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SECURE TRUST BANK PLC

Interim Results for the six months to 30 June 2024

Further progress towards £4 billion loan book and cost income targets

David McCreadie, Chief Executive Officer, said:

"Secure Trust Bank continues to make progress towards its medium-term targets and strategic priorities. In the first half, we have delivered solid loan book growth and managed cost increases through our cost optimisation programme, Project Fusion. Today we are upgrading our cost savings target[1] for Project Fusion from £5 million to £8 million.

The business has delivered a double digit increase in our adjusted[2] profit before tax pre impairments. We have continued to grow our loan book towards the £4 billion target, the level at which we expect to deliver an adjusted[2] return on average equity of 14-16%. As such, we remain confident in achieving our medium-term targets."

Financial Highlights[3]

- **Loan book growth of 3.2% (8.3% on HY 2023)**
- **Total profit before tax increased by 14.0% to £17.1 million (HY 2023: £15.0 million)**
- **Adjusted[2] profit before tax pre impairments up 12.4% to £45.2 million (HY 2023: £40.2 million)**
- **Adjusted[2] profit before tax of £17.1 million (HY 2023: £17.4 million)**
- **Net Interest Margin ('NIM') at 5.3% (HY 2023: 5.4%), with a period end exit rate of 5.4%**
- **Adjusted[2] cost income ratio improved by 220 bps to 53.7% (HY 2023: 55.9%)**
- **Annualised cost saving target increased from £5 million to £8 million[1] by year-end 2025**
- **Tangible book value per share increased 3.1% to £18.36 per share (FY 2023: £17.80)**

Secure Trust Bank PLC ('Secure Trust Bank', 'STB' or the 'Group') achieved 3.2% net lending growth in the six months to 30 June 2024 (£106.3 million), with Consumer Finance contributing growth of 7.3% (£122.9 million). Business Finance saw a decrease in net lending of 1.0% (£16.6 million), driven by subdued commercial finance and real estate markets.

Customer deposits reached a record level of £3.0 billion (FY 2023: £2.9 billion) through a combination of growth in Access accounts, ISAs and Fixed term bonds. This increase has enabled us to repay £75.0 million of TFSME funding ahead of maturity, including £25.0 million in July 2024.

The Group's NIM decreased to 5.3% (HY 2023: 5.4%), reflecting the strategic shift towards lower yielding, lower risk lending in both our Business Finance and Consumer Finance divisions and the impact of higher cost of funds which have been partially offset as lending markets reprice. We have observed a slowdown in the rate of change in cost of funds in the second quarter and expect full year NIM will be in line with market expectations.

Project Fusion, the Group's cost optimisation programme, continues to contribute to our improved adjusted[2] cost income ratio, reducing to 53.7% (HY 2023: 55.9%). Project Fusion helped contain our net cost growth to £1.8 million (3.6%) in the period despite inflationary pressures.

The impairment charge of £28.2 million (HY 2023: £23.0 million) reflects a cost of risk of 1.7% (HY 2023: 1.5%). As highlighted earlier this year, we engaged in formal discussions with the FCA about our collections processes, procedures and policies following its Borrowers in Financial Difficulty ('BiFD') review. As a consequence of this review, the Group temporarily paused Vehicle Finance collection activities. This has caused higher volumes of loans reaching default status and delays in repossession and recovery activities, resulting in a higher provision coverage in Vehicle Finance of 10.7% (FY 2023: 8.9%) and a cost of risk of 8.8% (HY 2023: 2.4%) for this business.

The credit quality of new lending in the Vehicle Finance business has improved over time, and arrears levels in this business have reduced since year end, and are tracking towards pre-BiFD review levels. Collections activities have recommenced and we expect further progress in managing the stock of default cases in H2 2024. Retail Finance cost of risk improved to 0.7% (HY 2023: 1.6%) reflecting the quality of business written and IFRS 9 model enhancements, which resulted in some one-off provision releases. HY 2023 included a one-off charge within Commercial Finance of £7.2 million.

The Group achieved an adjusted[2] return on average equity ('ROAE') of 7.3% (HY 2023: 8.0%) and maintained strong capital ratios.

Financial summary[3]

	Six months to 30 June 2024	Six months to 30 June 2023	Change[4] %
Total statutory profit before tax	**£17.1m**	**£15.0m**	**14.0**
Adjusted[2] profit before tax	**£17.1m**	**£17.4m**	**(1.7)**
Adjusted[2] profit before tax and pre impairments	**£45.2m**	**£40.2m**	**12.4**
Total basic earnings per share	67.2 pence	59.4 pence	13.1
Continuing basic earnings per share	67.2 pence	65.8 pence	2.1
Interim dividend per share	**11.3 pence**	**16.0 pence**	**(29.4)**
Total return on average equity	7.3%	6.8%	0.5 pp
Adjusted[2] return on average equity	7.3%	8.0%	(0.7) pp
Net interest margin	5.3%	5.4%	(0.1) pp
Cost of risk	1.7%	1.5%	0.2 pp
Adjusted[2] cost income ratio	53.7%	55.9%	(2.2) pp
Cost income ratio	53.7%	56.9%	(3.2) pp
	30 June 2024	31 December 2023	Change %
Net lending balances	£3,421.6m	£3,315.3m	3.2
Customer deposits	£3,042.7m	£2,871.8m	6.0
Tangible book value per share	£18.36	£17.80	3.1
Common Equity Tier 1 ('CET 1') ratio	**12.7%**	**12.7%**	**-**
Total capital ratio	**15.0%**	**15.0%**	**-**

Optimising for Growth: Further strategic progress

The Group has continued to make good progress against its strategic priorities of **Simplify**, **Enhance Customer Experience** and **Leverage Networks** during the first six months of the year. This strategic progress has driven our loan book growth and cost efficiency. Key strategic priorities for the period ahead, include:

- Annualised cost savings target[1] for Project Fusion increased by £3 million to £8 million.
- Realise further benefits from reorganised Group reporting lines, aligning additional IT and operational functions under the Group Chief Operating Officer to drive cost efficiency and enhance service delivery to support more business areas.

- Further enhancements to our new digital Savings app, and completing the IT development work this year so that our modern Vehicle Finance platform is capable of hosting all new business across products and risk segments, which will enable us to offer loans to more customers.
- Market share gains for Retail Finance, and maintaining our Vehicle Finance position, leveraging the opportunities from our strong networks.

Other highlights

- Customer satisfaction remains high, as measured by Feefo, 4.7 stars (HY 2023: 4.6 stars).
- Listed as an official UK Best Workplace™ for the sixth year running, ranking 26 out of 105 companies (large organisations category) and, in the first year of rankings, for a new category of Development, ranking 26 out of 100 companies (large organisations category).
- We recently became members of Partnership for Carbon Accounting Financial ('PCAF'), which underlines our ongoing commitment to measure and monitor our environmental impacts as part of our Environmental, Social and Governance ('ESG') strategy.

Dividend

The Board approved an interim dividend of 11.3 pence per share for HY 2024 (HY 2023: 16.0 pence), which will be payable on 26 September 2024 to shareholders on the register at the close of business on 30 August 2024. This is in line with the Group's revised dividend policy set out in the FY 2023 results; where the dividend was re-based to a progressive approach.

Outlook

The macro-economic outlook remains uncertain, but the Group remains confident it can continue to show agility, credit discipline and continue to grow the loan book profitably. The Group expects further loan book growth in the second half towards the £4 billion target.

The second half of 2024 saw the first Bank of England Base Rate cut for four years and the inflation outlook appears more benign, both of which we expect to boost demand in our business areas. The Group expects to see further improvement in its cost income ratio as net lending balances grow and Project Fusion delivers further operational efficiency.

We are still targeting significant growth in year-on-year profits, although slightly below our previous expectations.

The Board remains confident in the achievement of the medium-term targets for the Group.

Medium-term targets	30 June 2024 Actual	Target
Net lending balance	£3.4bn	£4bn
Net interest margin	5.3%	>5.5%
Adjusted[2] cost income ratio	53.7%	44-46%
Adjusted[2] return on average equity	7.3%	14% - 16%
CET 1 ratio	12.7%	>12.0%

Footnotes:
1. £4.4 million cost savings relative to operating expenses for the 12 months ended December 2021. The remainder of £3.6 million savings (of the £8 million) will be relative to annualised operating expenses for the six months ending 30 June 2024.
2. Adjusted metrics exclude exceptional items of £nil (HY 2023: £0.9 million). Details can be found in Note 5 to the Interim Financial Statements.
3. Performance metrics presented relate to continuing operations unless otherwise stated. For further details see the Appendix to the 2024 Interim Report.
4. pp represents the percentage point movement.

Results presentation

This announcement together with the associated investors' presentation are available on: www.securetrustbank.com/results-reports/results-reports-presentations

Secure Trust Bank will host a webcast for analysts and investors today, 14 August 2024 at 10.00am, which can be accessed by registering at: https://brrmedia.news/STB_HY_24

For those wishing to ask a question, please dial into the event by conference call:

Dial +44 (0)330 551 0200
UK Toll Free: 0808 109 0700
Confirmation code (if prompted): STB Half Year

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This announcement contains inside information.

The person responsible for the release of this information on behalf of STB is Lisa Daniels, Company Secretary.

Forward looking statements

This announcement contains forward looking statements about the business, strategy and plans of STB and its current objectives, targets and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about STB's or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. STB's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors. These include economic and business conditions, risks from failure of clients, customers and counterparties, market related risks including interest rate risk, risks regarding market conditions outside STB's control, expected credit losses in certain scenarios involving forward looking data, operational risks, legal, regulatory, or governmental developments, and other factors. The forward looking statements contained in this announcement are made as of the date of this announcement, and (except as required by law or regulation) STB undertakes no obligation to update any of its forward looking statements.