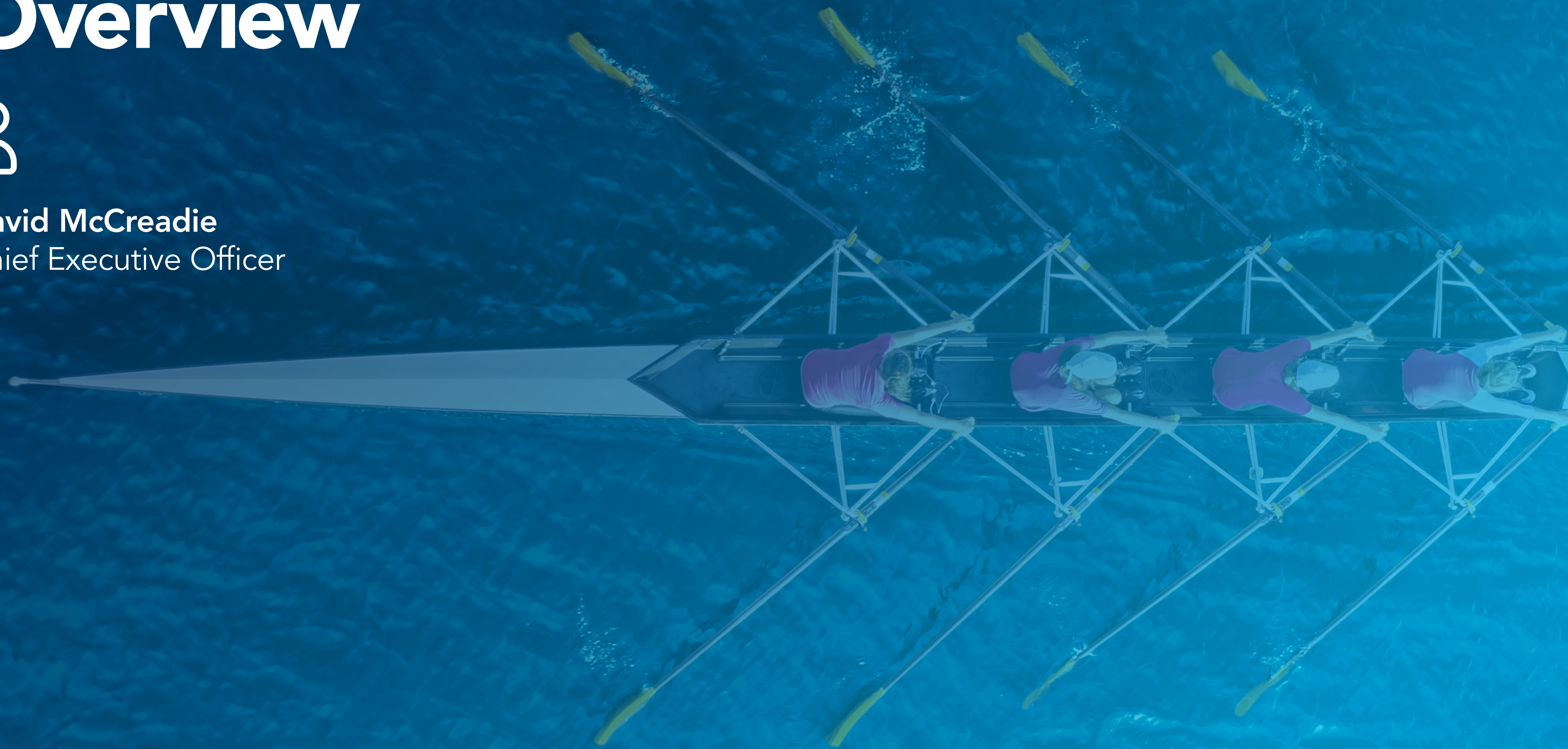
Interim 2024 Overview

David McCreadie
Chief Executive Officer



Excellent growth potential in our specialist markets

Excellent growth potential in large addressable markets

Opportunities identified to deliver operational efficiencies

£4 billion net lending ambition will support an attractive return on capital

Group overview

Secure Trust Bank

	Consumer Finance		Business Finance		Savings
Business units and brands	Retail Finance	Vehicle Finance	Real Estate Finance	Commercial Finance	Consumer Deposits
	V12 Retail Finance; AppToPay	V12 Vehicle Finance; moneyway	Secure Trust Bank	Secure Trust Bank	Secure Trust Bank
Balances HY 2024	£1,315m	£498m	£1,272m	£337m	£3,043m
3-year growth	+89%	+104%	+20%	+41%	+57%

HY 2024 performance highlights

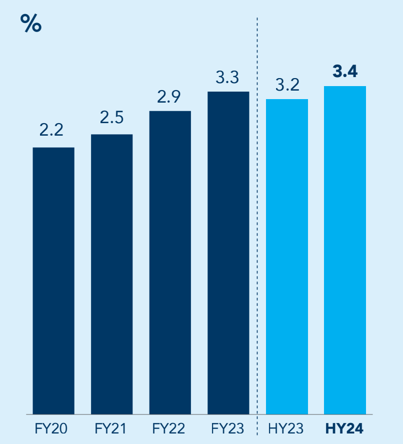
Customer lending	**Profit before tax pre impairments**	**Net interest margin (NIM)**	**Risk adjusted margin (RAM)**
£3.4bn	£45.2m	5.3%	4.1%
+ 3.2% on FY 2023	+ 12.4% on HY 2023	5.4% HY 2023	4.5% HY 2023
Retail deposits	**Cost income ratio (CiR)**	**Return on average equity (ROAE)**	**Interim dividend**
£3.0bn	53.7%	7.3%	11.3p
+ 6.0% on FY 2023	55.9% HY 2023*	8.0% HY 2023*	16.0p HY 2023

- Operating income +7.9%
- Net lending moved closer to £4bn target
- NIM impacted by cost of retail funding
- NIM period end exit rate 5.4%
- Adjusted PBT for the period £17.1m (HY 2023 £17.0m)
- Reduced collections activity in Vehicle Finance following FCA BiFD engagement (see slide 16)
- Group cost of risk increased by 0.2pp as a result
- Operating costs increased by only £1.8m (3.6%)
- Project Fusion target increased to £8m

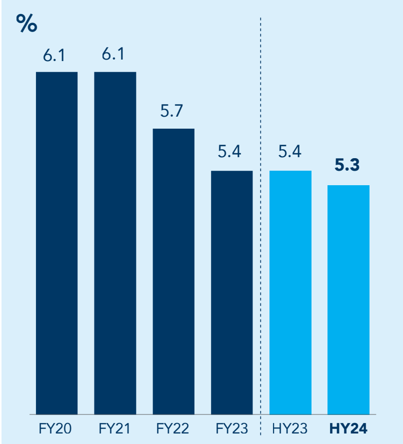
* Restated to exclude exceptional items in line with FY 2023 ARA

Progress towards achieving medium term targets

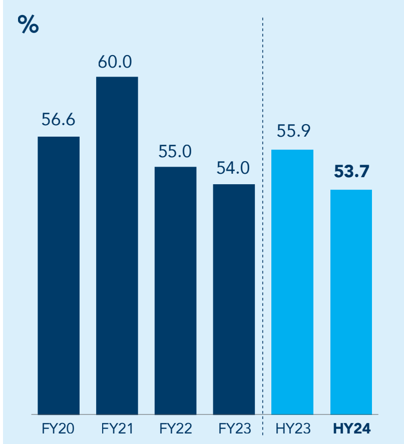
Lending balances
Target: c. £4bn



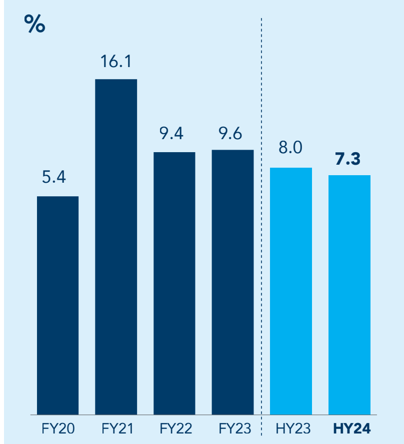
Net interest margin
Target: >5.5%



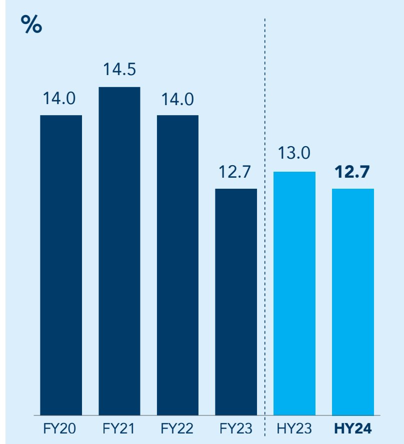
Cost income ratio*
Target: 44% - 46%



Return on average equity (ROAE)*
Target: 14% - 16%



CET1 ratio
Target: >12%



c. £4bn
Net lending – stable CoR

+

Increase
in Consumer lending mix underpins Group NIM

+

Annual costs inflation at
c. 5%

=

ROAE
14% – 16%

* Restated to exclude exceptional items in line with FY 2023 ARA

Financial Review

Rachel Lawrence
Chief Financial Officer

Income statement

12.4% increase in profit before tax pre impairments

Adjusted income statement*

£m	HY 2024	HY 2023	% Change**
Net interest income	88.2	81.0	8.9
Net fee income and commission	7.9	8.1	(2.5)
Operating income	**96.1**	**89.1**	**7.9**
Operating expenses	(51.6)	(49.8)	3.6
Fair value gains	0.7	0.9	nm***
Profit before tax pre impairments	**45.2**	**40.2**	**12.4**
Impairment charge	(28.1)	(22.8)	23.2
Profit before tax	**17.1**	**17.4**	**(1.7)**

KPIs

Net interest margin (NIM)	5.3%	5.4%	(0.1)pp
Net revenue margin (NRM)	5.8%	6.0%	(0.2)pp
Cost of risk	1.7%	1.5%	0.2pp
Risk adjusted margin (RAM)	4.1%	4.5%	(0.4)pp
Cost income ratio (CiR)	53.7%	55.9%	(2.2)pp
Return on average equity (ROAE)	7.3%	8.0%	(0.7)pp
Earnings per share (EPS)	67.2p	70.6p	(3.4)p

* A reconciliation to statutory reported profits is included in the Appendix to this presentation
** pp represents a percentage point movement
*** nm = not meaningful

Profit before tax pre impairments of £45.2m, +12.4% on HY 2023

- 11.8% increase in average net lending book drives 7.9% increase in operating income
- 3.6% increase in operating expenses, driven by high inflation, partly offset by operational efficiencies

Impairments increased by 23.2% to £28.1m, impacted by:

- Pause in Vehicle Finance collection activities as business addresses feedback from FCAs review of Borrowers in Financial Difficulty (BiFD)
- Partially offset by increased mix of quality Retail prime lending

NIM at 5.3% slightly below H1 2023

- Focus on higher quality prime lending
- Management remain confident full-year NIM will be in line with expectations based on June exit rates

Statutory continuing profit before tax of £17.1m (HY 2023 £16.5m)

Net interest margin

NIM at 5.3%

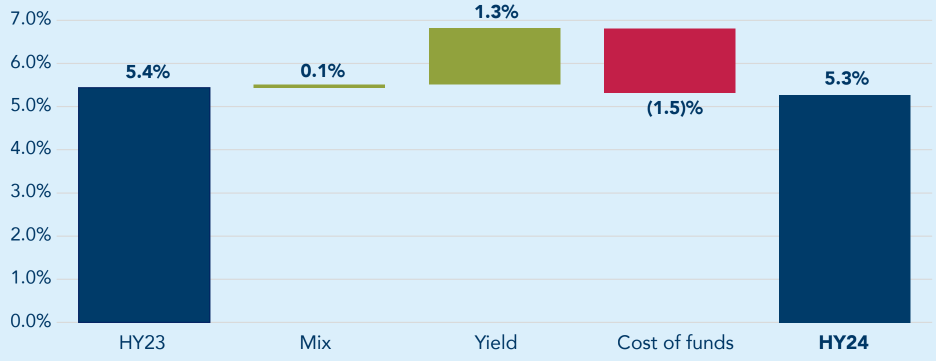
8.9% increase in net interest income to £88.2m, and 0.1pp reduction in NIM to 5.3%

- 2% increase in Consumer lending mix is NIM positive by 0.1pp
- Asset repricing driving a 1.3pp increase in Yield
- Retail Finance NIM has increased to 6.6% (HY 2023: 6.3%) as repricing has caught up with CoF
- CoF at 5.4% is an increase of 1.5pp, reflecting the high interest rate environment and the duration of funding with c.66% of funds repricing within 1 year

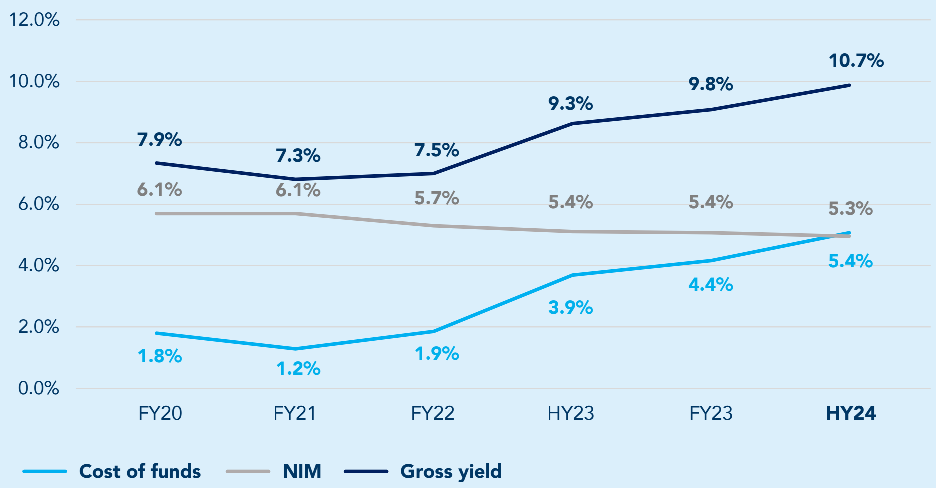
Expect continued focus on NIM in H2 2024 with mix driven expansion in the medium term

- Exited the half year at 5.4% NIM, giving confidence that progress will continue towards expectation for the full year

NIM bridge %



NIM trend %



Cost of funds

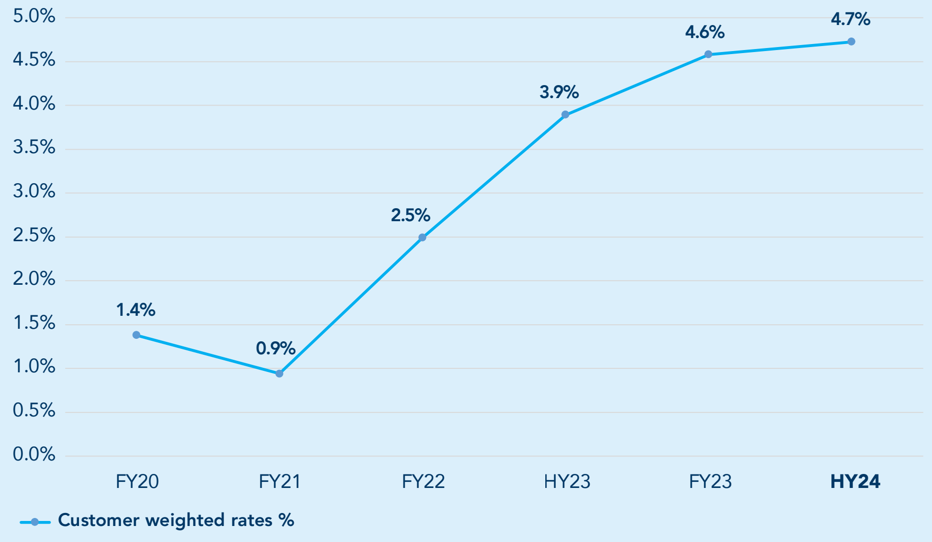
New and retained* retail deposit funding rates higher than HY 2023

New retail deposit funding and retention customer rates have increased in HY 2024 by 0.1pp (HY 2023 1.4pp), due to the higher interest rate environment and the relatively short term nature of the book

Management are encouraged that the rate of change in retail deposits rates is softening

Market rates have reduced in expectation of further BBR cuts leading to reduction in instant access rates

Retail funding new and retained customer rates %



* customers on fixed rate bonds retained on maturity of original product

Operating expenses

Cost income ratio (CiR) improvement to 53.7% with cost growth limited to 3.6%

Cost base growth limited to 3.6% and CiR reduced by 2.2pp

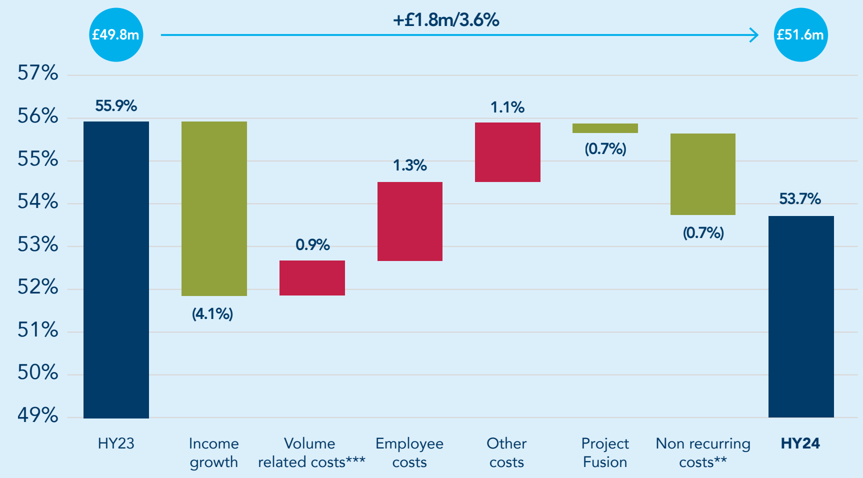
- Lending growth drives increased net interest income and direct costs, with a net reduction of 3.2pp in CiR
- Inflationary pressures on both salaries and other operating costs increase CiR by 2.4pp

Project Fusion* efficiency programme delivered a 0.7% reduction in CiR

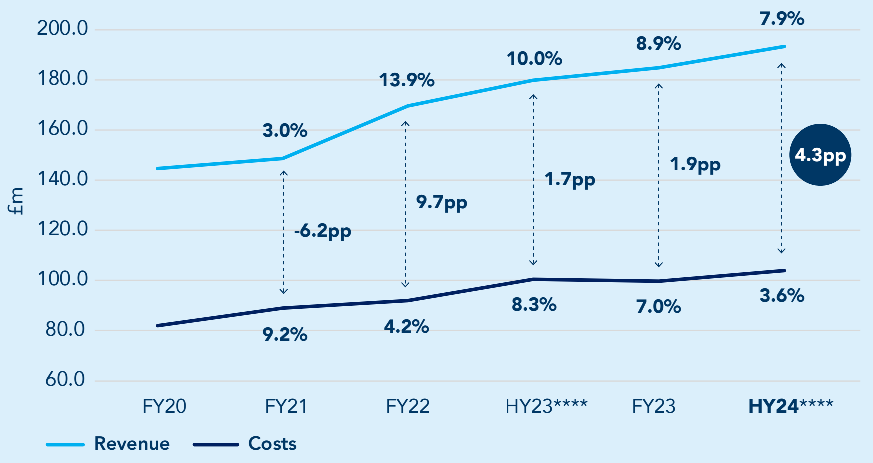
- See next slide for more information

Income growth progressively exceeding cost growth driving positive jaws

Cost income ratio



Cost to income jaws



* Project Fusion savings measured against FY21 cost base

** Non recurring costs are amounts not directly related to trading activities in the period and are reported in line with the HY23

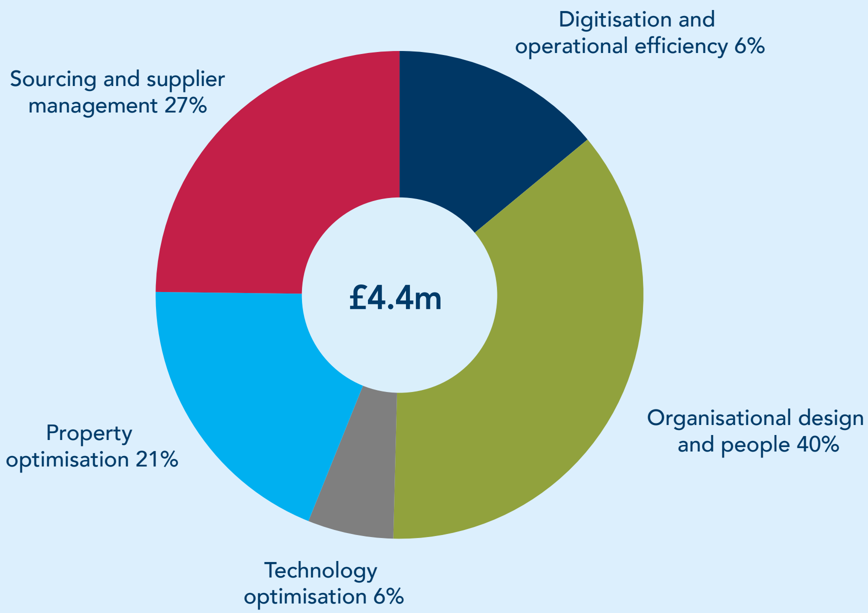
*** Volume related costs include operational employees to support growth

**** HY numbers have been annualised

Project Fusion: Cost savings target upgraded to £8m

£4.4m cost savings already delivered and on track to deliver £5m by FY 2024

Cost reductions achieved



- £4.4m cost savings delivered (measured against 2021 cost base)
- Cost strategically removed from multiple areas of the business
- Additional £0.6m to be realised in FY 2024

Upgraded cost saving target by £3m for FY 2025

- New initiative identified to realise additional cost savings of £3.6m in HY 2024 and FY 2025
- Cost savings will be delivered from proposed organisational redesign
- The additional savings of £3.6m would translate to a further circa 2.0pp reduction in cost income ratio*
- This will support delivery of the cost income ratio medium term target

* Based on HY 2024 income and operating costs

Impairment charges and provisions (1/2)

Coverage ratio increased to 2.9%

Cost of risk (CoR) of 1.7% increased from HY 2023 (1.5%)

- Vehicle Finance CoR increased to 8.8% (HY 2023: 2.4%) reflecting impact of a pause in collections as result of BiFD review
- Retail Finance CoR decreased to 0.7% (HY 2023: 1.6%) due to quality of business written and model enhancements
- Business Finance CoR decreased to 0.4% (HY 2023: 0.8%)

Coverage ratios of 2.9% increased from FY 2023

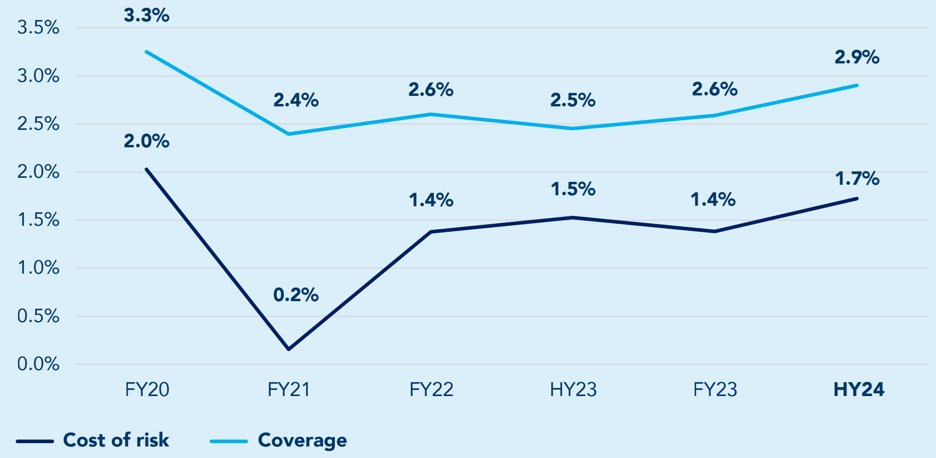
- Ratio reflects increase in Consumer Finance portfolio mix
- Consumer Finance coverage ratio of 4.8% (FY 2023: 4.4%) reflecting increased stock of Vehicle Finance defaults.
- Business Finance coverage ratios 0.7% (FY 2023: 0.6%) reflect a small number of cases in default

Impairment provisions increased by £13.5m in HY 2024. Driven by

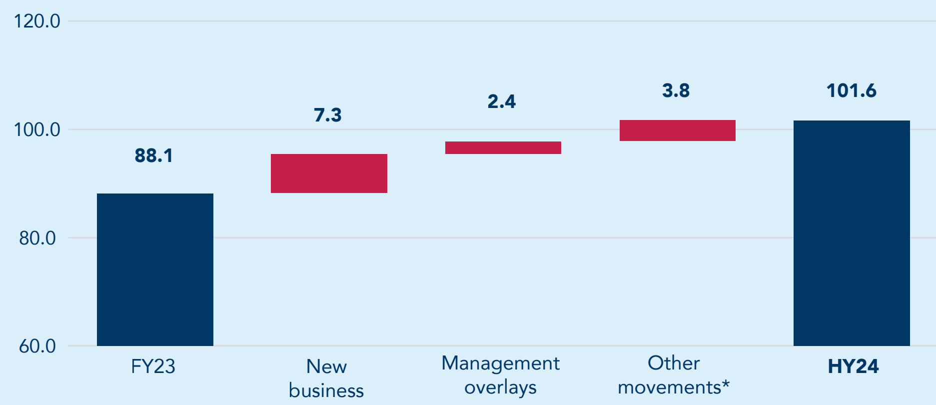
- +£7.3m new lending
- +£2.4m of management overlays to fully reflect the current risks in the loan portfolio
- Latest MES assumptions impact negligible, no change to scenario weightings (see Appendices)

* Stage changes, ageing, maturities, write-offs and other changes to credit risk parameters

Cost of risk and coverage ratio



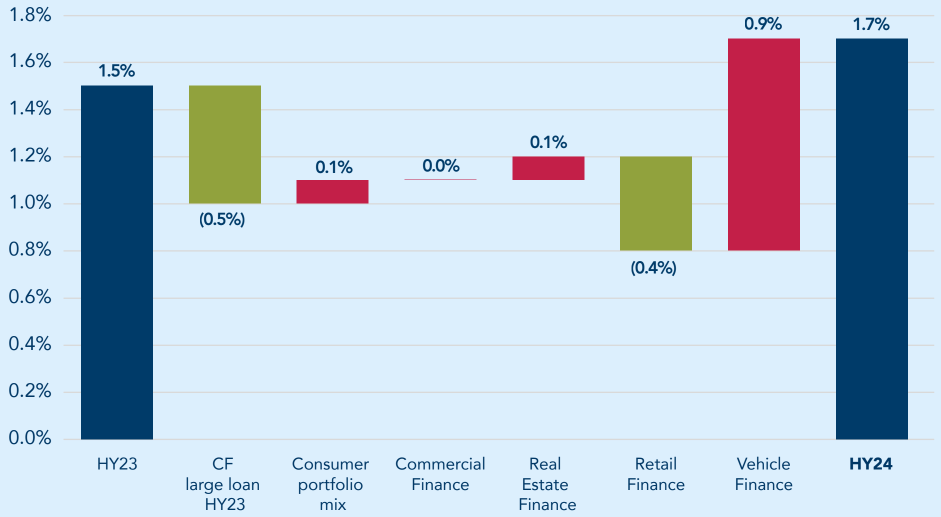
IFRS9 provision movement £m



Impairment charges and provisions (2/2)

Impact of BiFD review on Vehicle Finance and Group cost of risk

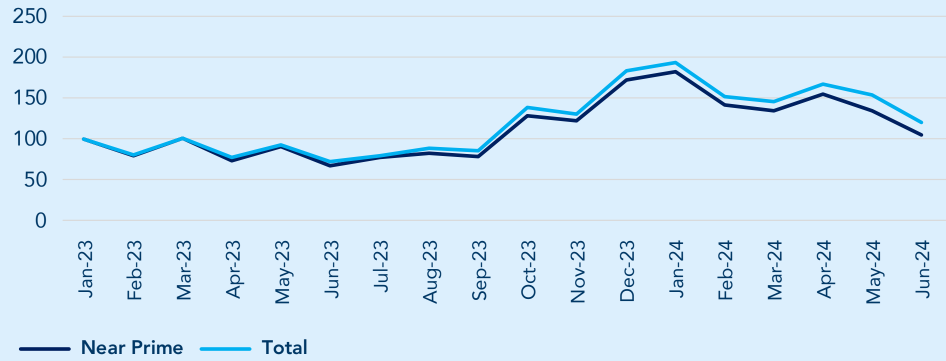
Group CoR bridge*



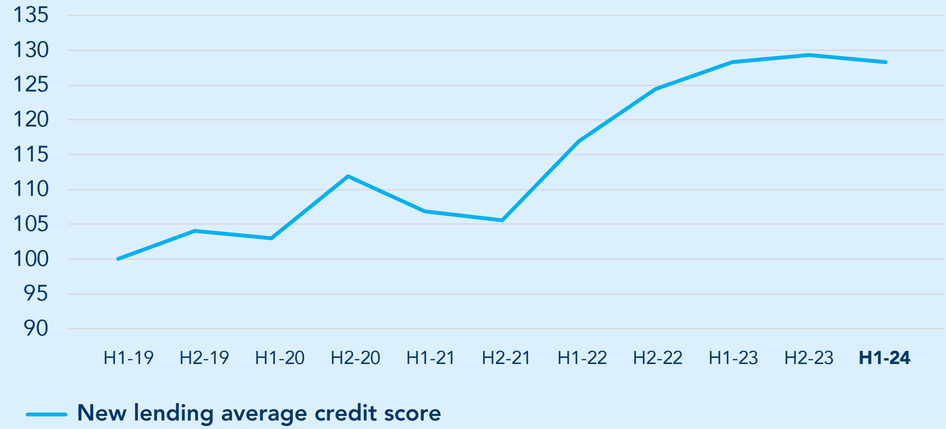
* Bridge items reflect contribution to Group CoR

- Impact of a pause in collections as result of BiFD review in Vehicle Finance has driven up defaults and Group CoR
- Default rates improving as collections activities return to normal; arrears are reduced from year end and tracking back towards pre review levels (see slide 24)
- The credit quality of new business written has been improving over time
- Action being taken to recover inflated stock of defaults

Consumer Vehicle Finance - monthly defaults, index: January 2023



Consumer Vehicle Finance - new lending average credit score, index: HY19



Summary balance sheet

Strong lending growth of 3.2%

£m	HY 2024	FY 2023	% Change
Cash and BoE reserve account	412.2	351.6	17.2%
Loan and advances to banks	21.7	53.7	(59.6)%
Loans and advances to customers	3,421.6	3,315.3	3.2%
Other assets	43.4	57.4	(24.4)%
Total assets	3,898.9	3,778.0	3.2%
Deposits from customers	3,042.7	2,871.8	6.0%
Wholesale funding	350.2	395.2	(11.4)%
Tier 2 Instruments	93.1	93.1	-
Amounts due to other credit institutions	8.9	6.8	30.9%
Other liabilities	48.5	66.6	(27.2)%
Total liabilities	3,543.4	3,433.5	3.2%
Total shareholders' equity	355.5	344.5	3.2%
Total liabilities and shareholders' equity	3,898.9	3,778.0	3.2%
Loan to deposit ratio	112.5%	115.4%	(2.9)pp
Customer numbers*	1,348,721	1,235,926	9.1%
Tangible book value per share (£)	18.36	17.80	3.1%

Loans and advances to customers increased by 3.2%

- +7.3% in Consumer lending and relatively flat in Business lending

Deposits from customers have grown by 6.0%

Loan to Deposit ratio decreased by 2.9pp with growth in deposits pre funding lending in early H2 2024 and repayment of £50m of TFSME funding

Customer numbers increased by 9.1% driven by Retail Finance lending and Savings

Wholesale funding reduced by 11.4% due to £50m repayment of TFSME

Shareholders' equity increased by 3.2% to £355.5m

Tangible book value per share increased by 3.1% to £18.36

* Customer numbers exclude discontinued operations

Capital

Healthy capital ratios with significant headroom over regulatory minimums

CET1 ratio maintained at 12.7%

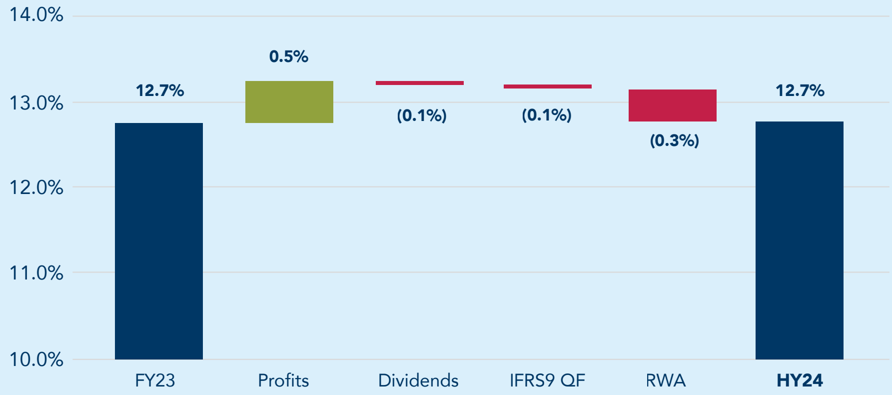
- Capital required to support lending growth and unwind of IFRS9 relief funded by retained profit

Total capital ratio also maintained at 15.0%

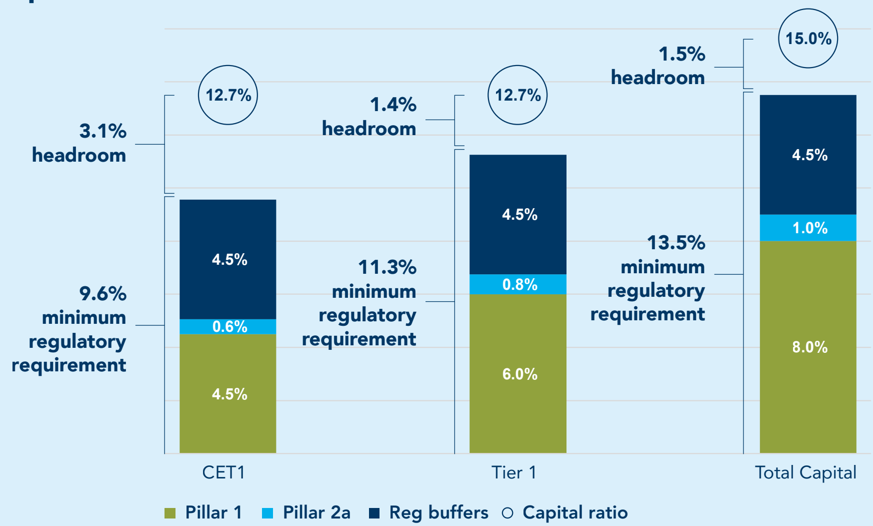
Capital headroom over minimum regulatory requirements supports planned growth

	HY 2024	FY 2023	% Change
RWAs	£2.7bn	£2.7bn	3.1%
CET1 and Tier 1 capital	£348.2m	£337.9m	3.0%
Total capital	£409.7m	£397.6m	3.0%
Leverage	9.9%	9.7%	0.2pp

CET1 ratio movement



Capital base*



* As at June 2024 and excluding any applicable PRA buffer

Funding and liquidity

Funding levels increased to support lending growth

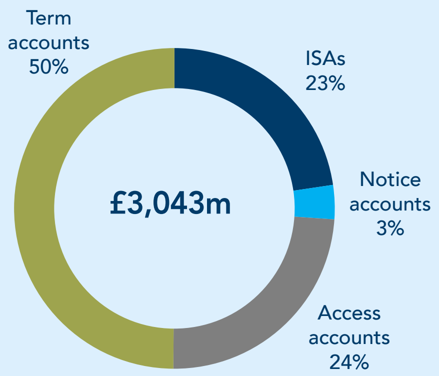
Funding

- Customer deposits grew by 6.0% to £3.0bn
- Mix of the deposit book has continued to evolve as the Group has adapted to the interest rate environment
- Focus on meeting demand for Access products and retaining term deposits at maturity
- Funding maturing < 1 year of 66.4% (FY 2023: 57.3%) gives sensitivity to year on year CoF changes
- TFSME maturing in 2025 to be replaced by retail deposits with £50m repaid early in June 2024 and £25m in July 2024

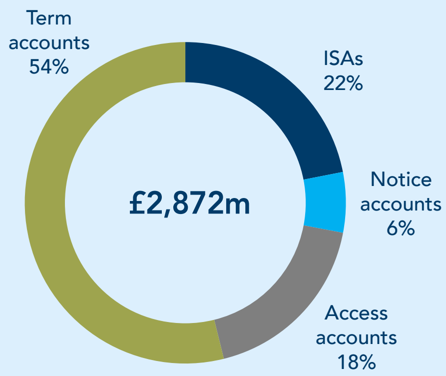
Liquidity

- Liquid assets comprise balances held with the Bank of England
- Regulatory metrics remained strong with average LCR of 216.3% well in excess of regulatory minimums

HY 2024



FY 2023



£m	HY 2024	FY 2023	% Change
Deposits from customers	3,042.7	2,871.8	6.0%
Wholesale funding	350.2	395.2	(11.4)%
Tier 2	93.1	93.1	-
Amounts due to other credit institutions	8.9	6.8	30.9%
Total funding	**3,494.9**	**3,366.9**	**3.8%**

Strategic Review and Outlook

David McCreadie
Chief Executive Officer

Clear strategic focus

Vision

To be the most trusted specialist lender in the UK

Purpose

To help more consumers and businesses fulfil their ambitions

Our Strategic Priorities

- Simplify
- Enhance customer experience
- Leverage networks

Significant strategic progress

Simplify

- On track to deliver £5m Project Fusion savings
- All IT and Operations consolidated under Group COO
- Organisational redesign
- New target for Project Fusion savings - £8m

Enhance customer experience

- Digital-first approach
- Over 84% self-service adoption in Retail Finance
- 96% of Savings customers registered for Online Banking
- Automated Savings Bond maturity process
- FEEFO score of 4.7 stars

Leverage networks

- Further market share gains in Retail Finance
- Expanded Vehicle Finance distribution
- Improved client retention in Real Estate Finance

Technology platform

- Use of AI tool for complaints handling
- Consumer Duty data gathering automated
- Savings Mobile App enhancements
- Partner API integrations increased

Retail Finance

About the business

- Helping consumers purchase lifestyle goods and services
- Offering integrated finance options to support sales at UK retailers

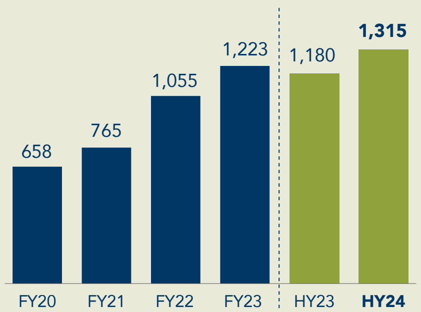
V12 Retail Finance AppToPay

Strategic highlights

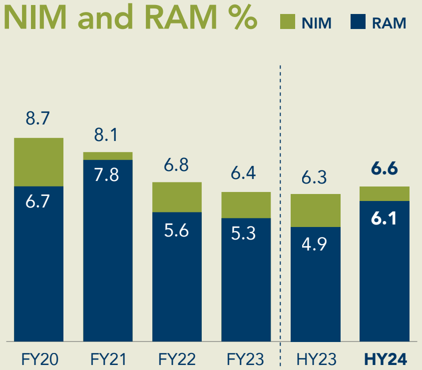
- 7.5% net lending growth compared to FY 2023
- CoR reduced by 0.9pp linked to credit quality and benefits from new IFRS9 models
- Market share* increased to 17.0%
- Prime lending in our chosen furniture and jewellery markets – stable at 80% of lending

Financial performance

Net lending £m

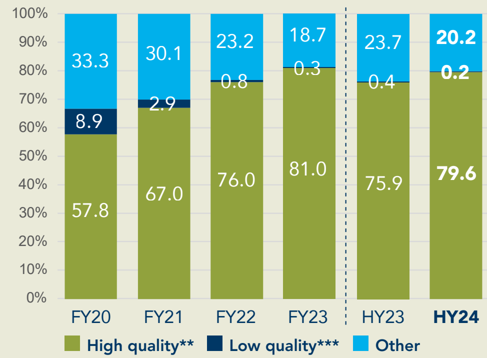


NIM and RAM %



Arrears %

Net lending mix %



* Source of market share data FLA ** Furniture and jewellery *** Consumer electronics

Vehicle Finance

About the business

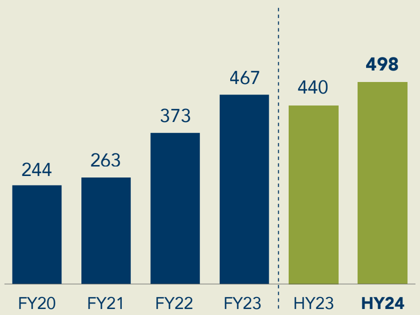
- Helping customers buy their used vehicles from dealers
- Helping dealers buy vehicles for their forecourts and showrooms

Strategic highlights

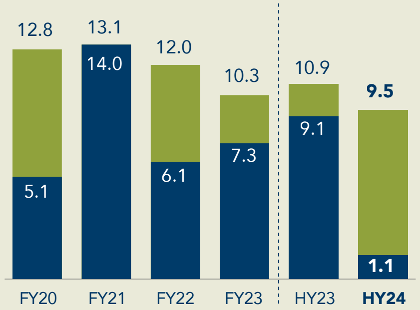
- 27.8% of new business from prime lending
- 6.6% net lending growth over FY 2023 and more than doubled since end 2020
- Market share* stable at 1.2%
- Collections activities returning to normal following BiFD review

Financial performance

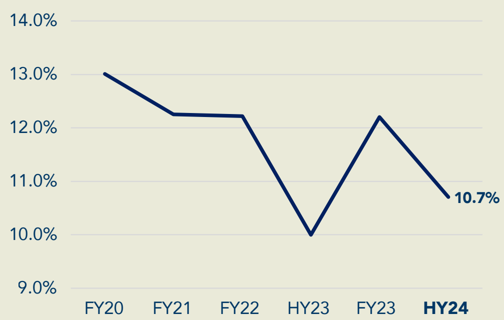
Net lending £m



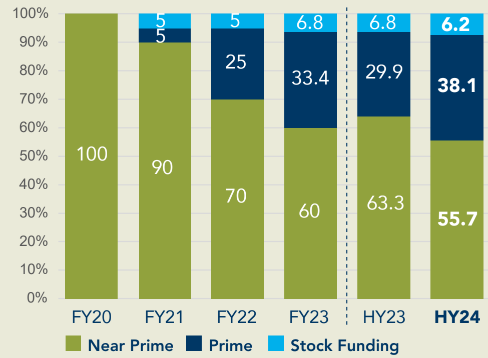
NIM and RAM %



Arrears %



Net lending mix %



* Source of market share data FLA

Real Estate Finance

About the business

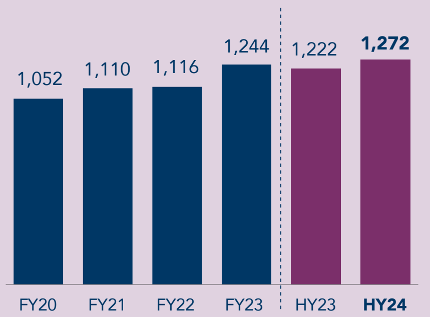
- Providing secured borrowing to professional landlords to allow them to improve and grow their portfolio
- Providing development facilities to property developers and SME house builders to help build new homes for sale or letting

Strategic highlights

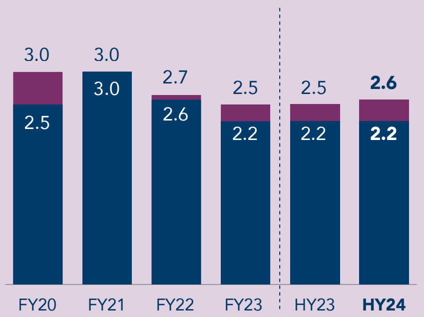
- Rate environment has subdued market in London and South east
- Net lending growth of 2.2% over FY 2023
- Client retention and refinancing has maintained net lending
- Improved NIM of 2.6% and stable LTV of 57.1%

Financial performance

Net lending £m

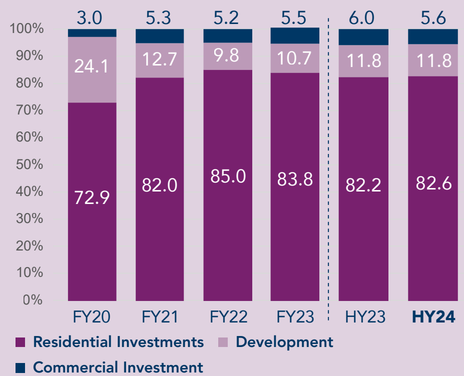


NIM and RAM %



Book LTV %

Net lending mix %



Commercial Finance

About the business

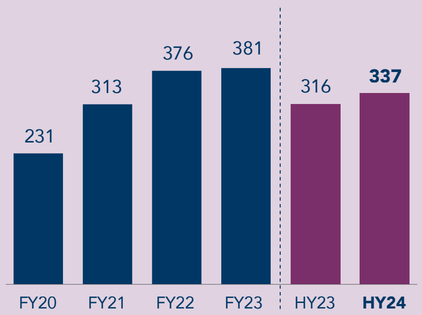
- Providing working capital finance to UK SMEs
- Providing funds for strategic events

Strategic highlights

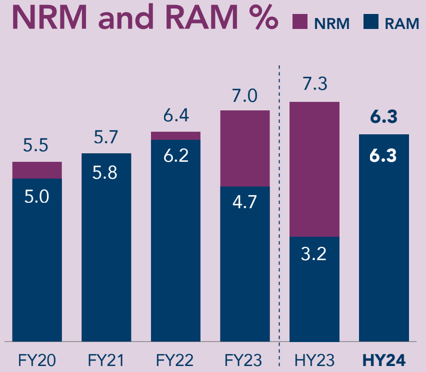
- ABL market new business suppressed due to fewer Private Equity backed buyouts
- Net lending 11.6% lower than FY 2023
- NRM reduced to 6.3% due to higher CoF and lower fees
- RAM increased from 3.2% to 6.3% due to strong default management

Financial performance

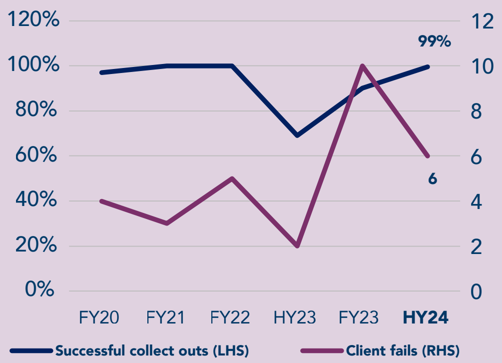
Net lending £m



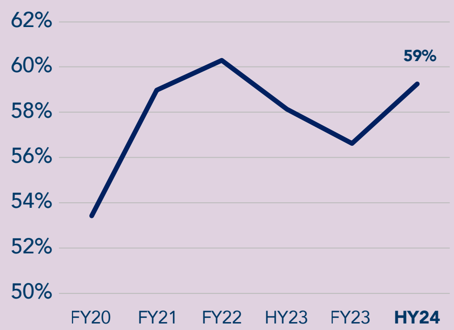
NRM and RAM %



Defaults management %



Utilisation %



Savings

About the business

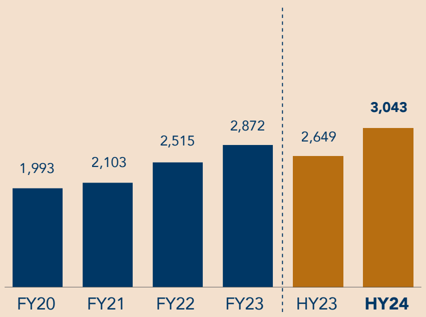
- Helping our customers save for special events such as a holiday, wedding or retirement
- All customers receive a competitive interest rate

Strategic highlights

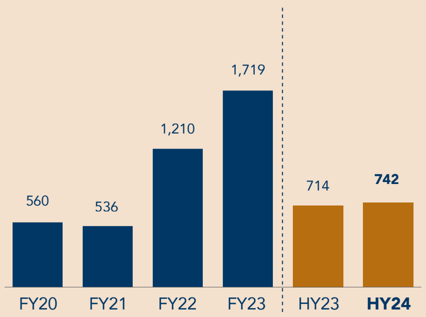
- Deposit balances £3bn+ for first time
- 69% retention of maturing term deposits
- 96% of customers registered for Online Banking
- Conversion from paper to digital correspondence increased from 42% to 59%

Financial performance

Total deposits £m

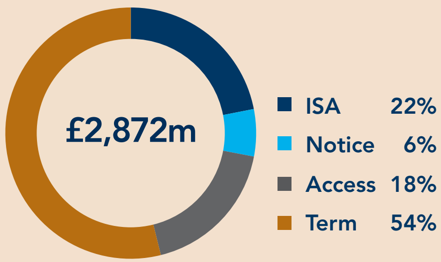


Total funds raised £m

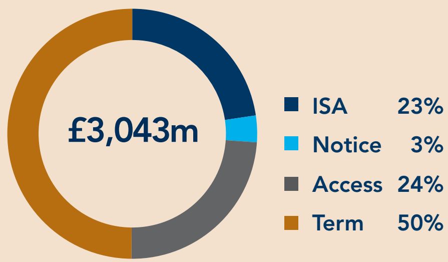


Savings balances

FY23 Deposits



HY24 Deposits



Excellent growth potential in our specialist markets

Excellent growth potential in large addressable markets

Opportunities identified to deliver operational efficiencies

£4 billion net lending ambition will support an attractive return on capital

FY 2024 Outlook

- Expect lending demand to increase as confidence improves further
- Cost of retail funding has peaked and will support NIM expansion
- Activity underway to improve collection rates in Vehicle Finance
- Organisational design changes to be implemented, unlocking further cost savings

Commercial Finance – Capital Markets event to be held 13 November 2024


Q
A

Appendices

Reconciliation of adjusted results

to the Interim Report and Accounts for the 6 months ended 30 June 2023

£m	Adjusted HY 2023	Exceptional items	Continuing HY 2023	Discontinued operations	Total HY 2023
Net interest income	81.0	–	81.0	–	81.0
Net fee income and commission	8.1	–	8.1	–	8.1
Operating income	**89.1**	**–**	**89.1**	**–**	**89.1**
Operating expenses	(49.8)	(0.9)	(50.7)	–	(50.7)
Fair value losses	0.9	–	0.9	–	0.9
Profit before tax pre impairments	**40.2**	**(0.9)**	**39.3**	**–**	**39.3**
Impairment charge	(22.8)	–	(22.8)	–	(22.8)
Continuing profit before tax	**17.4**	**(0.9)**	**16.5**	**–**	**16.5**
Discontinued operations	–	–	–	(1.5)	(1.5)
Total profit before tax	**17.4**	**(0.9)**	**16.5**	**(1.5)**	**15.0**
Tax	(4.2)	–	(4.2)	0.3	(3.9)
Total profit after tax	**13.2**	**(0.9)**	**12.3**	**(1.2)**	**11.1**
KPIs					
Net interest margin (NIM)	5.4%	–	5.4%	–	5.4%
Net revenue margin (NRM)	6.0%	–	6.0%	–	6.0%
Cost of risk (CoR)	1.5%	–	1.5%	–	1.5%
Risk adjusted margin (RAM)	4.5%	–	4.5%	–	4.5%
Cost income ratio (CiR)	55.9%	1.0%	56.9%	–	56.9%
Return on average equity (ROAE)	8.0%	(0.5)%	7.5%	(0.7)%	6.8%
Earnings per share (EPS)	70.6p	(4.8)p	65.8p	(6.4)p	59.4p

Business overview

		Consumer Finance				Business Finance			
		Retail Finance		Vehicle Finance		Real Estate Finance		Commercial Finance	
		HY 2024	HY 2023	HY 2024	HY 2023	HY 2024	HY 2023	HY 2024	HY 2023
Growth	Spot lending balances	**£1,315m**	£1,180m	**£498m**	£440m	**£1,272m**	£1,222m	**£337m**	£316m
	Net lending growth***	**11%**	12%	**13%**	18%	**4%**	10%	**6%**	(16)%
	Avg lending balances	**£1,255m**	£1,102m	**£478m**	£403m	**£1,264m**	£1,152m	**£364m**	£348m
	New business	**£645m**	£614m	**£249m**	£250m	**£136m**	£252m	**£32m**	£31m
Performance	Net interest margin	**6.6%**	6.3%	**9.5%**	10.9%	**2.6%**	2.5%	**3.4%**	4.3%
	Net revenue margin	**6.8%**	6.5%	**9.8%**	11.4%	**2.6%**	2.6%	**6.3%**	7.3%
	Risk adjusted margin	**6.1%**	4.9%	**1.1%**	9.1%	**2.2%**	2.2%	**6.3%**	3.2%
Asset quality	Cost of risk	**0.7%**	1.6%	**8.8%**	2.4%	**0.5%**	0.4%	**0.0%**	4.1%
	Coverage ratio	**2.3%**	2.6%	**10.7%**	8.7%	**0.9%**	0.4%	**0.2%**	0.3%
	Arrears	**0.7%**	0.8%	**10.7%**	10.0%	**nm***	nm*	**nm***	nm*

* nm = not meaningful
** please note that related metrics may not add due to roundings
*** Note this is 12 month growth, elsewhere in the pack growth on FY 2023 is quoted

IFRS9

A reduction in Base and Severe peak unemployment rates, combined with an increase in Downside has been applied, resulting in a weighted average peak unemployment rate of 5.2% (Dec 2023: 5.0%)

HPI peak to troughs have been updated to reflect current house price environment

Scenario weighting remain the same as December 2023

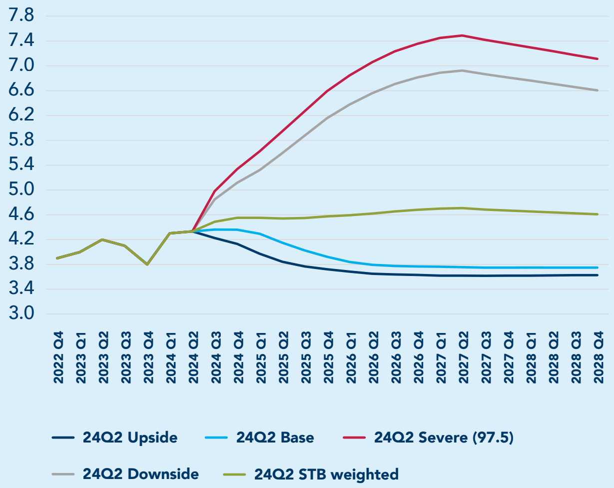
Sensitivities

- Changing the severe scenario weighting to 100% would result in an increase in provisions of **£3.8m** and a change to 100% weighting in the upside scenario would result in a decrease in provisions of **£1.1m** (for both values no change in ECJs is assumed)

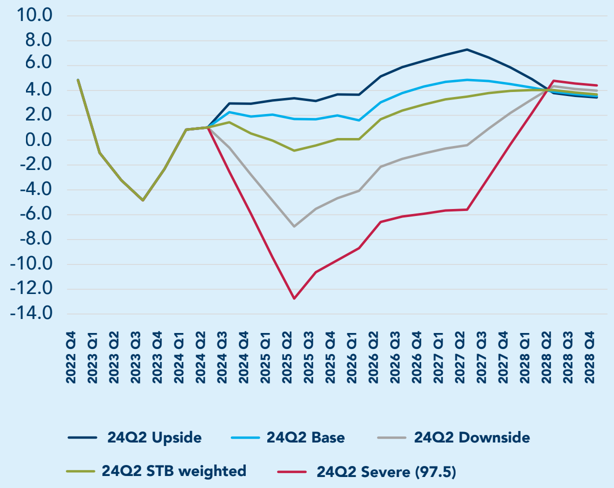
Economic Scenarios and Weightings

Scenario	30 Jun 2024 Weighting	30 Jun 2024 Peak Unemployment	30 Jun 2024 Peak/Low HPI change	31 Dec 2023 Weighting	31 Dec 2023 Peak Unemployment	31 Dec 2023 Peak/Low HPI change
Upside	**20%**	**4.2%**	**0.0%**	20%	4.3%	(1.5)%
Base	**50%**	**4.4%**	**(0.2)%**	50%	4.5%	(4.3)%
Downside	**25%**	**6.9%**	**(8.6)%**	25%	7.2%	(14.4)%
Severe	**5%**	**7.5%**	**(21.5)%**	5%	7.7%	(26.0)%

Unemployment %



HPI %



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Glossary

NIM	Net interest margin
COF	Cost of funds
NRM	Net revenue margin
RAM	Risk adjusted margin
CiR	Cost to income
CoR	Cost of risk
ROAE	Return on average equity
CET1	Common Equity Tier 1
EPS	Earnings per share

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