Secure Trust Bank Group

Helping more consumers and businesses fulfil their ambitions

Annual Report & Accounts 2024

About us

We are an award-winning UK specialist lender, providing savings accounts and lending services to over 1.4 million customers. The Group has been helping consumers and businesses fulfil their ambitions for over 70 years.

Adjusted profit before tax

£39.1m

2023: £42.6 million

Statutory profit before tax

£29.2m

2023: £36.1 million

Common Equity Tier 1 ratio

12.3%

2023: 12.7%

Customer lending

£3.6bn

2023: £3.3 billion

Pages 1 to 67 form the Strategic Report. It includes our market review, strategy, financial review and a business review for each of the lines of business. Pages 112 to 118 form the Directors' report.

All key performance indicators are presented on a continuing basis, unless otherwise stated.

Adjusted profit before tax refers to Profit before income tax from continuing operations before exceptional items.

Further information on exceptional items are included on page 14, and discontinued operations are included in Note 10 to the Financial Statements.

In this report

securetrustbank.com

Group at a glance
Our strategy

Our vision

To be the most trusted specialist lender in the UK

Our purpose

To help more consumers and businesses fulfil their ambitions

Our strategic priorities

Simplify
Focus on core business units and use technology to deliver efficiency and better operational processes

Enhance customer experience
Improve the customer journey to increase retention and attract new customers to gain market share

Leverage networks
Take advantage of our strong partnerships with introducers to drive growth

Enabled by technology
Take advantage of recent investments within our technology platforms to automate processes and streamline and enhance customer experience for our business partners via integration and for our end customers through self-service

Our strengths

- Specialist
- Diverse
- Expert
- Ambitious

Our values

- Customer Focused
- Risk Aware
- Future Orientated
- Teamwork
- Ownership
- Performance Driven

Stakeholders

- Customers
- Business partners
- Shareholders and investors
- Regulators
- Employees
- Communities and society

Group at a glance
Our business model

What we do

Consumer Finance

Retail Finance

We provide finance options at the point of purchase.

Vehicle Finance

We provide financing for consumers and dealerships.

→ Refer to page 18

We earn interest income

Business Finance

Real Estate Finance

We lend money against residential properties to professional landlords and property developers.

Commercial Finance

We provide asset based lending solutions.

→ Refer to page 22

We earn interest and fee income

Customer service
Risk management
Governance
Value creation

Savings

We offer a full range of customer savings products including Access Accounts, Fixed Term Bonds and ISAs.

→ Refer to page 26

We pay interest to our customers

Wholesale funding and investors

We utilise our balance sheet to raise secured wholesale funds.

We raise and retain capital to support the growth of our balance sheet.

→ Refer to page 16

We pay interest to investors and dividends to shareholders

How we do it

Strategic priorities

- Simplify
- Enhanced customer experience
- Leverage networks

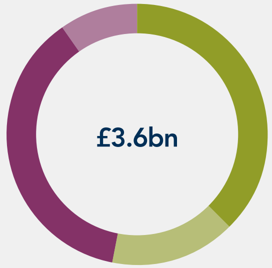
Enabled by technology

Our strengths

- Specialist
- Expert
- Diverse
- Ambitious

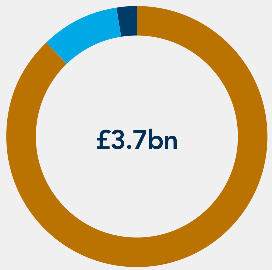
2024 in numbers

Net lending



Retail Finance	37.6%
Vehicle Finance	15.5%
Real Estate Finance	37.2%
Commercial Finance	9.7%

Funding



Savings	87.8%
Wholesale funding	9.7%
Tier 2 debt	2.5%

Customers | Shareholders and investors | Employees | Business partners | Regulators | Communities and society

Group at a glance
Our strategic progress

Simplify	Initial Project Fusion target achieved, with **£5 million annualised cost savings**[1]	**Organisational redesign completed** with IT and Operations consolidated under a single management structure	New Project Fusion target announced at half year on track to achieve an **additional £3 million annualised cost savings**[1] in 2025	Delivered over **50% reduction** in Scope 1 and Scope 2 CO_2 target for **emissions** one year early (since 2021)	Delivering our cost savings target improves our **cost income ratio and return on equity**
Enhance customer experience	Digital-first approach for Savings, delivering an **enhanced online application process**	**Over 87% self-service adoption** in Retail Finance, and app rollout to allow customer self-servicing	**Automated savings bond maturity process** implemented	Customer **Feefo score** of **4.7 stars** and **4.6 stars** for **Trustpilot**	Delivering **cost-efficiency and balance sheet growth** by retaining satisfied customers
Leverage networks	**Extended contracts** with key furniture and jewellery retailers in Retail Finance	**Extensive distribution relationships** across consumer businesses	**Repeat business and client retention** within Business Finance from **established relationships**	**Market share gains** of new business in both Retail Finance and Vehicle Finance	Driving growth in **net lending and net interest margin** as our balance sheet mix moves towards consumer lending
Enabled by technology	**Vehicle Finance rate for risk platform launched,** facilitating applicants to be matched to our products	Use of **AI tools and automated data gathering** in complaints handling	**Savings app enhancements,** with more transactional activity and **over 30%** of customers registered	Platforms proven to be **scalable and flexible with increased partner API integrations**	A digital-first approach supports **cost-efficiencies and growth capacity**

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings will be relative to annualised operating expenses for the six months ended 30 June 2024.

Chair's statement

Focused on strategic progress

"We will continue to focus on building business momentum, the effective deployment of capital and increasing our return on equity."

Jim Brown
Chair

We have delivered a resilient performance in 2024, in a challenging operating environment with elevated inflation, continued high interest rates, a new UK government and slowing economic growth, causing uncertainty across the markets in which we operate. In addition, like many other firms across the sector, we faced significant legal and regulatory headwinds, which have created further uncertainty and disruption.

Despite these challenges, we have continued to focus on delivering for our customers, which has driven continued lending growth across both our Consumer and Business Finance segments. During the year, we have taken decisions to refocus our Vehicle Finance business, invest in our collections capability and simplify our organisational design, further reducing complexity and costs.

First impressions

I joined Secure Trust Bank because I believe in the underlying strength of the business and the strategic growth opportunities available. Since my appointment as Chair in May 2024, I have engaged with many people across the business and visited our key offices, which has served to reinforce my initial views. I have been particularly impressed by the commitment shown by our people, who are dedicated to delivering for our customers and helping them to fulfil their ambitions. This focus on our customers and achieving good outcomes for them, will drive our future success.

I have welcomed the opportunity to meet with many of our major shareholders and hear their views, on the business and the markets in which we operate. This engagement has been very valuable as I have transitioned into the Chair role.

In-line with feedback from shareholders, we have enhanced our segmental reporting, providing greater granularity on the performance of each business unit, further information on which can be found in Note 3 to the Financial Statements from page 137.

Business performance

Adjusted[1] profit before tax for the year ended 31 December 2024 was £39.1 million (2023: £42.6 million) and statutory profit before tax was £29.2 million (2023: £36.1 million). Excluding impairment charges, which were impacted by the FCA's Borrowers in Financial Difficulty ('BiFD') review as explained in the following section, adjusted[1] profit before tax pre-impairments increased 18.0% to £100.9 million (2023: £85.5 million).

Adjusted[1] return on average equity has decreased to 8.0% from 9.6% in 2023; improving the bank's return on equity across the business units is a key area of focus for the Board and management.

We have taken several decisions during the year to accelerate the growth in our return on equity, particularly within our Vehicle Finance business, where we have refined our strategy to focus on higher returning segments of the market and made further investments to improve our collections processes. Across the Group we have implemented centralised operating and governance models, which have reduced complexity, improved the consistency of service to clients, delivered cost efficiencies and resulted in a more agile organisation.

Legal and regulatory developments

The FCA's BiFD review and subsequent engagement with the regulator meant the Group paused collections processes in our Vehicle Finance business during the second half of 2023. During the year, we have invested in our collections capabilities, to enhance the outcomes for our customers and improve our processes. The reduced collections activity into 2024 resulted in a material increase in our impairment charges in 2024, which impacted our profitability for the year. Collections activity returned to normalised levels during H2 24 and we are considering options to manage the level of defaulted stock.

Separately, in January 2024 the FCA launched a review of the historic use of discretionary commission arrangements ('DCAs') in the motor finance market. DCAs were prohibited by the FCA in 2021, although the Group ceased these types of arrangements well before in June 2017.

1. Adjusted metrics exclude exceptional items of £9.9 million (2023: £6.5 million). Details can be found in Note 8 to the Financial Statements.

Chair's statement

The Court of Appeal's October 2024 judgment on three motor commission cases led to lending pauses and uncertainty across the motor finance market and is the subject of a Supreme Court appeal. There are important differences in the fact patterns in those cases and our lending model. We also believe that key aspects of the judgment, if upheld, go beyond the regulatory requirements applied by the FCA, and generally understood by market participants, at the time. Further information can be found in Note 29 to the Financial Statements on page 162.

Immediately before the Court of Appeal's judgment, the Company's share price had increased by 18% for the year to October. After this judgment and with the continuing uncertainty in the sector, our share price fell by 48% to £3.62 as at 31 December 2024, significantly below the Group's tangible book value of £18.64.

Capital management and dividend

As at 31 December 2024 the Group's Common Equity Tier 1 ratio was 12.3% (2023:12.7%). The optimal deployment of our capital and the returns it generates will be a key area of focus during 2025, as we balance maintaining a healthy capital surplus with investing for growth and returns to shareholders.

With effect from the 2024 AGM we implemented a new progressive dividend policy, which means dividends will be no less than that of the previous year. Under the policy the Board will consider the Group's capital requirements, liquidity and market expectations in determining the specific amount. In-line with that policy the Board proposes a final dividend of 22.5 pence per share (2023: 16.2 pence per share), which if approved by shareholders at the Company's 2025 AGM, will be paid on 22 May 2025 to those shareholders on the register on 25 April 2025.

Governance

There have been a number of changes to the Board during the year. Victoria Stewart, a Non-Executive Director and Chair of the Remuneration Committee, stood down from the Board on 31 December 2024, after entering her ninth year as a Director. I would like to thank Victoria for her stewardship of the Remuneration Committee and her wider contribution to the development of the Group throughout her tenure.

In October, we welcomed Julie Hopes to the Board, who succeeded Victoria as Chair of the Remuneration Committee with effect from 31 December 2024. Julie has strong experience of Chairing Remuneration Committees, particularly within Financial Services, and brings a strategic mindset, experience of business transformation and a strong focus on consumers.

In October, we also appointed Victoria Mitchell, an existing Non-Executive Director to our Risk Committee. Victoria previously served as the Chief Risk Officer of Capital One (Europe) plc and her experience further strengthens and broadens the experience of the Risk Committee.

Outlook

We have a strong, diversified business and see significant growth opportunities in sectors in which we operate. We believe our customer focus positions us well to capitalise on these opportunities and increase our return on equity.

As highlighted, there remains significant legal and regulatory uncertainty across the motor finance sector and the wider macroeconomic environment. Supporting the management team to address the potential implications of the Supreme Court's decision is a priority for the Board.

Throughout this, we will continue to focus on building momentum across our business units, the effective deployment of our capital and increasing our return on equity.

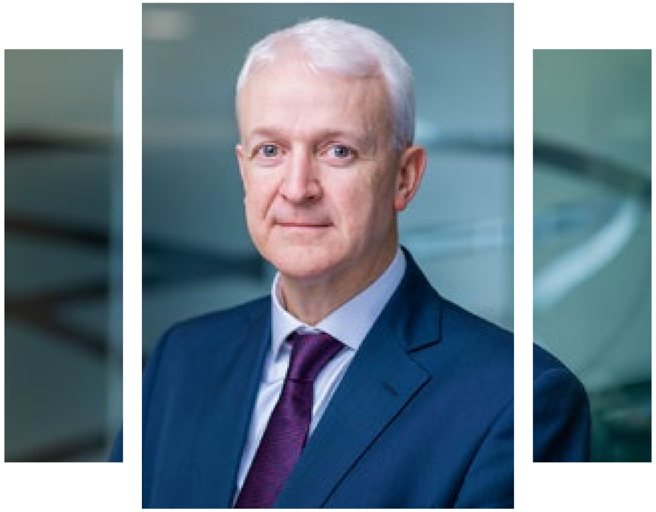
I would like to sincerely thank our customers for their continued trust and our colleagues for their hard work throughout the year; they have demonstrated their resilience and have remained dedicated to delivering for our customers, shareholders and other stakeholders.

Jim Brown
Chair

12 March 2025

Chief Executive's statement

As the year progressed, momentum seen across core performance metrics



"Foundations in place to support net lending growth ambition."

David McCreadie
Chief Executive

There were a number of challenges that presented themselves during the year, and so, I was pleased that while navigating those, we were also able to deliver improvements, particularly in the second half of the year across lending growth, net interest margin and adjusted[1] cost income ratio. This has been achieved with a Common Equity Tier 1 ('CET 1') ratio of 12.3%. Full-year adjusted1 profit before tax pre impairments increased by 18.0% to £100.9 million (2023: £85.5 million). Statutory profit before tax was £29.2 million (2023: £36.1 million).

Progress against our medium-term targets has been encouraging. We achieved an 8.8% growth in net lending (2024: £3.6 billion; 2023: £3.3 billion), moving us closer to our £4.0 billion target and stabilised our net interest margin at 5.4% (2023: 5.4%), just below our target of greater than 5.5%, despite incurring higher funding costs. Project Fusion, our cost optimisation programme, prudent cost management and continued income growth contributed to an improvement in our adjusted[1] cost income ratio to 50.9% (2023: 54.0%), a reduction of 310 basis points. Statutory cost income ratio was 55.8% (2023: 57.5%). This is excellent progress towards our target of 44% to 46%. Continued growth in net lending and net interest margin and effective cost management will drive us towards delivering our target return on average equity ('ROAE') of 14% to 16%.

Although the year saw a reduction in the Bank of England Base Rate, we have operated in a highly competitive interest rate environment for Savings accounts. We continue to offer competitive rates to depositors, attracting significant levels of new funding (£1.6 billion), as well as retaining matured funds (£0.9 billion). Our deposits are entirely from retail customers and more than 95% of deposits are fully covered by the FSCS. We have achieved this, despite the challenges we have faced in 2024, with a high interest rate environment and uncertainty around timing of interest rate cuts, slowing economic growth and political changes. This has impacted demand for credit, particularly in Business Finance. We continued to manage credit exposures in a disciplined way and remained agile in managing our balance sheet.

Cost of risk increased from 1.4% to 1.8% and was impacted by the secondary impact of the pause in our collection processes in Vehicle Finance during the second half of 2023, which resulted in an elevated stock of defaulted loans (see section on Regulatory and legal interventions), which increased impairment charges for the year. As a consequence, the cost of risk for Vehicle Finance increased from 3.4% in 2023 to 7.7%. Unfortunately, the initiatives we hoped would restore performance of the Vehicle Finance portfolio towards a normal level for year-end, were not possible to fully execute due to the market environment. We continue to pursue strategic options to manage down the stock of historic defaulted balances. Retail Finance cost of risk improved to 1.0% (2023: 1.4%) reflecting the quality of business written and IFRS 9 model enhancements, which resulted in some one-off provision releases.

As a result, we delivered an adjusted[1] profit before tax of £39.1 million (2023: £42.6 million) in the year, which impacted our adjusted[1] ROAE of 8.0% (2023: 9.6%). Total ROAE was 5.5% (2023: 7.3%). Three of our specialist businesses grew profitability year-on-year. The higher cost of risk in Vehicle Finance impacted our overall results. Further insight is shared in our segmental reporting which can be found in Note 3 to the Financial Statements.

With our four specialist lending segments all offering compelling propositions in large addressable markets, we have solid foundations in place to make further market share gains. This is demonstrated by our strong track record in recent years. We saw gains in Retail Finance's market share of new business, which grew to 15.3%[2]; this continues to grow year-on-year (2023: 13.5%). Vehicle Finance's market share of new business was 1.4%[3] increasing its position from 2023 (1.2%). As a result, this contributed to net lending growth in the Consumer Finance businesses of 13.4% (£225.7 million) since 2023. Business Finance increased by £67.5 million, despite a subdued trading environment.

1. Adjusted metrics exclude exceptional items of £9.9 million (2023: £6.5 million). Details can be found in Note 8 to the Financial Statements.
2. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2024 15.3% (2023: 13.5%): FLA total and Retail Finance new business of £8,427million (2023: £8,810 million) and £1,289.7 million (2023: £1,185.4 million) respectively. As published at 31 December 2024.
3. Source: FLA. Cars bought on finance by consumers through the point of sale: New business values: 2024 1.4% (2023: 1.2%): Used cars: 2024, FLA total and Vehicle Finance total of £21,281 million (2023: £22,082 million) and £294.4 million (2023: £260.0 million) respectively. As published at 31 December 2024.

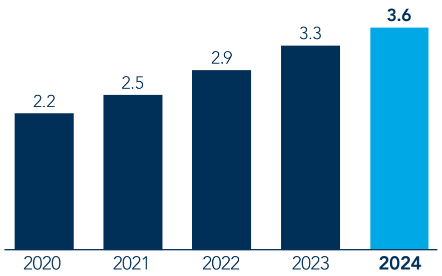
Chief Executive's statement

Key performance indicators

The following key performance indicators are the primary measures used by management to assess the performance of the Group.

Financial

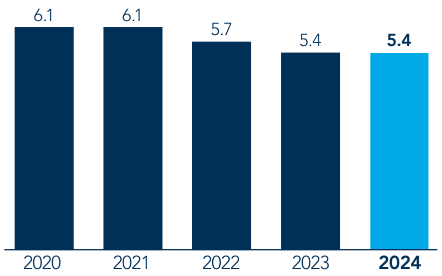
Loans and advances to customers (£bn)



Why we measure this

Shows the growth in the Group's lending balances, which generate income

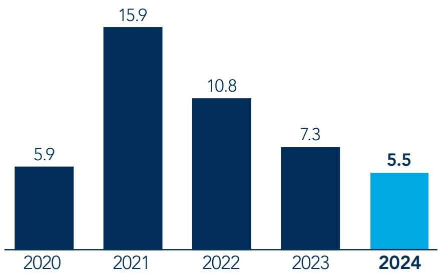
Net interest margin (%)



Why we measure this

Shows the interest margin earned on the Group's lending balances, net of funding costs

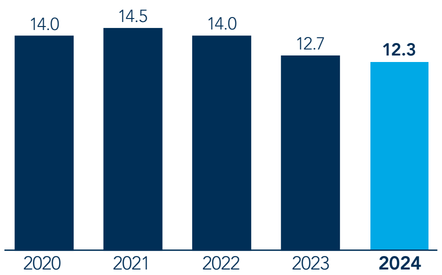
Total return on average equity (%)



Why we measure this

Measures the Group's ability to generate profit from the equity available to it

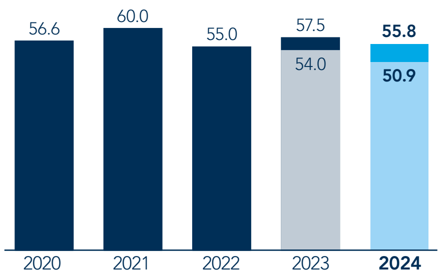
Common Equity Tier 1 ('CET 1') ratio (%)



Why we measure this

The CET 1 ratio demonstrates the Group's capital strength

Cost to income ratio (%)

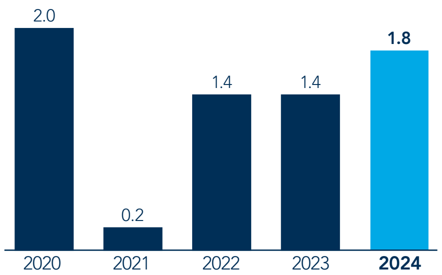


Why we measure this

Measures how efficiently the Group uses its cost base to produce income

Adjusted cost to income ratio excludes exceptional items. For further information see page 14

Cost of risk (%)



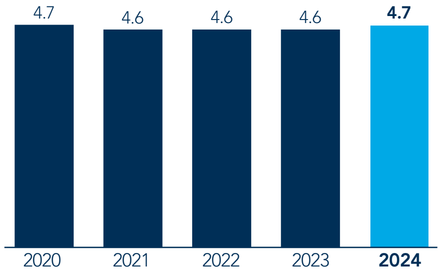
Why we measure this

Measures how effectively the Group manages the credit risk of its lending portfolios

Chief Executive's statement

Non-financial

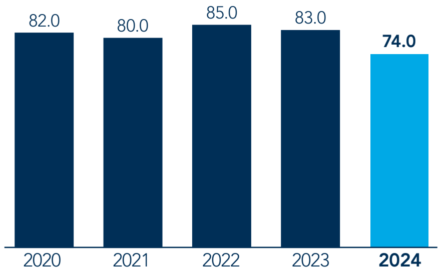
Customer Feefo ratings (Stars)[1]



Why we measure this

Indicator of customer satisfaction with the Group's products and services

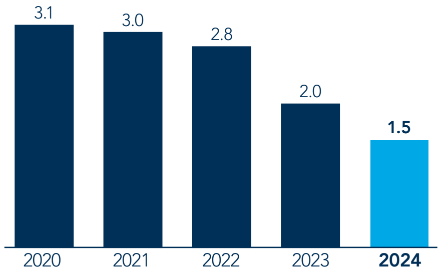
Employee survey trust index score (%)



Why we measure this

Indicator of employee engagement and satisfaction

Environmental intensity indicator[2]



Why we measure this

Indicator of the Group's impact on the environment

Certain key performance indicators represent alternative performance measures that are not defined or specified under International Financial Reporting Standards ('IFRS').

Definitions of the financial key performance indicators, their calculation and an explanation of the reasons for their use can be found in the Appendix to the Annual Report on pages 176 to 178.

All key performance indicators are presented on a continuing basis, unless otherwise stated.

Further information on discontinued operations are included in Note 10 to the Financial Statements. Further explanation of the financial key performance indicators is discussed in the narrative of the Financial review on pages 12 to 17. Further explanation of the non-financial key performance indicators is provided in the Managing our business responsibly (pages 42 to 65) and Climate-related financial disclosures (pages 54 to 65) sections.

The Directors' Remuneration report, starting on page 94, sets out how executive pay is linked to the assessment of key financial and non-financial performance indicators.

1. Mark out of 5 based on star rating from 1,661 reviews (2023:1,989; 2022: 990; 2021: 937; 2020: 1,466).
2. Total Scope 1, 2 and certain Scope 3 emissions per £million Group operating income. See page 60 for further details.

Chief Executive's statement

During the year, we took the opportunity to showcase our Real Estate Finance and Commercial Finance businesses at Capital Markets events held in July and November. Further details can be found on our website (www.securetrustbank.com/presentations).

Strategic priorities

Our strategic priorities are simplifying the Group, enhancing customer experience and leveraging our networks, all enabled by technology. These are the right priorities to Optimise for Growth, and will enable us to progress towards delivering all of our medium-term targets.

Simplify

A key initiative of simplification has been Project Fusion, where we achieved the target of £5 million[1] in annualised savings at the end of 2024. This was achieved through a sustained focus on cost discipline and we contained our year-on-year cost growth at 4.1%. We continued with supplier reviews to crystallise cost savings, and implemented technology enhancements. This year, this included migrating the e-signing of lending agreements to use in-house developed technology for our Retail Finance business, eliminating the need to use a third party.

The update in our Project Fusion target, announced at the half year, to £8 million[1] in annualised savings reflected material cost savings from organisational redesign. In the first half of the year, we consolidated our IT and Operations teams under the Group's Chief Operating Officer, and in the second half of the year this was further refined where we amalgamated product-specific teams under a single management structure. In addition, there were changes within Finance and the Risk Function to ensure they are configured to support the business in the most effective way, this also led to the creation of several new roles. The organisational changes will drive a simpler and more cost-efficient structure, remove duplication and provide clearer career paths and development opportunities. The changes did result in a redundancy programme, which resulted in some colleagues leaving the organisation, at a cost of £1.5 million. I would like to thank all colleagues who have left the business for their hard work and dedication and wish them well for the future. Although not an easy decision to make, these changes position the Group for future success. The organisational changes work was completed in December 2024, and the £3 million cost savings will be fully realised in 2025.

Combined, these initiatives give us high confidence in driving our cost income ratio to our target of 44 to 46% as we achieve our ambition for net lending of £4 billion. With that in mind, we are currently undertaking a strategic review of our business activities and future opportunities to inform the Group's future ambition and objectives beyond 2025.

Enhance customer experience

We are pleased to see that our customers are taking advantage of our digital platforms. During the year, we invested in enhancing our savings application process by simplifying the customer journey on our website. This included making the process a lot more user friendly, and better supporting customers with accessibility needs.

Over 97.1% of our Savings customers are registered to use online banking (2023: 95.8%). Since the launch of our Savings app in 2023, we have seen further uptake of app registrations, which is now at 30.1% and saw over half of servicing transactions being submitted on the Savings app for Access and Notice accounts.

More customers than ever (87.4%) have registered with our Retail Finance online account management system (2023: 80.4%). We also re-launched our AppToPay app, which now offers a mobile-based service platform for all our Retail Finance products, allowing customers to self-serve and initiate payments (see below for further details).

We continue to focus on customer outcomes and improving customer satisfaction, and again we score highly with Feefo, achieving 4.7 (2023: 4.6) for our Consumer Finance businesses. In addition, our Retail Finance business was nominated for Best Consumer Credit Product at the Credit Awards.

Within Business Finance, our Commercial Finance business was recognised by TheBusinessDesk.com North West Rainmakers Award, and was nominated for the 'Asset- based Lending Team'. In September, the business surpassed this and won the ABL/Non-Bank Lender of the Year award at the Midlands Insider Deal Makers Awards, a great achievement. Internal customer satisfaction reviews showed a 97% satisfaction score, which is a testament to a business that is highly reliant on expertise and relationship management model. In Real Estate Finance, 100% of respondents rated the service they receive from the team as 'Excellent'.

Leverage networks

Our relationships with partners, retailers, car dealers, intermediaries, new business originators and advisers support our growth.

Our Retail Finance net lending balance of £1.4 billion (2023: £1.2 billion) was supported by nearly 1,100 retail partners. 2024 saw the business secure longer-term contracts with a large furniture retailer and a jewellery retailer, and gaining new retailers in the lifestyle sector. Vehicle Finance saw an increase of 19.5% in its net lending balance growing from £0.47 billion to £0.56 billion.

API integration is a key feature in our offering to our consumer distribution networks. This enables us to work seamlessly with our partners, creating efficient working practices across both partner organisations and internally. This has long been an advantage as part of our Retail Finance offering to retail partners, integrating at speed.

The power of our relationship model in Real Estate Finance has seen new lending to existing clients increase from 36% in 2021 to 67% in 2024, with reliance on new lending origination from brokers declining from 42% to 13% over the same period. This retention model has the benefit of reduced cost of customer acquisition and provides greater knowledge of customers' risk profiles.

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings (of the £8.0 million) will be relative to annualised operating expenses for the six months ending 30 June 2024.

Chief Executive's statement

Enabled by technology

In October, we rolled-out the enhanced capability of our modern Vehicle Finance origination and loan management platform, which is now capable of hosting all new business across products and risk segments. Importantly, customer applications submitted by intermediaries will cascade through our credit tiers and be matched to the most appropriate product terms, which will enable us to offer loans to more customers. This represents a significant investment made over several years allowing us to move forward with technology designed for the market and allow us to migrate away from legacy high maintenance systems.

As noted, we re-launched our AppToPay proposition in December. Initial data shows customers taking advantage of making payments through open-banking, which is more convenient for the customer, and more cost-efficient for the Group. The app provides the initial foundations for providing customers and retailers opportunities to access our full Retail Finance product suite.

Regulatory and legal interventions

As highlighted at the end of 2023, we were working on improving our collections processes, procedures and policies following the FCA's review of Borrowers in Financial Difficulty ('BiFD') across the industry. Customers are now being offered a wider range of forbearance options to support them through financial difficulties. We have identified that it is appropriate to pay £2.2 million to customers (of which £2.0 million was recognised in 2023) where we could have supported them better due to their individual circumstances. A significant part of the customer communications have now been distributed, and we expect to complete activities by the middle of 2025. This was a delay on our initial timetable, as we took additional time to ensure the quality and clarity of our correspondence was appropriate for our customers. We incurred an additional £1.5 million of costs (treated as exceptional) during 2024, primarily in relation to managing the programme.

The BiFD review resulted in a larger stock of defaulted loans within our Vehicle Finance business and increased the associated loan impairment provision. The stock of defaulted Vehicle Finance loans has remained elevated throughout the year, and as noted above, market conditions were not conducive to deliver on our strategic plans to normalise the position by year-end. The impairment charges recognised on the defaulted stock is not a reflection of the underlying quality of the business being originated. Collections activities returned to normal as the year progressed and arrears levels have reduced over the year.

In light of legal and regulatory developments, including the FCA's ongoing review of historical discretionary commission arrangements ('DCA') in the motor finance market, and the Court of Appeal's judgment which is currently under appeal, we have recognised costs of £6.9 million (£5.2 million redress, £1.7 million costs) for both DCA and fixed commission structures. There are important factual differences between those cases and how we operated. Further information can be found in Note 29 to the Financial Statements.

Environmental, Social and Governance ('ESG')

We have made progress against all our ESG focus areas during the year and refreshed our strategy to ensure it is reflective of our ESG aspirations moving forwards.

We were again recognised by UK's Best Workplaces™ by Great Place to Work® for a number of accolades. This is supported by colleagues completing employee opinion surveys at the end of 2023. The Group undertook a survey towards the end of 2024 and achieved a trust index score of 74% (2023: 83%). We had anticipated this fall, with the survey being undertaken during the rollout of our organisational redesign programme, which led to a period of uncertainty for many colleagues and a number of roles ultimately being made redundant. However, the score remained high against similar size organisations, which is positive considering the wide impact of change. I appreciate this time has been very challenging for those impacted as well as those remaining within the organisation. I would like to extend my personal thanks to colleagues for their hard work and commitment while we worked through this period of change.

Fundraising for good causes by teams taking on the Yorkshire and Welsh Three Peaks Challenge

Chief Executive's statement

Our colleagues continued to work hard to donate their time and efforts to support and raise funds for charity across a number of events, which included a golf day and the Three Peaks Challenge, raising nearly £100,000 for great causes this year.

As part of our ongoing work on Climate Action, we have become members of the Partnership for Carbon Accounting Financials ('PCAF'). Our membership of PCAF underlines our ongoing commitment to monitor and manage our environmental impacts as part of our ESG strategy. We have enhanced our emission disclosures around Scope 3, which can be found on pages 60 to 62. We also surpassed our goal to reduce our Scope 1 and 2 emissions by 50% (from 2021) a year early. During 2024, initiatives such as reducing our office footprint have contributed towards this reduction. We continue to look at internal initiatives to also support the impact we have on the environment, having launched a new employee benefit, a green car scheme, that is enabling our colleagues to lease brand new electric or plug-in hybrid vehicles.

Changes in Executive Committee

During the year, we saw some changes to our Executive Committee. John Bevan who oversaw the Commercial Finance business retired at the end of the year. John was with the Group for over 10 years, establishing the Commercial Finance business in 2014 and growing it to be a significant player in the asset-based lending market. Geoff Ray, Managing Director of the Real Estate Finance business, will retire in April 2025. Geoff joined the business in its early days and has been an integral part of its leadership team. Both have played a key role in developing their teams and growing their franchises with huge passion for their respective sectors. I would like to thank them both for the valuable contribution and wish them well in their retirement.

I would like to welcome Luke Jooste, who joined us on 1 March 2025 from Momenta Finance where he was the Chief Executive Officer. Luke has been appointed as Managing Director, Business Finance and will provide a fresh perspective to both Commercial and Real Estate Finance, and be the Executive Committee lead in setting the future strategy for our proposition to business customers.

Outlook

On balance, 2024 ended with a more positive economic outlook than 2023 with issues such as COVID and the cost-of-living crisis seeming to be largely behind us. However, the expected stability and optimism for growth that was promised from a change in UK government has not yet materialised. Whilst interest rates have started to slowly come down following a period of stabilised inflation figures, concerns over growth in the UK economy and the perceived adverse impact of the new Chancellor's Budget on the market, businesses and consumer confidence. There has also been additional geopolitical uncertainty due to the change of legislature in the US.

2024 has been extremely challenging for specialist banks due to the legal and regulatory developments relating to motor finance commissions. We are hopeful that the industry will receive the clarity it needs in 2025, and that we can move forward with confidence and renewed focus on delivering against our strategic objectives.

Subject to no adverse changes in the economy and trading environment, we expect by the end of 2025 we will have clear line of sight to delivering against our medium-term targets. With that in mind, we are currently undertaking a Group-wide review of our business activities. We have made an initial decision to re-focus the Vehicle Finance business on higher returning segments. I intend to provide an update on the outcome of this work in our 2025 Interim Report.

David McCreadie
Chief Executive

12 March 2025

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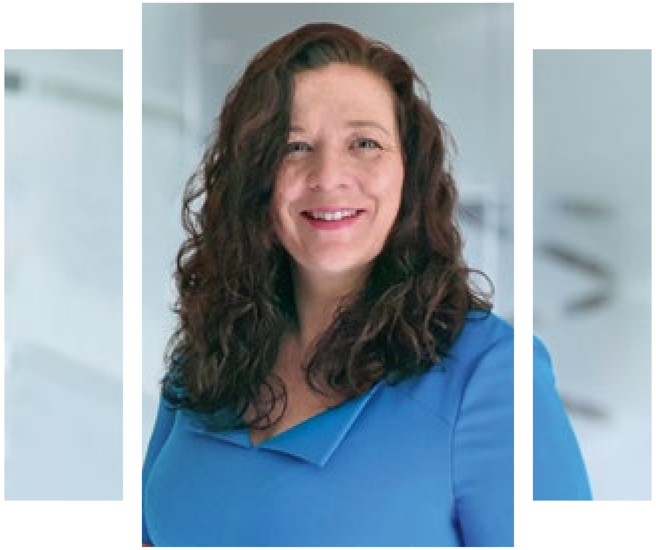
Best Workplaces for Development™

Best Workplaces for Women™

Best Workplaces for Wellbeing™

Financial review

Operating leverage being delivered



"Strong lending performance driving income growth with costs kept under control."

Rachel Lawrence
Chief Financial Officer

Income statement

	2024 £million	2023 £million	Movement %
Continuing operations			
Interest income and similar income	366.0	304.0	20.4
Interest expense and similar charges	(181.1)	(136.5)	32.7
Net interest income	**184.9**	**167.5**	**10.4**
Fee and commission income	19.2	17.3	11.0
Fee and commission expense	(0.2)	(0.1)	100.0
Net fee and commission income	**19.0**	**17.2**	**10.5**
Operating income	**203.9**	**184.7**	**10.4**
Net impairment charge on loans and advances to customers	(61.9)	(43.2)	43.3
Other (losses)/gains	(0.3)	0.3	(200.0)
Fair value and other gains on financial instruments	1.2	0.5	140.0
Operating expenses	(103.8)	(99.7)	4.1
Profit before income tax from continuing operations before exceptional items	**39.1**	**42.6**	**(8.2)**
Exceptional items	(9.9)	(6.5)	52.3
Profit before income tax from continuing operations	**29.2**	**36.1**	**(19.1)**
Income tax expense	(9.5)	(9.7)	(2.1)
Profit for the year from continuing operations	**19.7**	**26.4**	**(25.4)**
Discontinued operations			
Loss before income tax from discontinued operations	**–**	**(2.7)**	**(100.0)**
Income tax credit	–	0.6	(100.0)
Loss for the year from discontinued operations	**–**	**(2.1)**	**(100.0)**
Profit for the year	**19.7**	**24.3**	**(18.9)**
Basic earnings per share (pence) – Adjusted	150.1	172.3	(12.9)
Basic earnings per share (pence) – Continuing	103.4	140.8	(26.6)
Basic earnings per share (pence) – Total	103.4	129.6	(20.2)

Financial review

Selected key performance indicators and performance metrics	2024 %	2023 %	Percentage point movement
Net interest margin	**5.4**	5.4	–
Net revenue margin	**6.0**	6.0	–
Adjusted cost to income ratio	**50.9**	54.0	(3.1)
Statutory cost to income ratio	**55.8**	57.5	(1.7)
Cost of risk	**1.8**	1.4	0.4
Adjusted return on average equity	**8.0**	9.6	(1.6)
Total return on average equity	**5.5**	7.3	(1.8)
Common Equity Tier 1 ratio	**12.3**	12.7	(0.4)
Total capital ratio	**14.6**	15.0	(0.4)

Certain key performance indicators and performance metrics represent alternative performance measures that are not defined or specified under International Financial Reporting Standards ('IFRS'). Definitions of these alternative performance measures, their calculation and an explanation of the reasons for their use can be found in the Appendix to the Annual Report on pages 176 to 178.

All key performance indicators are presented on a continuing basis, unless otherwise stated. Adjusted profit before tax refers to profit before income tax from continuing operations before exceptional items. Further information on exceptional items are included on page 14 and discontinued operations are included in Note 10 to the Financial Statements.

The Directors' Remuneration report, starting on page 94, sets out how executive pay is linked to the assessment of key financial and non-financial performance metrics.

In 2024, we delivered strong lending growth, particularly within our Consumer Finance businesses, with net lending growth, of 8.8% driving income growth of 10.4% at a stable net interest margin. Cost growth has been actively managed and contained at 4.1%, but we have incurred higher impairments within our Vehicle Finance business due to the operational impacts of the FCA's review of Borrowers in Financial Difficulty ('BiFD'). The Group achieved an adjusted profit before tax of £39.1 million (2023: £42.6 million), with the Common Equity Tier 1 ('CET 1') ratio of 12.3%.

Increased impairment charges have reduced profits, resulting in total Earnings Per Share ('EPS') decreasing from 129.6 pence per share (2023) to 103.4 pence per share. On an adjusted basis, EPS decreased to 150.1 pence per share (2023: 172.3 pence per share). Total return on average equity decreased from 7.3% (2023) to 5.5%. On an adjusted basis, return on average equity decreased to 8.0% (2023: 9.6%).

Detailed disclosures of EPS are shown in Note 11 to the Financial Statements. The components of the Group's profit are analysed in more detail in the following sections.

Operating income

The Group's operating income increased by 10.4% to £203.9 million (2023: £184.7 million). Net interest income on the Group's lending assets continues to be the largest component of operating income. This increased by 10.4% to £184.9 million (2023: £167.5 million), driven by growth in net lending assets, with average balances increasing by 10.1% to £3,413.9 million (2023: £3,099.4 million).

The Group's net interest margin was maintained at 5.4% (2023: 5.4%) by actively increasing gross yields to reflect the higher cost of funds.

The Group's other income, which relates to net fee and commission income, increased by 10.5% to £19.0 million (2023: £17.2 million).

Impairment charge

Impairment charges increased to £61.9 million (2023: £43.2 million) resulting in an increased Group cost of risk of 1.8% (2023: 1.4%).

Increased expected credit losses in the Vehicle Finance business have been the principal reason for the increased impairment charges. Vehicle Finance has experienced increased levels of customer defaults due to a pause in collections activities from second half of 2023 as the business addressed the specific feedback received following the FCA's review of BiFD. The credit quality of new lending in the Vehicle Finance business has improved over time and arrears levels have reduced over the year.

Impairment charges are lower year on year across all other lending businesses. Retail Finance has originated a greater mix of higher-quality loans and also updated to reflect an improved debt sale arrangement. Both Business Finance businesses have incurred charges on specific cases but, overall, the portfolios performed better than 2023.

Overall impairment provisions increased to £111.8 million (2023: £88.1 million) with a total coverage level of 3.0% (2023: 2.6%).

During the financial year, the Group refreshed macroeconomic inputs to its IFRS 9 Expected Credit Loss ('ECL') models, incorporating its external economic adviser's latest UK economic outlook. The forecast economic assumptions within each IFRS 9 scenario, and the weighting applied, are set out in more detail in Note 16 to the Financial Statements.

Financial review

The Group has applied Expert Credit Judgements ('ECJ's') underlays totalling £5.7 million (2023: £1.2 million underlay), where management believes the IFRS 9 modelled output is not accurately reflecting current risks in the loan portfolios. The majority of the ECJ underlays of £4.5 million (2023: £2.1 million) relate to the Vehicle Finance lending portfolios LGD stage 1 and 2 recovery assumptions being understated in the model; which will be updated in 2025. Further details of these ECJs are included in Note 16 to the Financial Statements. During the year, the Group implemented a new IFRS 9 model for Vehicle Finance prime lending and an enhanced Probability of Default model for Retail Finance. These better reflect the underlying credit quality of business written and has reduced the need for ECJ's. We have also updated IFRS 9 Significant Increase in Credit Risk ('SICR') criteria, and implemented a new curing policy for Consumer Finance, further information can be found in Note 16 to the Financial Statements.

Fair value and other gains on financial instruments

The Group has highly effective hedge accounting relationships, and, as a result, recognised a small hedging ineffectiveness gain of £0.1 million (2023: £0.1 million gain) and £0.6 million gain (2023: £nil) relating to hedge accounting inception and amortisation adjustments (See Note 5 to the Financial Statements). The Group also recognised a gain of £0.5 million (2023: £0.8 million loss) relating to interest rate swaps being entered into ahead of hedge accounting becoming available, which will reverse to the income statement over the remaining life of the swaps.

During 2023, the Group realised a gain of £1.2 million on the buy-back of the 2018 Tier 2 debt.

Operating expenses

The Group's adjusted cost income ratio improved to 50.9% (2023: 54.0%) with the cost base increasing by 4.1% to £103.8 million (2023: £99.7 million). The improved ratio reflects both the increase in operating income and the ongoing programme of initiatives that are driving more efficient and effective operational processes, including digitalisation of processes, supplier and procurement reviews, organisational design and property management. As at the end of 2024, Project Fusion has delivered £5 million of annualised cost savings[1], and will deliver another £3 million of additional annualised savings[1] in 2025. Statutory cost income ratio inclusive of exceptional items was 55.8% (2023: 57.5%).

Taxation

The effective tax rate on continuing activities of 32.5%, increased compared with 2023 (26.9%) primarily as a result of non-deductible expenses in exceptional items.

Exceptional items

The Group recognised charges for exceptional items of £9.9 million during the year (2023: £6.5 million).

Further costs have been recognised in 2024 following the FCA's review of BiFD across the industry of £1.5 million (£1.3 million costs and £0.2 million potential redress/goodwill). £4.7 million was recognised in 2023 (£2.7 million costs and £2.0 million potential redress/goodwill).

In light of the FCA's ongoing review of historical discretionary commission arrangements ('DCA') in the motor finance market, and the Court of Appeal's judgment which is currently under appeal, we have recognised costs of £6.9 million (£5.2 million redress, £1.7 million costs) for both DCA and fixed commission structures. Further information can be found in Note 29 to the Financial Statements.

Following an organisational redesign in 2024, £1.5 million was incurred for restructuring costs. In 2023, the Group recognised charges in relation to non-recurring corporate activity of £1.8 million.

Further details on all Exceptional items are included in Note 8 to the Financial Statements.

Distributions to shareholders

The Board recommended the payment of a final dividend for 2024 of 22.5 pence per share, which together with the interim dividend of 11.3 pence per share, represents a total dividend for the year of 33.8 pence per share (2023: 32.2 pence per share). This is in line with the Group's progressive dividend policy.

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings will be relative to annualised operating expenses for the six months ending 30 June 2024.

Financial review

Summarised balance sheet

Assets	2024 £million	2023 £million
Cash and Bank of England reserve account	445.0	351.6
Loans and advances to banks	24.0	53.7
Loans and advances to customers	3,608.5	3,315.3
Fair value adjustment for portfolio hedged risk	(6.8)	(3.9)
Derivative financial instruments	14.3	25.5
Other assets	31.7	35.8
	4,116.7	**3,778.0**
Liabilities		
Due to banks	365.8	402.0
Deposits from customers	3,244.9	2,871.8
Fair value adjustment for portfolio hedged risk	(3.4)	(1.4)
Derivative financial instruments	10.0	22.0
Tier 2 subordinated liabilities	93.3	93.1
Other liabilities	45.6	46.0
	3,756.2	**3,433.5**

New business

2024 was another positive year for new business with new lending of £2,331.9 million, up 1.1% year on year (2023: £2,305.4 million). Consumer Finance, which grew by 11.2% over 2023, offset by lower Business Finance, 24.6% lower than in 2023 due to more challenging market conditions. Further details on the divisional split of this new business can be found in the Business review on pages 18 to 27.

Customer lending and deposits

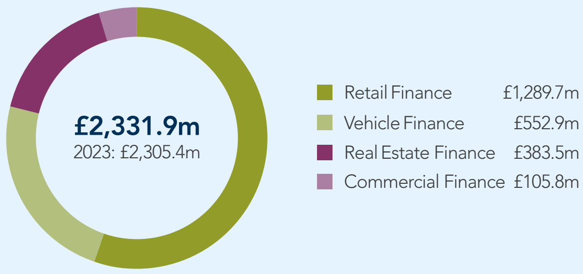
Group lending assets increased by £293.2 million (8.8%) to £3,608.5 million (2023: £3,315.3 million), continuing our growth towards our net lending ambition of £4.0 billion.

Consumer Finance balances grew by £225.7 million or 13.4% driven by strong demand from strategic partner retailers, supported by Business Finance balances growth of £67.5 million (4.2%).

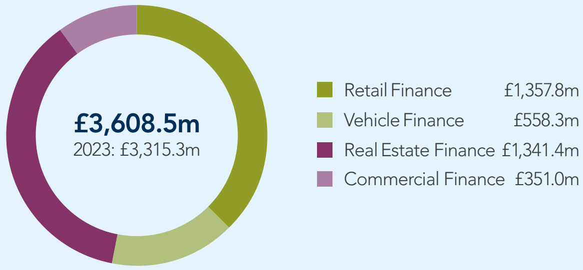
Further analysis of loans and advances to customers, including a breakdown of the arrears profile of the Group's loan books, is provided in Note 16 to the Financial Statements.

Customer deposits include Fixed term bonds, ISAs, Notice and Access accounts. Customer deposits increased by 13.0% to £3,244.9 million (2023: £2,871.8 million) driven by lending book growth and as part of the strategy to replace drawings from the Bank of England Term Funding Scheme with additional incentives for SMEs ('TFSME') funding. Total funding ratio of 112.4% increased slightly from 31 December 2023 (111.7%). As set out on page 17, the mix of the deposit book has continued to change as the Group has adapted to the interest rate environment, with a focus on meeting customer demand for Access products, and retaining stable funds, which is reflected in the proportion of Fixed term bonds and ISAs.

New business volumes



Loans and advances to customers



Financial review

Investments and wholesale funding

Amounts due to banks include drawings from the TFSME facility of £230.0 million, reducing from 2023 (£390.0 million) as the Group actively prepays this funding. In addition, it includes £125.0 million drawn from the Indexed Long-Term Repo ('ILTR') facility as at the end of 2024 (2023: £nil), a routine sterling liquidity management facility provided by the Bank of England.

Tier 2 subordinated liabilities

Tier 2 subordinated liabilities represent £90.0 million of 10.5-year 13.0% Fixed Rate Callable Subordinated Notes, which qualify as Tier 2 capital.

Capital

Management of capital

Our capital management policy is focused on optimising shareholder value over the long term. Capital is allocated to achieve targeted risk adjusted returns, while ensuring appropriate surpluses are held above the minimum regulatory requirements.

Key factors influencing the management of capital include:

- The level of buffers and the capital requirement set by the Prudential Regulation Authority ('PRA');
- Estimated credit losses calculated using IFRS 9 methodology, and the applicable transitional rules;
- New business volumes; and
- The product mix of new business.

Capital resources

Capital resources increased over the year from £397.6 million to £415.7 million. This includes the proposed 2024 final dividend of £4.2 million. The increase was primarily in CET 1 capital and was driven by total profit for the year of £19.7 million, offset by the final 2024 dividend of £4.2 million, and the expected reduction in the IFRS 9 transitional adjustment of £2.0 million. The remainder of the increase was from Tier 2 (£4.6 million) as capital eligibility increased through asset growth.

The resultant CET 1 and Total capital ratios are 12.3% (2023: 12.7%) and 14.6% (2023: 15.0%) respectively.

Capital	2024 £million	2023 £million
CET 1 capital, excluding IFRS 9 transitional adjustment	351.3	335.8
IFRS 9 transitional adjustment	0.1	2.1
CET 1 capital	**351.4**	**337.9**
Tier 2 capital[1]	64.3	59.7
Total capital	**415.7**	**397.6**
Total risk exposure	**2,855.7**	**2,653.4**

Capital ratios	2024 %	2023 %
CET 1 capital ratio	**12.3**	12.7
Total capital ratio	**14.6**	15.0
CET 1 capital ratio (excluding IFRS 9 transitional adjustment)	**12.3**	12.7
Total capital ratio (excluding IFRS 9 transitional adjustment)	**14.5**	14.9
Leverage ratio	**9.5**	9.7

1. Tier 2 capital, which is solely subordinated debt net of unamortised issue costs, capped at 25% of total Pillar 1 and Pillar 2A requirements.

Capital requirements

The Total Capital Requirement, set by the PRA, includes both the calculated requirement derived using the standardised approach and the additional capital required, derived from the Internal Capital Adequacy Assessment Process ('ICAAP'). In addition, capital is held to cover generic buffers set at a macroeconomic level by the PRA.

	2024 £million	2023 £million
Total Capital Requirement	257.0	238.8
Capital conservation buffer	71.4	66.3
Countercyclical buffer	57.1	53.1
Total	**385.5**	**358.2**

The increase in lending balances through the year resulted in an increase in risk weighted assets over the period, bringing the total risk exposure up from £2,653.4 million to £2,855.7 million.

Financial review

Liquidity

Management of liquidity

The Group uses a number of measures to manage liquidity risk. These include:

- The Overall Liquidity Adequacy Requirement ('OLAR'), which is the Board's view of the Group's liquidity needs, as set out in the Board-approved Internal Liquidity Adequacy Assessment Process ('ILAAP').
- The Liquidity Coverage Ratio ('LCR'), which is a regulatory measure that assesses net 30-day cash outflows as a proportion of High Quality Liquid Assets ('HQLA').
- Total funding ratio, as defined in the Appendix to the Annual Report.
- 'HQLA' are held in the Bank of England Reserve Account and UK Treasury Bills. For LCR purposes, the HQLA excludes UK Treasury Bills that are pledged as collateral against the Group's TFSME drawings with the Bank of England.

The Group was above the LCR minimum threshold (100%) throughout the year, with the Group's average LCR being 219.6% (2023: 208.0%) based on a rolling 12 month-end average.

Liquid assets

We continued to hold significant surplus liquidity over the minimum requirements throughout 2024, managing liquidity by holding HQLA and utilising funding (predominantly from retail funding) to support lending. Total liquid assets increased to £469.0 million (2023: £400.3 million) which, amongst other things, reflects the levels of liquidity at the end of 2024 to support funding required to fund the pipeline and fixed term bond maturities.

The Group is a participant in the Bank of England's Sterling Money Market Operations under the Sterling Monetary Framework and has drawn £230.0 million under the TFSME (2023: £390.0 million) and £125.0 million under the ILTR scheme (2023: £nil). The ILTR scheme has used collateral already prepositioned with the Bank of England and was initiated during the year as part of the strategy to repay TFSME before the end of its contractual term. Further drawings of ILTR are planned in 2025 as the remaining balance of TFSME is repaid. The Group has no liquid asset exposures outside the United Kingdom and no amounts that are either past due or impaired.

Liquid assets	2024 £million	2023 £million
Aaa–Aa3	445.0	356.4
A1–A2	24.0	43.9
Total	**469.0**	**400.3**

We continue to attract customer deposits to support balance sheet growth. The composition of customer deposits is shown in the table below:

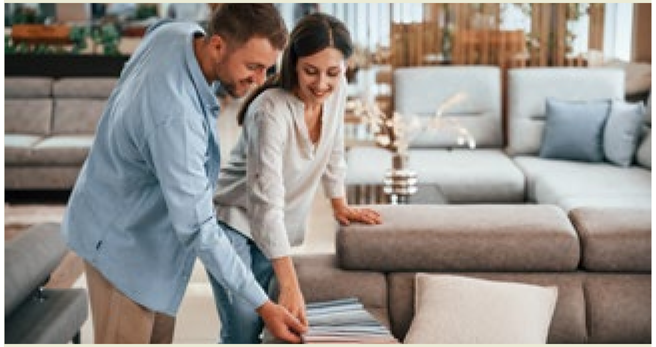
Customer deposits	2024 %	2023 %
Fixed term bonds	47	54
Notice accounts	2	6
ISAs	26	22
Access accounts	25	18
Total	**100**	**100**

Business review

Consumer Finance

Retail Finance

We provide quick and easy finance options at the point of purchase.



V12 Retail Finance | V12 AppToPay

What we do

- We provide a market-leading online e-commerce service to retailers, providing unsecured, interest-free and interest-bearing prime lending products to UK customers to facilitate the purchase of a wide range of consumer products, including furniture, jewellery, dental, leisure items and football season tickets. These retailers include a large number of household names.
- Products are available to purchase in store or online, using our market-leading origination platform, which provides fast decision making, with 90% of applications agreed in an average of six seconds.
- The customer proposition and the integrated platform support the growth of UK retailers and the real economy.

2024 performance

- Another record year for new lending led to lending balances increasing by 11.0% with an increase in Retail Finance's market share of new business, which grew to 15.3%[1] (2023: 13.5%).
- In the year, the lag effect of the steep increases in Base Rate began to reverse, with a stable and now declining Base Rate, such that margins expanded, resulting in net interest margin increasing to 6.8% (2023: 6.4%).
- At the end of the year, 86.7% (2023: 86.3%) of the lending book related to interest-free lending, and 87.4% (2023: 80.4%) of customers have signed up to online account management allowing self-service of their account.

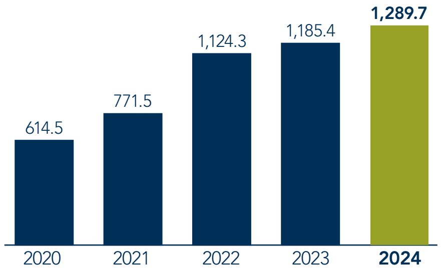
Outlook

- Despite a challenging environment for both retailers and consumers, we still anticipate further lending growth from both new and existing retail partners, with potential improvement in net interest margin. Cost of risk will normalise to 2023 levels.
- Our operational plans now include our recently launched AppToPay service, which will continue to digitalise our processes to improve our customer and retail partners' experience through app-based technology.

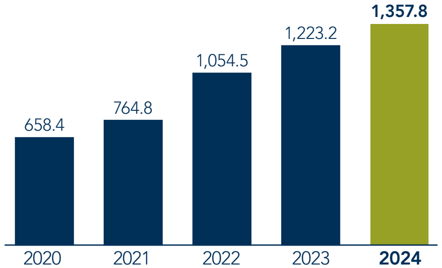
1. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2024 15.3% (2023: 13.5%): FLA total and Retail Finance new business of £8,427 million (2023: £8,810 million) and £1,289.7 million (2023: £1,185.4 million) respectively. As published at 31 December 2024.

Performance history

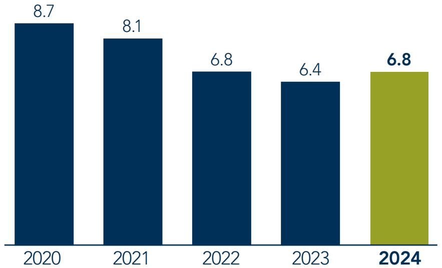
New business (£m)



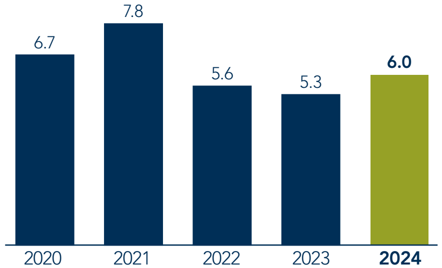
Loans and advances to customers (£m)



Net interest margin (%)



Risk adjusted margin (%)



Business review

Exclusive deal with Bensons for Beds

Our partnership with Bensons for Beds started in 2019 when we became their exclusive online finance provider.

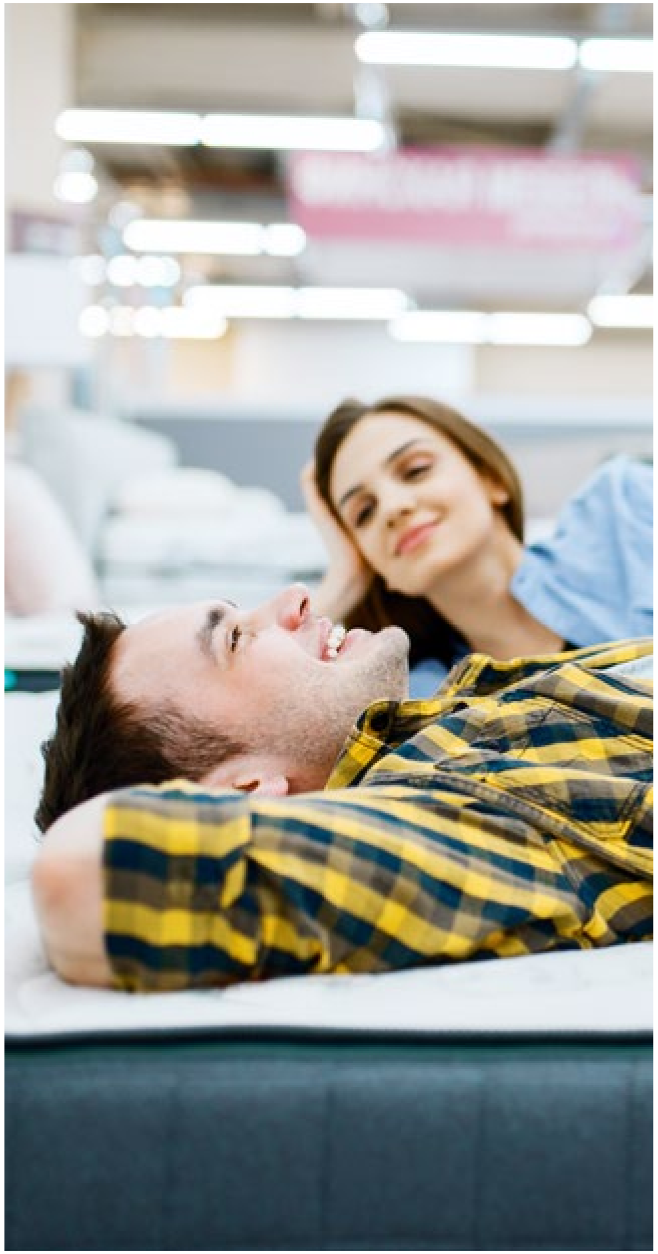
Sam Beresford, Account Manager, developed a strong relationship with Bensons, focusing on increasing sales and enhancing the customer experience. One significant innovation was allowing customers to apply for finance from anywhere using a bespoke link after choosing their bed in-store. This idea was well-received. By 2024, the trust and respect built over time enabled Sam and the Retail Finance team to secure a two-year exclusive deal worth around £160 million. Today, Bensons thrives with Retail Finance by its side.

Sam says, "At V12 Retail Finance, our standout is providing systems and service that retailers can trust. It's all about collaborating with our partners to drive business forward. We're not just there to provide the tech; the support element is crucial, and we're with our retailers every step of the way."

2024 Retail Finance lending balances
£1.4bn
2023: £1.2 billion

Market share[1]
15.3%
2023: 13.5%

1. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2024 15.3% (2023: 13.5%): FLA total and Retail Finance new business of £8,427 million (2023: £8,810 million) and £1,289.7 million (2023: £1,185.4 million) respectively. As published at 31 December 2024.



"Our business has grown stronger with the support of a trusted retail finance provider. V12 has been attentive to our needs, offering alternative solutions and helping us enhance customer service and profitability. We are excited about the future and what it holds."

Steve Adlington
Head of Services at Bensons for Beds

Business review

Consumer Finance

Vehicle Finance

We provide quick and easy used car finance options at the point of purchase.

V12 Vehicle Finance — Powered by Secure Trust Bank | moneyway

What we do

- We provide consumer lending products that are secured against the second hand vehicle being financed.
- We also provide a vehicle stock funding product, which is secured against dealer forecourt used car stock; sourced from auctions, part exchanges or trade sources.
- Finance is provided via technology platforms, allowing us to receive applications online from introducers; provide an automated decision; facilitate document production through to pay-out to dealer; and manage in-life loan accounts.

2024 performance

- Record new business of £552.9 million, resulted in lending balances increasing by 19.5%. Our market share of new business increased to 1.4%[1] (2023: 1.2%).
- Growth has come from higher-quality, lower-margin consumer products and Stock Funding. Combined this has reduced net interest margin to 9.4% (2023: 10.3%).
- Stock funding continued to grow despite the contraction of the overall market with some competitors choosing to exit. We now have 427 active dealers (2023: 297) with credit lines of £70.8 million (2023: £51.5 million).
- Cost of risk increased to 7.6% (2023: 3.4%) largely driven by the pause in consumer collections in the second half of 2023 in relation to the FCA's review of Borrowers in Financial Difficulty.
- We have now completed the final phase of our Motor Transformation Programme, including the rate for risk module, and undertaken a pilot with a select number of introducers. This allows us to price customer lending based on the risk profile of the borrower.

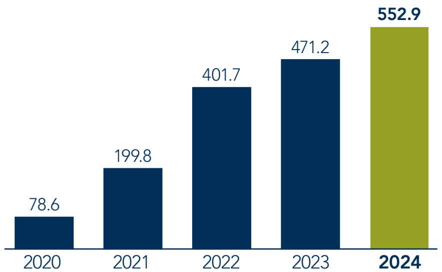
Outlook

- We have already taken steps in 2025 to refine our strategy in Vehicle Finance to focus on higher returning segments.
- We plan to complete the transfer of all future consumer vehicle finance originations onto the new rate for risk platform by the end of 2025.

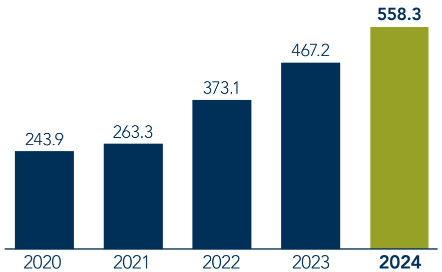
1. Source: FLA. Cars bought on finance by consumers through the point of sale: New business values: 2024 1.4% (2023: 1.2%): Used cars: 2024, FLA total and Vehicle Finance total of £21,281 million (2023: £22,082 million) and £294.4 million (2023: £260.0 million) respectively. As published at 31 December 2024.

Performance history

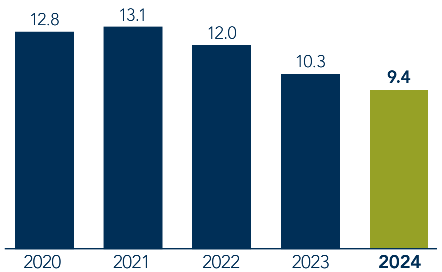
New business (£m)



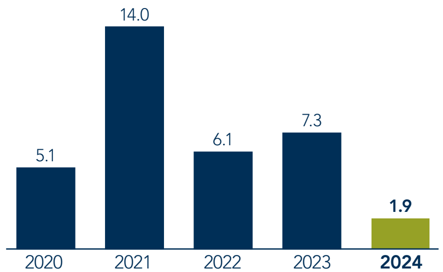
Loans and advances to customers (£m)



Net interest margin (%)



Risk adjusted margin (%)



Business review

Driving 5 years of success with Stock Funding

The growth of Stock Funding over the past five years is a testament to our commitment to service.

Since our inception in 2019, we have expanded our portfolio, introduced products, and forged strong relationships with a range of dealers across the UK. This growth has not only solidified our position in the market but has also allowed us to continuously refine and enhance our offerings to better serve our partners.

From inception we have partnered with 647 dealers and provided funding of £692.6 million, which equates to 62,335 vehicles with the target to hit £1 billion funded by September 2025. We are committed to driving innovation in Stock Funding solutions, leveraging technology and industry insights to stay ahead of market trends. We aim to continue expanding our reach, supporting more dealers, and encouraging long-term partnerships that drive mutual success.

2024 Vehicle Finance (Consumer and Stock Funding) lending balances

£0.6bn

2023: £0.5 billion

Consumer lending market share[1]

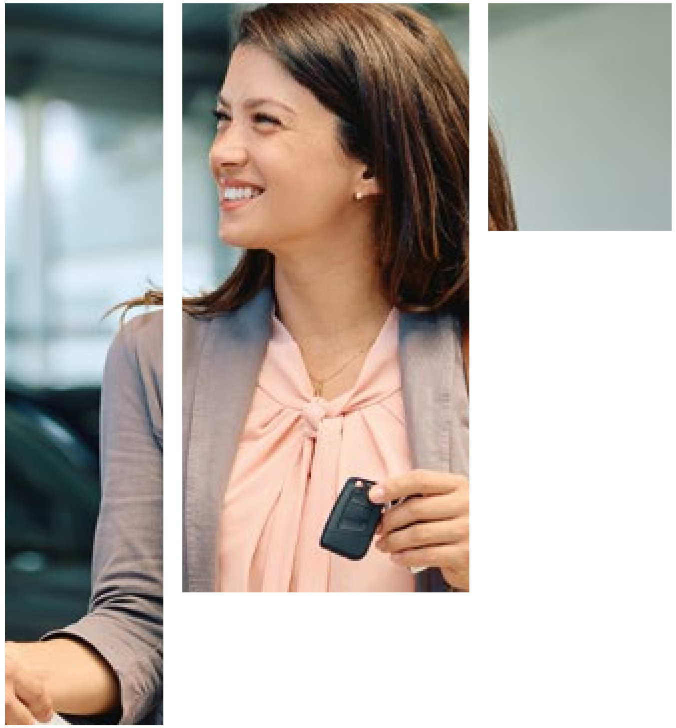
1.4%

2023: 1.2%

1. Source: FLA. Cars bought on finance by consumers through the point of sale: New business values: 2024 1.4% (2023: 1.2%): Used cars: 2024, FLA total and Vehicle Finance total of £21,281 million (2023: £22,082 million) and £294.4 million (2023: £260.0 million) respectively. As published at 31 December 2024.

"Our growth has been sizable. We have gone from a start-up to a significant player in the used vehicle Stock Funding sector. This success is a direct result of our dedication and our dealer partners' trust in us. We are continually evolving to meet the changing needs of the market."

Tim Maffey
Stock Funding Director



Business review

Business Finance

Real Estate Finance

We lend money against residential properties to professional landlords and property developers.

Secure Trust Bank

What we do

- We provide non-regulated first charge secured lending to specialist real estate markets, lending to professional landlords to enable them to improve and grow their portfolio and provide development facilities to property developers and SME housebuilders to help build new homes for sale or letting.
- Due to our specialist relationship-led business model, we offer through the cycle tailored underwriting and cash flow led debt structuring.
- Finance opportunities are sourced and supported on a relationship basis directly and via introducers and brokers.

2024 performance

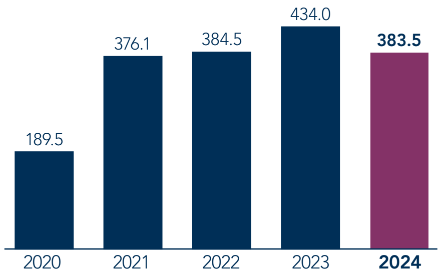
- Strong levels of new business, particularly in the Residential Investment sector, built on a strong origination team and the refinancing of existing loans through strong customer relationships.
- Lending balances grew by 7.8% to a record high of £1,341.4 million despite weak economic growth and a challenging economy for investors and developers.
- The portfolio principally comprises lower risk residential investment lending, 88.1% (2023: 83.8%). The remainder of the book relates to development and commercial investment lending.
- Our market remains competitive, however, net revenue margin was maintained at 2.6% (2023: 2.6%).
- Impairment charges of £4.0 million (2023: £4.5 million) remain higher than the historical average, primarily due to one legacy development case, which is being actively managed to achieve a timely exit. Despite this, we have seen a 0.1% improvement in the risk adjusted margin.
- As at year-end, the loan book has an average loan-to-value of 56.0% (2023: 57.2%).

Outlook

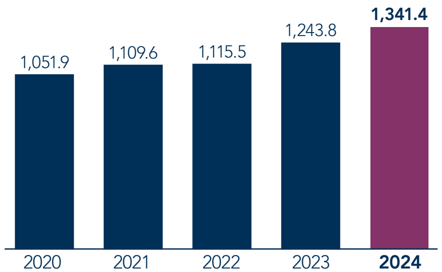
- With the economic outlook for house prices more stable than in recent years, we see real growth opportunities in our focused real estate segments supported by the new UK government's desire to build more homes.

Performance history

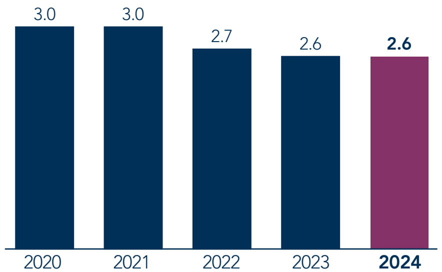
New business (£m)



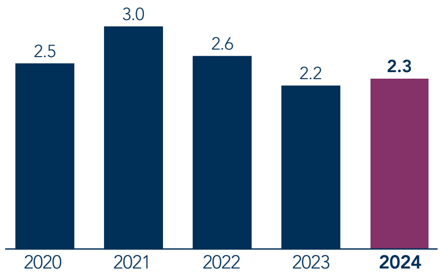
Loans and advances to customers (£m)



Net revenue margin (%)



Risk adjusted margin (%)



Business review

"Harlow Flats is the latest addition to a thriving area, and we are proud to provide stunning accommodation to its newest residents. Having previously worked with Secure Trust Bank we were confident that, even with its complex nature, the deal was in the right hands."

Raj Shah
Prisma Property Developments

Contemporary Essex apartments refinanced

Real Estate Finance provided a £6.6 million five-year residential investment loan to refinance two contemporary apartment blocks in West Essex.

Developed by Prisma Property Developments, comprising 47 units in the Mayflower and Bluebell House blocks of Harlow Flats. The collection of one and two-bedroom apartments featured fully-fitted kitchens, integrated appliances, spacious bathrooms and ensuites, and a private terrace or balcony.

Harlow ranks among the top five commuter towns for London. The flats are located under one mile from Harlow Town train station, allowing residents to reach the capital in half an hour.

2024 Real Estate Finance loans and advances to customers
£1.3bn
2023: £1.2 billion

Average loan-to-value
56.0%
2023: 57.2%

Business review

Business Finance

Commercial Finance

We support the growth of UK businesses by enabling effective cash flow.

What we do

- We offer a full suite of asset-based lending solutions to SMEs and some larger corporates who need bespoke working capital solutions for their business.
- We operate a high-touch relationship-led model throughout the life of a facility, where partners and clients have direct access to decision-makers.
- Our lending remains predominantly against receivables, releasing funds of up to 90% of qualifying invoices under invoice discounting facilities.
- Business is sourced and supported directly from clients via private equity houses and professional introducers, but is not reliant on the broker market.

2024 performance

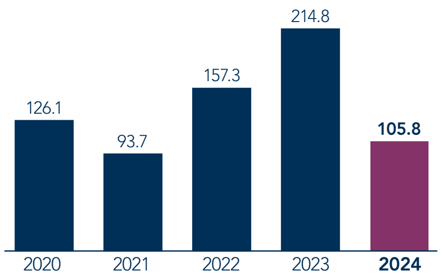
- New business lending has been lower in 2024 due to limited M&A activity in our target markets, and our unwillingness to transact on riskier deal structures at low margins.
- Whilst year-end balances were 7.9% lower in 2024, average lending balances were 1.2% higher year-on-year.
- The increase in net revenue margin was driven by fees charged for new facilities, extensions and early terminations.
- The risk adjusted margin has increased to 5.9%, reflecting the higher fees, but it included a higher cost of risk at 1.7% (2023: 2.3%) after a £5.6 million charge relating to a specific client.

Outlook

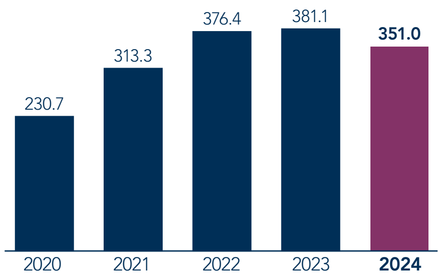
- Economic and market conditions still remain challenging for our clients, but we remain committed to supporting their growth and success, and we look forward to partnering with new businesses in 2025 as market conditions improve.

Performance history

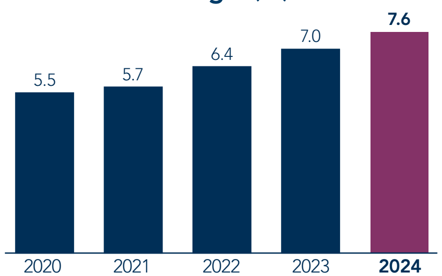
New business (£m)



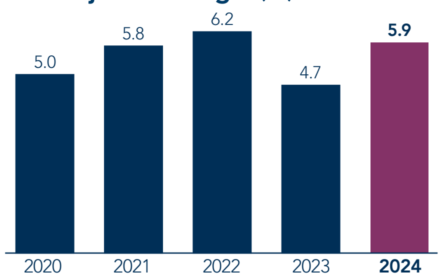
Loans and advances to customers (£m)



Net revenue margin (%)



Risk adjusted margin (%)



Business review

"In helping to ensure our growth remained sustainable, the Secure Trust Bank team worked closely with us to really understand our business, and what we were looking to achieve over the coming years."

Joe Jeffers
Finance & Operations Director of Hambledon Vineyard

UK's oldest commercial vineyard secures facility

Commercial Finance provided a £10 million facility to support Hambledon Vineyard in its next stage of growth. The Hampshire-based English Sparkling Wine producer is the UK's oldest commercial vineyard.

As the wine tourism sector continues to flourish, Hambledon Vineyard had ambitious plans to increase its market share, primarily through its newly opened restaurant and visitor centre, along with UK distribution channels and international markets. To consolidate its growth, the business needed additional working capital to maintain its level of production. The facility received from Commercial Finance has enhanced the investment into the winery and in its people.

2024 Commercial Finance lending balances
£0.4bn
2023: £0.4 billion

Total facilities available to clients
£0.6bn
2023: £0.7 billion

Business review

Savings

We look after our customers' savings and provide a competitive return.

SecureTrust Bank

What we do

- We offer a range of savings accounts that are purposely simple in design, with a choice of products from Access to 180-day notice, and six month to seven-year fixed terms across both Bonds and ISAs.
- Our range of savings products enables us to access the majority of the UK personal savings markets and compete for significant liquidity pools, achieving a lower marginal cost with the volume, mix and the competitive rates offered; optimised to the demand of our funding needs.

2024 performance

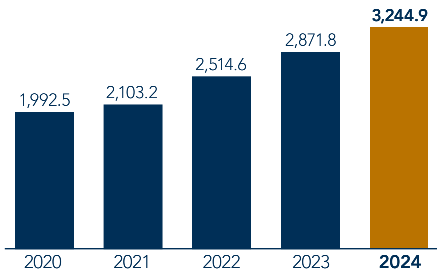
- In 2024, we successfully funded the growth in the lending businesses, and are now managing deposits of £3.2 billion, a 13.0% increase on year-end 2023 (£2.9 billion). We have raised over £1.6 billion of new deposits and retained £0.9 billion at maturity.
- The Bank of England Base Rate remained at 5.25% for the first half of 2024, with two 0.25% reductions in the second half in line with market forecasts. Further rate reductions are expected in 2025, these are priced into market rates for savings.
- We have seen significant growth in both Access and ISAs, both proving a popular customer choice. Notice products have continued to be a less popular choice in a high interest environment.
- Savings balances are made up of retail customers. 95.1% of total deposits are fully covered by Financial Services Compensation Scheme ('FSCS') providing our customers with additional confidence about the security of their savings.
- We continue to invest in the customer's digital journey, as shown on the opposite page.

Outlook

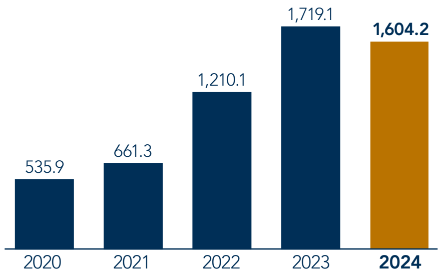
- The savings market has started to see product pricing adjustments in anticipation of a falling interest rate environment. Customers will seek to optimise returns, and we have a product set designed to meet these needs.

Performance history

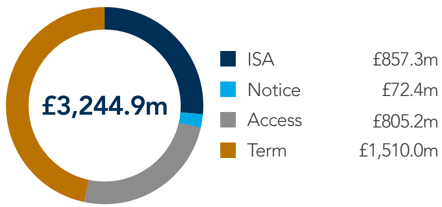
Total deposits (£m)



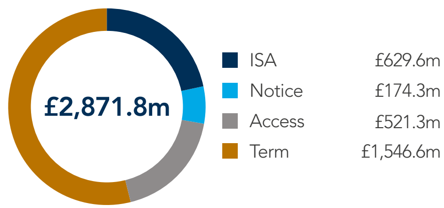
Total funds raised (£m)



2024



2023



Business review

Digital-first approach for savings

Customers have continued to adopt a more digital-first approach, with 97.1% registered for internet banking, of which, 30.1% are also registered for the mobile app.

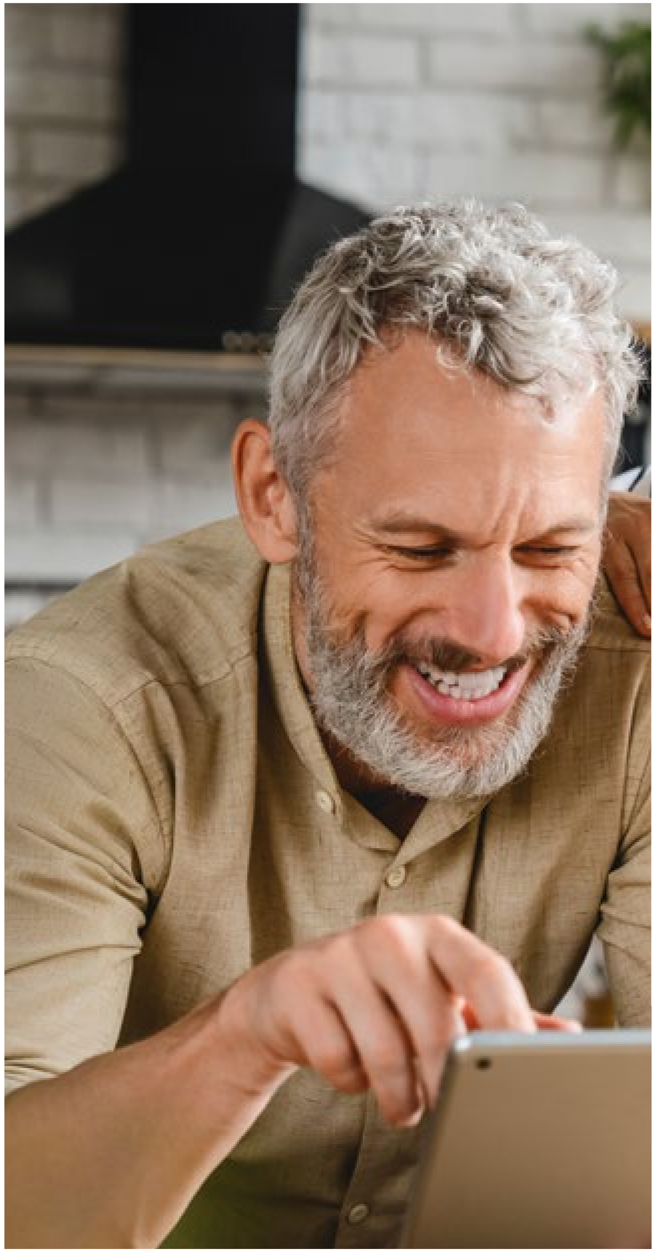
To support this we continue to invest more in technology to enhance the customer journey for our customers, particularly for self-service capability.

This has included enhancements to streamline the online journey, making it easier for new customers to apply for our Savings Accounts and better supporting customers with accessibility needs.

In addition, functionality has been added, including single name account customers, can transfer money between their accounts via internet banking and single name Fixed term bond and ISA maturities have been automated removing manual intervention from operational teams for straightforward transactions.

2024 Customer deposits
£3.2bn
2023: £2.9 billion

Retail deposits covered by FSCS
95.1%
2023: 95.6%



"Easy to use online platform with prompt and clear communication."

Customer feedback
Feefo, Savings Customer

Market review

The Group operates exclusively within the UK and its revenue is derived almost entirely from customers operating in the UK. The Group is therefore particularly exposed to the condition of the UK economy. Customers' borrowing demands are variously influenced by, among other things, UK property markets, employment levels, inflation, interest rates and customer confidence. The economic environment and outlook affect demand for the Group's products, margins that can be earned on lending assets and the levels of loan impairment provisions.

As a financial services firm, the Group is subject to extensive and comprehensive regulation by governmental and regulatory bodies in the UK. The Group conducts its business subject to ongoing regulation by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA'). The Group must comply with the regulatory regime across many aspects of its activities, including: the training, authorisation and supervision of personnel; systems; processes; product design; customer journey; and documentation.

Economic review

Economic growth, measured in real annual UK Gross Domestic Product ('GDP'), was estimated to be 0.9% in 2024 (2023: 0.4%). Economists' base case forecasts indicate GDP growth will increase in 2025, with full-year growth in GDP expected to be 1.4%. However, there is some scepticism that the new UK government's first Budget will have the desired effects of boosting growth, and that household savings are less available to be deployed to boost consumer spending. This has led to downward revisions in more recent UK GDP forecasts, in contrast to global growth forecasts, which have improved partly due to the expected loosening of US fiscal policy under President Trump.

The rate of inflation fell sharply in 2024 and was largely back to the Bank of England target of 2% by June 2024, but there was a small increase to 2.5% by the end of the year and a further increase to 3.0% in January 2025. Reflecting the 2024 fall in inflation, the Bank of England reduced the Base Rate from 5.25% to 5.00% in August 2024 and from 5.00% to 4.75% in November 2024. A further decrease to 4.50% was announced in February 2025. Financial markets have responded to the Bank of England reducing rates and the expectation that inflation has largely stabilised by pricing in further Base Rate reductions through 2025, albeit at a relatively cautious level.

Employment levels in December 2024 were 74.9%[1] which represents a small decrease during the period from 75.0%[1] in December 2023. In line with this fall, unemployment has risen from 3.9%[1] in December 2023 to 4.4%[1] at December 2024. Vacancies in the labour market were circa 0.8 million and have been decreasing for two and a half years. Although unemployment levels have risen during the period, wage growth remained strong, at 5.9%[1] and remains ahead of inflation. The latest forecasts suggest that unemployment has peaked, and will remain near its current level throughout 2025.

UK house prices grew by 4.6%[2] in 2024 and the risk of a large correction in prices has reduced. The uncertainty over the timing and quantum of Base Rate cuts has given rise to some mortgage rate volatility in the year, albeit the overall position is one of lower rates being available than in recent years. Net mortgage borrowing showed 1.5%[3] annual growth in December 2024, with mortgage approvals up significantly year on year.

Outlook

Interest rates are expected to fall further in 2025 with the market expecting Base Rate to end the year below 4.00%. The UK economy is expected to grow in 2025 by less than 1%[3] per the Bank of England's latest forecast down from its previous forecast of 1.5%. House prices are expected to continue to grow as mortgage rates soften and borrower affordability improves. Unemployment is expected to remain near its current level of 4.4%[1] for 2025. The longer-term expectation is that unemployment will recover towards a long run level of 4.0% by 2028.

Government and regulatory

This has been another eventful year for government and regulatory announcements that impact the Group and/or the markets in which it operates. The key announcements in 2024 are set out below.

Prudential regulation

During March 2024, the PRA issued PS5/24 'Solvent exit planning for non-systemic banks and building societies'. This is intended to provide an alternative to resolution and creates a new requirement for non-systemic banks to perform a Solvent Exit Analysis to develop an understanding of how firms would exit from PRA-regulated activities, while remaining solvent, the main barriers and risks faced in doing so, and how they would make timely and effective decisions during the process. The Group has commenced work on the Solvent Exit Analysis ahead of the implementation date of 1 October 2025.

1. Source: Office for National Statistics, data as at 31 December 2024, unless otherwise stated.
2. Source: HM Land Registry.
3. Bank of England.

Market review

Basel 3.1 changes remain the core focus of regulatory change for the Group alongside the Small Domestic Deposit Takers ('SDDT') regime. Slightly later than anticipated due to the general election, in September 2024, the PRA issued PS9/24 'Implementation of the Basel 3.1 Standards near-final part 2' and four consultation papers relevant to the topic. The policy statement set out the awaited changes to Credit Risk, Pillar 3 disclosures and consequential reporting changes, which completed the framework when considering PS17/23, issued in December 2023.

The simplified capital regime proposal for SDDT firms was set out in CP7/24. The highlights from these proposals included the removal of Pillar 1 requirements for counterparty credit risk and credit valuation adjustment risk, simplified Pillar 2A approaches to credit risk, credit concentration risk, operational risk, the removal of some methodologies and proposed replacement of Pillar 2B capital buffers with a new non-cyclical Single Capital Buffer ('SCB'). In addition, it also proposed reduced reporting, including changes to the Internal Capital Adequacy Assessment Process ('ICAAP').

The Group undertook an initial impact analysis of the combined PS9/24 and PS17/23 amendments, also considering the proposals set out in CP7/24 to understand the impact under SDDT. The Group expects the impact to be broadly neutral overall.

In the second half of 2024, the Group received confirmation of its successful application to join the SDDT regime. PS17/23 confirmed that firms, that are part of the SDDT regime, do not need to adopt full Basel 3.1 rules and can remain on the interim rules equivalent to the current UK Capital Requirements Regulation regime until the capital rules applicable to the SDDT regime are applicable.

In November 2024, the PRA issued PS19/24 'Strong and simple framework: The definition of an Interim Capital Regime', which set out the process firms should follow to apply to adopt the Interim Capital Regime ('ICR'). The ICR was expected to apply from 1 January 2026 with the expected SDDT implementation date being 1 January 2027. However, on 18 February 2025, the PRA announced a delay to Basel 3.1 implementation by one year to 1 January 2027. As a consequence we expect a delay in the implementation date for SDDT. The Group has applied for a Modification by Consent waiver to apply the ICR.

Conduct regulation

Throughout 2024, FCA publications focused on Consumer Duty, including the findings from their review of implementation, which highlighted good practice and areas of improvement. Dear CEO letters and speeches have reiterated the focus on ensuring firms prioritise areas where there is the greatest risk of consumer harm, setting and testing higher standards, and promoting competition and positive change. The application of the Duty to closed products came into force on 31 July 2024 with limited impact to the Group.

In January 2024, the FCA introduced temporary changes to the rules for handling motor finance complaints. This was to allow time for its review of historical discretionary commission arrangements ('DCAs'), information requests for which were sent to motor finance firms in the period. On 25 October 2024, the Court of Appeal issued its decision on three motor finance commission cases.

The lenders involved have been granted permission to appeal the judgment to the Supreme Court, the hearing for which will take place in April 2025. The FCA will update firms on its next steps after the Supreme Court decision. The pause in complaints responses was extended to 4 December 2025 for all motor finance commission complaints. The FCA also issued a Dear CEO letter directing firms to maintain adequate financial resources, with a view to the implications for firms of any potential remedial activities arising from DCAs. Further details on the impact of these developments can be found in Note 29 to the Financial Statements.

In April 2024, the FCA published two policy statements. One on protections for Borrowers in Financial Difficulty, incorporating aspects of the Tailored Support Guidance into the FCA's sourcebooks with effect from November 2024; the requirements for this have been addressed through an internal project. The other bringing Consumer Credit product sales data reporting into force in Q4 2025. This will be the focus of an internal project during 2025.

Government and monetary policy

The Bank of England MPC announced two rate reductions over 2024, 0.25% rate cuts in August and November 2024, reducing UK Bank Base Rate to 4.75% as at 31 December 2024.

Principal risks and uncertainties

Risk management

The effective management of risk is a key part of the Group's strategy and is underpinned by its Risk Aware value. This helps to protect the Group's customers and generate sustainable returns for shareholders. The Group is focused on maintaining sufficient levels of capital, liquidity, operational control, and acting in a responsible way.

The Group's Chief Risk Officer is responsible for leading the Group's Risk function, which is independent from the Group's operational and commercial teams. The Risk function is responsible for designing and overseeing the embedding of appropriate risk management frameworks, processes and controls, to enable key risks to be identified, assessed, monitored, and accepted or mitigated in line with the Group's risk appetite. The Group's risk management practices are regularly reviewed and enhanced to reflect changes in its operating environment. The Chief Risk Officer is responsible for reporting to the Board on the Group's principal risks and how they are being managed against agreed risk appetite.

Risk appetite

The Group has identified the risk drivers and major risk categories relevant to the business, which has enabled it to agree a suite of risk appetite statements and metrics to underpin the strategy of the Group. The Board approves the Group's risk appetite statements annually and these define the level and type of risk that the Group is prepared to accept in the pursuit of its strategic objectives.

Risk culture

A strong risk-aware culture is integral to the successful delivery of the Group's strategy and the effective management of risk.

The Group's risk culture is shaped by a range of factors including risk appetite, risk frameworks and policies, values and behaviours, as well as a clear tone from the top.

The Group looks to enhance continually its risk culture, and performs an annual assessment against standards based on industry best practice and guidance from the Institute of Risk Management.

Risk governance

The Group's approach to managing risk is defined within its Enterprise-Wide Risk Management Framework. This provides a clear risk taxonomy and an overarching framework for risk management supported by frameworks and policies for individual risk disciplines. These frameworks set the standards for risk identification, assessment, mitigation, monitoring and reporting.

The Group's risk management frameworks, policies and procedures are regularly reviewed and updated to reflect the evolving risks that the Group faces in its business activities. They support decision making across the Group and are designed to ensure that risks are appropriately managed and reported via appropriate committees.

An Executive Risk Committee, chaired by the Chief Risk Officer, reviews key risk management information from across all risk disciplines, with material issues escalated to the Executive Committee and/or the Risk Committee of the Board, as required.

The Group operates a 'Three Lines of Defence' model for the management of its risks. The Three Lines of Defence, when taken together, control and manage risks in line with the Group's risk appetite. The three lines are:

- First line: all employees within the business units and associated support functions, including Operations, Finance, Treasury, Human Resources and Legal. The first line has ownership of, and primary responsibility, for their risks.
- Second line: specialist risk management and compliance teams reporting directly into the Chief Risk Officer, covering Credit risk, Operational risk, Information Security, Prudential risk, Compliance and Conduct risk, and Financial Crime risk. The second line are responsible for developing frameworks to assist the first line in the management of their risks and providing oversight and challenge designed to ensure they are managed within appetite.
- Third line: is the Internal Audit function that provides independent assurance on the effectiveness of risk management across the Group.

Principal risks and uncertainties

Board and Board Committees

See Corporate Governance section on pages 68 to 111.

Group Executive Committee

Chair: Chief Executive Officer

Provides an executive oversight of the ongoing safe and profitable operation of the Group.
It reports to the Board through the Chief Executive Officer.
Responsible for the execution of the strategy of the Group at the direction of the Chief Executive Officer.

Executive Risk Committee

Chair: Chief Risk Officer

Responsible for overseeing the Group's risk profile, its adherence to regulatory compliance and monitoring these against the risk appetite set by the Board.
Monitors the effective implementation of the risk management framework across the Group.

Assets and Liabilities Committee ('ALCO')

Chair: Chief Financial Officer

Responsible for implementing and controlling the liquidity, and asset and liability management risk appetite of the Group, providing high-level control over the Group's balance sheet and associated risks.
Set out controls, capital deployment, treasury strategy guidelines and limits, and focuses on the effects of future plans and strategy on the Group's assets and liabilities.

Credit Risk Committees

Responsible for making decisions and providing oversight of credit scorecards and modelling.

Model Governance Committee

Responsible for understanding, challenging and assessing risk and appropriateness of statistical and financial models, and to challenge model assumptions, and to provide oversight of model validation.

Non-Financial Risk Committee

Responsible for providing oversight of all non-financial risks, including, Financial Crime, Operational, Conduct and Compliance, Climate Change, Information Security, IT and Change risk.

Assumptions Committee

Responsible for approving assumptions that have a material impact on the Group's reporting and/or decision-making processes.

Principal risks

Executive management performs ongoing monitoring and assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Further details of the principal risks and the changes to risk profile seen during the 2024 financial year are set out on the following pages.

The Group also regularly reviews strategic and emerging risks and analysis has been included to detail output of these reviews for 2024. Notes 37 to 40 to the Financial Statements provide further analysis of credit, liquidity, market and capital risks. Emerging risks are identified in line with the Group's Enterprise-Wide Risk Management Framework, using a 'top-down' approach with Group Executive workshops and a 'bottom-up' approach through the business unit Risk and Control Self-Assessment process.

Further details of the Group's risk management framework, including risk appetite, can be found on the Group's website: www.securetrustbank.com/riskmanagement.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Credit risk The risk of loss to the Group from the failure of clients, customers or counterparties to honour fully their obligations to the firm, including the whole and timely payment of principal, interest, collateral or other receivables. **Progress:** Stable	The Group has a defined Credit risk framework, which sets out how Credit risk is managed and mitigated across the Group. Risk appetite is cautious with the Group focusing on sectors and products where it has deep experience. Specialist Credit teams are in place within each business area to enable new lending to be originated in line with the Group's risk appetite. For Business Finance, lending is secured against assets, with Real Estate Finance lending, the majority of which is at fixed rates, secured by property at conservative loan-to-value ratios. Short dated Commercial Finance lending is secured across a range of assets, including debtors, stock, and plant and machinery. For Consumer Finance, security is taken for Vehicle Finance lending and Retail Finance is unsecured, however, positioned towards lower risk sectors. The vast majority of Retail Finance lending is interest-free for consumers, with remaining consumer lending at fixed rates, which mitigates the direct impact of rising interest rates on affordability. Consumer Credit risk is assessed through a combination of risk scorecards, credit and affordability policy rules. Portfolio performance is tracked closely and reported via specialist management review meetings into the Executive and Board Risk Committees, with the ability to make changes to policy, affordability assessments or scorecards on a dynamic basis. Management monitors and assesses concentration risk for all lending against control limits. The diversification of lending activities and secured nature of larger exposures mitigates the exposure of the Group to concentration risk.	During 2024, economic conditions continued to be challenging in the UK, with high levels of inflation and cost-of-living pressures for consumers. The lower Base Rate environment in the second half of 2024 has, however, had a positive impact upon the property market. The Group's lending portfolios performed satisfactorily in 2024. Vehicle Finance saw increased levels of arrears at the beginning of 2024 following changes to collections procedures and the introduction of new forbearance options in the latter part of 2023. Performance has improved over 2024 from a new business perspective with lower delinquency rates being observed, as well as at a portfolio level with roll and cure rates improving during the year. Retail Finance saw a small increase in arrears, following a relaxation of strategy but remains well within risk appetite. The Real Estate Finance and Commercial Finance businesses are performing satisfactorily, with key risk metrics remaining within appetite. Some customers have been impacted by higher inflation and lower consumer demand; however, they have been managed closely with low levels of customer defaults resulting. Real Estate Finance at a portfolio level is performing well, with continued strong rental demand supporting valuations across the portfolio. Only a small number of cases are in active workout, and where appropriate, specific provisions have been taken to cover the risk of loss from these exposures. The Real Estate Finance provisions have increased through the year, however, this is mainly due to existing defaulted balances being held for longer than anticipated, leading to increased non-recovery of interest. Similarly, the Commercial Finance business is performing well at a portfolio level. There has been one write-off taken at the end of 2024, attributable to a historic case that was impacted by loss of consumer demand and withdrawal of trade credit insurance. However, in general within 2024, we have seen lower levels of attrition due to client failure, compared to 2023. The overall rating for the year is driven by the continuing uncertainty in the external economic environment.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Liquidity and Funding risk Liquidity risk is the risk that the Group is unable to meet its liquidity obligations as they fall due or can only do so at excessive cost. Funding risk is the risk that the Group is unable to raise or maintain funds to support asset growth, or the risk arising from an unstable funding profile that could result in higher funding costs. **Progress:** Stable	Liquidity and Funding risk is managed in line with the Group's Prudential Risk Management Framework. The Group has a defined set of liquidity and funding risk appetite measures that are monitored and reported, as appropriate. The Group manages its liquidity and funding in line with internal and regulatory requirements, and at least annually assesses its exposure to liquidity risks and adequacy of its liquidity resources as part of the Group's Internal Liquidity Adequacy Assessment Process. In line with the Prudential Regulation Authority's ('PRA') self-sufficiency rule, the Group always seeks to maintain liquid resources that are adequate, both as to amount and quality, and managed to ensure that there is no significant risk that its liabilities cannot be met as they fall due under stressed conditions. The Group defines liquidity adequacy as the: • ongoing ability to accommodate the refinancing of liabilities upon maturity and other means of deposit withdrawal at acceptable cost; • ability to fund asset growth; and • otherwise, capacity to meet contractual obligations through unconstrained access to funding at reasonable market rates. The Group conducts regular and comprehensive liquidity stress testing to identify sources of potential liquidity strain and to check that the Group's liquidity position remains within the Board's risk appetite and prudential regulatory requirements. **Contingency funding plans** The Group maintains a Recovery Plan that sets out how the Group would maintain sufficient liquidity to remain viable during a severe liquidity stress event. The Group also maintains access to the Bank of England liquidity schemes, including the Discount Window Facility.	The Group received regulatory permission to move to the Small Domestic Deposit Takers ('SDDT') regime during 2024, the simplified liquidity rules became effective from 1 July 2024. The Group has maintained its liquidity and funding ratios in excess of regulatory and internal risk appetite requirements throughout the year. A significant level of high-quality liquid assets, held as cash at the Bank of England, continue to be maintained so that there is no material risk that liabilities cannot be met as they fall due. The Group has reviewed funding requirements ahead of the upcoming Term Funding Scheme with additional incentives for SMEs ('TFSME') maturities in 2025 to manage the associated refinancing risk and increased competition for retail funding, and during 2024 has repaid £160.0 million of TFSME earlier than the contractual maturity.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Capital risk Capital risk is the risk that the Group will have insufficient capital resources to meet minimum regulatory requirements and to support planned levels of growth. The Group adopts a conservative approach to managing its capital. It annually assesses the adequacy of the amount and quality of capital held under stress as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP'). **Progress:** Stable	Capital management is defined as the operational and governance processes by which capital requirements are identified and capital resources maintained and allocated, such that regulatory requirements are met, while optimising returns and supporting sustainable growth. The Group manages its capital requirements on a forward-looking basis against minimum regulatory requirements and the Board's risk appetite set to enable capital resources to be sufficient to support planned levels of growth. The Group will take opportunities to increase overall levels of capital and to optimise its capital stack as and when appropriate. In addition to the ICAAP, the Group performs regular budgeting and reforecasting exercises that consider a five-year time horizon. These forecasts are used to plan for future lending growth at a rate that both increases year-on-year profits and maintains a healthy capital surplus, taking into consideration the impact of known and anticipated future regulatory changes. The Group also models various stressed scenarios looking over a five-year time horizon, which consider a range of growth rates over those years as part of the viability and going concern assessments. Further information on the Group's capital requirement is contained within the Pillar 3 disclosures, which are published as a separate document on our website (www.securetrustbank.com/pillar3).	The Group's balance sheet and total risk exposure has increased since the beginning of the year as the Group continues to grow its core businesses organically. Despite the growth in its balance sheet, the Group has continued to maintain adequate capital, and all capital ratio measures have been exceeded throughout the period. Details of the Common Equity Tier 1 ratio, total capital ratio and leverage ratio are included in the Financial review on page 16. The 2024 ICAAP showed that the Group can continue to meet its minimum regulatory capital requirements, even under extreme stress scenarios. Additionally, the Group has assessed the capital impact of severe but plausible outcomes in relation to potential redress payments related to historical motor commissions (see page 40 for further information) against our 2024 ICAAP and Recovery Plan and are satisfied the Group could maintain capital adequacy in such a scenario. The Group has assessed the high-level impact of the proposed Basel 3.1 rules and the PRA Interim Capital Regime, and has taken this into consideration as part of the capital planning.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Market risk Market risk is the risk to the Group's earnings and/or value from unfavourable market movements, such as interest rates and foreign exchange rates. The Group's market risk primarily arises from interest rate risk. Interest rate risk refers to the exposure of the Group's financial position, balance sheet and earnings to movements in interest rates. The Group's balance sheet is predominantly denominated in GBP, although a small number of transactions are completed in US Dollars, euros and other currencies in support of Commercial Finance customers. **Progress:** Stable	The Group's principal exposure comes from the term structure of interest rate sensitive items and the sensitivity of the Group's current and future earnings and economic value to movements in market interest rates. The Group does not take significant unmatched positions through the application of hedging strategies and does not operate a trading book. The main contributors to interest rate risk are: • the mismatch, or duration, between repricing dates of assets and liabilities; and • customer optionality, for example, early repayment of loans in advance of contractual maturity dates. The Group uses an interest rate sensitivity gap analysis that informs the Group of any significant mismatched interest rate risk positions that require hedging. This takes into consideration the behavioural assumptions for optionality as approved by ALCO. Risk positions are managed through the structural matching of assets and liabilities with similar tenors and the use of vanilla interest rate derivative instruments to hedge the residual unmatched position and minimise the Group's exposure to interest rate risk. The Group has a defined set of market risk appetite measures that are monitored monthly. Interest rate risk in the banking book is measured from an internal management and regulatory perspective, taking into consideration both an economic value and earnings-based approach. The Group monitors its exposure to basis risk and any residual non-GBP positions. Processes are in place to review and react to movements of the Bank of England Base Rate. The Group has no significant exposures to foreign currencies and hedges any residual currency risks to sterling. All such exposures are maintained within the risk appetite set by the Board and are monitored by ALCO.	Despite changes in the Bank of England Base Rate during 2024, and continued uncertainty over interest rate movements, interest rate risk and foreign exchange risk remain well managed. Risk exposures are actively managed through increased frequency of monitoring and in 2024, the Group has successfully implemented central clearing to support increased derivative activity.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Operational risk Operational risk is the risk that the Group may be exposed to direct or indirect loss arising from inadequate or failed internal processes, personnel and succession, technology/ infrastructure, or from external factors. The scope of Operational risk is broad and includes business process, operational resilience, third party risk, Change management, Human Resources, Information Security and IT risk, including Cyber risk. **Progress:** Stable	The Group has an Operational Risk Framework designed in accordance with the 'Principles for the Sound Management of Operational Risk' issued by the Basel Committee on Banking Supervision. This framework defines and facilitates a range of activities, including: • a Risk and Control Self-Assessment process to identify, assess and mitigate risks across all business units through improvements to the control environment; • the governance arrangements for managing and reporting these risks; • risk appetite statements and associated thresholds and metrics; and • an incident management process that defines how incidents should be managed and associated remediation, reporting and root-cause analysis. The framework is designed to ensure appropriate governance is in place to provide adequate and effective oversight of the Group's operational risks. The governance framework includes the Non-Financial Risk, Executive Risk and Board Risk Committees. The Group has a defined set of qualitative and quantitative Operational risk appetite measures. These measures cover all categories of operational risk and are reported and monitored monthly. In addition to the delivery of framework requirements, the Group has focused on various thematic areas of operational risk in 2024, including operational resilience where the Group is on track to meet the March 2025 regulatory deadline, and the integration of Artificial Intelligence ('AI') risk into existing Risk Frameworks and Policies.	The Group uses the 'Standardised Approach' for assessing its operational risk capital, in recognition of the enhancements made to its framework and embedding it across the Group. The Group continues to invest in resource, expertise and systems to support the effective management of operational risk. In 2024, the Group has continued to enhance these standards and has introduced several improvements to the control frameworks in place across its operational risks. Overall, the assessment is that the level of risk has remained stable.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Model risk Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. The Group has multiple models that are used, amongst other things, to support pricing, strategic planning, budgeting, forecasting, regulatory reporting, credit risk management and provisioning. **Progress:** Stable	Whilst the Group is not within the scope of the PRA's Supervisory Statement 1/23, it has aligned its model risk management practices to this standard and has a model risk management framework, defined risk appetite, a model Governance Committee, policies, procedures, model development standards and model validation in place.	The Group has made progress in formally implementing stronger Model Governance in 2024 and strengthening the scope, awareness and reporting of its model inventory. The Group has clarified roles and responsibilities for model owners and has produced internal independent validation reports for a number of higher risk models.

Description	Mitigation	Change during the year
Compliance and Conduct risk The risk that the Group's products and services, and the way they are delivered, or the Group's failure to be compliant with all relevant regulatory requirements, result in poor outcomes for customers or markets in which we operate, or cause harm to the Group. This could be as a direct result of poor or inappropriate execution of our business activities or behaviour from our employees. **Progress:** Heightened	The Group manages this risk through its Compliance and Conduct Risk Management Framework. The Group takes a principle-based approach, which includes retail and commercial customers in our definition of 'customer', with coverage across all business units and both regulated and unregulated activities. Risk management activities follow the Enterprise-Wide Risk Management Framework, through identifying, assessing and managing risks, governance arrangements and reporting risks against Group risk appetite. Arrangements include horizon-scanning of regulatory changes, oversight of regulatory incidents and assurance activities conducted by the three lines of defence, including the second line Compliance Monitoring programme. The Group's horizon-scanning activities track industry and regulatory developments, including the implementation of the Basel 3.1 standards and the SDDT regime, Consumer Credit product sales data reporting and regulation of Buy Now Pay Later.	The overall rating for the year is driven predominantly by the developments regarding historical motor finance commissions. Following the Court of Appeal's rulings in October, the Group paused new consumer lending in Vehicle Finance to consider the implications of the ruling and commenced new business after three days with enhanced disclosures in place about commission arrangements between the Group and its Vehicle Finance introducers. The Group is continuing to track developments in order to respond when the implications for the industry become clearer. Other Compliance and Conduct risk areas of focus during the year related to the Group's review of its collections processes, procedures and policies in Vehicle Finance, following its formal discussions with the FCA on its BiFD review. The Group is in the final stages of this review.

Principal risks and uncertainties

Description	Mitigation	Change during the year
Financial Crime risk The risk that the Group's products and services will be used to facilitate financial crime, resulting in harm to its customers, the Group or third parties, and the Group fails to protect them by not having effective systems and controls. Financial Crime includes anti-money laundering, terrorist financing, proliferation financing, sanctions restrictions, modern slavery, human trafficking, fraud, the failure to prevent fraud and the facilitation of tax evasion. The Group may incur significant remediation costs to rectify issues, reimburse losses incurred by customers and address regulatory censure and penalties. **Progress:** Stable	We operate in a constantly developing financial crime environment and are exposed to financial crime risks of varying degrees across all areas of the Group. The Group is focused on maintaining effective systems and controls, alongside vigilance against all forms of financial crime and meeting our regulatory obligations. The Group has a Financial Crime Framework designed to meet regulatory and legislative obligations, which includes: • mandatory annual colleague training and awareness initiatives; • regular reviews of our suite of financial crime policies, standards and procedures, checking they remain up to date and addressing any legislative/regulatory change and emerging risks; • detection, transaction monitoring and screening technologies; • extensive recruitment policy to screen potential and existing employees; • horizon-scanning and regular management information production and analysis conducted to identify emerging threats, trends and typologies, as well as preparing for new legislation and regulation; • financial crime-focused governance with risk committees providing senior management oversight, challenge and risk escalation; and • intelligence shared through participating in key industry events such as those hosted by UK Finance and other networks.	Enhancements to the Group's financial crime control environment have continued with a focus on Authorised Push Payment Reimbursement policy requirements. We are closely monitoring changes to financial crime regulation and guidance, and responding to them.

Description	Mitigation	Change during the year
Climate Change risk Climate change, and society's response to it, present risks to the UK financial services sector, with some of these only fully crystallising over an extended period. The Group is exposed to physical and transition risks arising from climate change. **Progress:** Stable	The Group has established processes to monitor our risk exposure to both the potential 'physical' impacts of climate change and the 'transitional' risks from the UK's adjustment towards a carbon neutral economy. The Group approach to climate risk is proportionate to its scale and nature of its activities. This has enabled the Group to align both its business and climate objectives. Climate change and its management are a key part of the Group's Environmental, Social and Governance strategy. The Group continues to undertake stress testing aligned to climate change scenarios, individually, across each of our key businesses. The tests are focused on the resilience of our portfolios and strategies, to manage the risks and opportunities of climate change. Further detail is provided within the Climate-related financial disclosures section of the Annual Report and Accounts (see pages 54 to 65).	The Group's direct exposure to the physical impacts of climate change remains limited, given its footprint and areas of operation. However, it has maintained robust controls and oversight, designed to manage the associated risks and continues to develop its business plans, as the risks mature. Disclosures are made within the Climate-related financial disclosures section of the Annual Report and Accounts in line with the guidance from the 'Task Force on Climate-Related Financial Disclosures', where we are now fully aligned. Specific detail on each of the key risks identified and mitigation are covered within the Strategy section on page 56. The Group continues to monitor the evolving climate disclosure landscape and regulatory requirements and expectations, including transition planning.

Principal risks and uncertainties

Strategic and emerging risks

The key strategic risk for the Group remains the macroeconomic environment in the UK. The Group's operational footprint, lending exposures and funding sources are all in the UK, therefore, overall performance is influenced by the strength and performance of the UK economy. Given the specialist nature of the Group's lending, it is not exposed across all areas and sectors of the UK economy, however, key areas such as consumer confidence and affordability, levels of economic activity and house prices will impact on levels of demand for the Group's products and services. As well as performance of its credit portfolios and achievable returns.

Whilst inflation pressures reduced significantly in 2024, this did not allow for material reductions in the Bank of England Base Rate, which remains high by recent standards. Whilst these issues have not presented at a portfolio level given the prudent approach taken by the Group towards credit risk, these factors are tracked closely through ongoing portfolio monitoring and required changes in lending parameters are undertaken on a proactive basis.

The Group monitors the look forward strategic risk via regular analysis of forecast economic data as part of its review of impairment assumptions and in its annual ICAAP and ILAAP processes. In addition to direct economic factors, the Group is also exposed to the general operating environment in the UK for a regulated business.

The Group is tracking closely the potential legal and regulatory risk associated with the Court of Appeal rulings and Supreme Court appeal about the three historical motor commissions cases (see Note 29 to the Financial Statements). The Group is awaiting the outcome of the Supreme Court appeal and other legal developments, and the FCA's motor finance review to establish whether and how its historical Vehicle Finance lending will be impacted.

In addition to these specific industry events, the Group is also tracking the various consultation papers relating to regulatory change and engaging with industry bodies to provide input into proposed changes, as well as tracking potential impact.

Viability and going concern

Going concern

In assessing the Group as a going concern, the Directors considered the factors likely to affect its future performance and development, recent regulatory announcements, the Group's financial position and the principal risks and uncertainties facing the Group, as set out in the Strategic Report. The Group uses various short and medium-term forecasts to monitor future capital and liquidity requirements, and these include stress-testing business planning assumptions to identify the headroom on regulatory compliance measures. The details of the forecasts and stress tests are explained in the Business viability section below.

Accordingly, the Directors conclude that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the Financial Statements and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Business viability

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet their liabilities as they fall due, for the period up to 31 December 2029. As the Group's financial planning horizon is five years, the Group considers a five-year period for its viability assessment.

The Directors are confident of the Group's viability over the longer term after considering all of the principal risks affecting the Group, including the following factors.

- The Group has delivered solid trading profits and sound capital management in 2024 and the 2025 annual budget process indicates long-term growth potential.
- Decrease in tail-risks from the cost-of-living crisis that resulted from a prolonged period of high inflation and high interest rates coupled with a lag on wage growth.
- Our deposit base is made up of retail customers and 95.1% of total deposits are fully covered by the Financial Services Compensation Scheme ('FSCS').
- Our stress testing indicates the Group's ability to manage its capital and liquidity requirements through the regulator's prescribed financial stresses.
- Capital stress testing is conducting after assessing the drivers of credit risk in the business, specifically the impact of adverse changes in economic variables that impacts the Group's IFRS 9 Expected Credit Loss ('ECL') models: unemployment, CPI, and HPI. The Group also considers specific business model risks that could lead to unexpected credit and operational losses.
- The Group has maintained capital levels in excess of its internal risk appetites and regulatory requirements throughout the year and is forecast to continue to do so over the five-year planning horizon.
- The Group has considered the potential impacts on provisioning for customer redress and associated costs for a severe but plausible and worst case outcome for future FCA actions following the October 2024 Court of Appeal ruling and April 2025 Supreme Court appeal on historical motor finance commissions.
- In the area of climate change, the Board recognises the long-term risks and launched its Environmental, Social and Governance strategy in 2023. Risks associated with climate change are considered as part of the annual ICAAP. Material impacts of climate change on the Group's markets and business model will emerge over the longer-term horizon and beyond the period of viability assessment. Notwithstanding this, the Group is mindful of the need to adapt its business model to changes in the markets it operates in as a result of climate change.

Furthermore, the Board considers that the circumstances required to cause the Group to fail, as demonstrated by its stress testing procedures, are sufficiently remote.

The Directors have based their assessment on the results of the following activities.

- The latest annual budget process, which contains information on the expected financial and capital positions and performance of the Group over the 2025 to 2029 period.
- The Group monitors its key performance indicators across profit, capital, liquidity, and different risk categories to mitigate any changes in risk outside of its risk appetite.
- In addition to the annual budget process, key sensitivities are measured through other forecasting activity undertaken over the course of the year, which would impact on capital and liquidity over the planning horizon.
- The Group's ILAAP, approved by the Board in June 2024, provides assurance that the Group can maintain liquidity resources that are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. This risk was tested under the financial stresses outlined on the following page. The Group has maintained liquidity levels in excess of its liquidity risk appetite and regulatory requirements throughout the year, and is forecast to continue to do so over the ILAAP planning horizon.
- The Group's ICAAP, which considered the PRA's published macroeconomic stress and severe scenarios in order to assess the adequacy of capital resources over the 2024 to 2028 period, was approved in August 2024. Within this process, the Group considered the extent of the credit, operational and market risks it is exposed to, and how such risks affect its required capital levels. Under the macroeconomic stress, the details of which are set out on the following page, at no point were minimum regulatory capital requirements breached, and capital buffers held at the start of the stress were confirmed to be adequate.
- The level of provisions recognised for expected potential redress and costs related to legal and regulatory developments about historical motor finance commission payments is based on probability weighting multiple outcome scenarios (See Note 29 to the Financial Statements). For the going concern and viability assessment the Group has considered how the loss provision could change under a severe but plausible and worst case outcome after applying increased probability to adverse scenarios including: scope of redress, customer journey; claims rates and the FCA position on customer harm caused.

Viability and going concern

- The latest Group Recovery Plan was approved in October 2024 and confirmed that the Group has sufficient recovery options available to recover from the severe combined idiosyncratic and macroeconomic stress scenario modelled over the 2024 to 2028 period. The primary recovery options are to reduce the level of new lending, and thus slow down the rate of growth, and raise new deposits.
- Consideration of the other principal risks, as set out on pages 30 to 39, identify any other severe, but plausible scenarios that could threaten the Group's business model, future performance, solvency or liquidity.

A summary of the different financial stresses are set out below:

ILAAP

The Group's 2024 ILAAP included idiosyncratic, market-wide and combined stress scenarios.

The idiosyncratic liquidity stress test assumed an operational incident within the deposits operations team leads to adverse media coverage across financial websites, newspapers and on TV. This leads to a short-term loss in customer confidence and makes it materially more challenging to retain maturing term bonds, higher notice being served and customers withdrawing Access deposits.

The market-wide stress is based upon the UK economy entering a severe recession with rising unemployment and inflation, falling house and equity prices, subdued wage growth and a contraction in GDP, due to prolonged economic uncertainty. Higher customer default rates (in line with the Macro ICAAP stress) and the regulators decision to allow consumer customers to take payment holidays results in lower payment inflows. Completions on consumer contracts fall, while requests for refinancing from business customers also contracts in line with reduced economic activity. The combined stress includes elements of the idiosyncratic and market stresses, whereby the UK economy enters a severe recession, and the Group suffers outflows due to poor customer services at the same time.

A combined stress includes elements of the idiosyncratic and market stresses, whereby the UK economy enters a severe recession, and the Group suffers operational issues in the deposits function at the same time.

In addition, the ILAAP includes sensitivity analysis to model the impact of adverse variances in stress assumptions used in each of these scenarios.

Reverse stress test modelling was also performed to identify the type and severity of a stress required for the Group to no longer be able to meet its liquidity requirements. Three scenarios were assessed to consider the impact of: 1) an extreme retail deposits stress leading to higher attrition and inability to raise new deposits; 2) a significant reduction in lending inflows at the same time as a full utilisation of Commercial Finance facilities; and 3) the impact of Retail Finance loans becoming ineligible for use in supporting Bank of England drawdowns.

ICAAP

The Group's ICAAP considered a combined PRA-published macroeconomic stress and severe idiosyncratic losses to assess the adequacy of capital resources over the 2024 to 2028 period. The macroeconomic stress included an unemployment peak of 8.5% in Q2 2025, a 31.0% property price decline by mid-2026, and an economic recovery beginning in 2026. However, unemployment and house prices were not assumed to return to pre-stress levels before the end of the five-year scenario. At no point under the stress were the Group's minimum capital requirements not met, and capital buffers held at the start of the stress were confirmed to be adequate.

Reverse stress test modelling was also performed to assess the level of stress required for the Group to no longer be able to meet its capital requirements. This required a significantly more severe scenario, including peak unemployment of 12.0%, a sharper decline in house prices to 48.3% and multiple concurrent idiosyncratic loss events occurring at the start of the scenario.

The ICAAP also used scenario modelling for elements of the Group's Pillar 2A capital assessment to support the assessment of operational risk and credit risk.

Recovery Plan

The latest Group's Recovery Plan confirmed that the Group has sufficient recovery options available to recover from the severe stress scenarios modelled over the 2024 to 2028 period.

The combined capital stress test included peak unemployment of 12.0%, a 48.3% decline in property prices and an increase in operational losses based on the ICAAP Pillar 2A scenario modelling.

The idiosyncratic liquidity stress test assumed a loss of confidence in the Group, resulting in a run on the bank with a rapid loss of Access and ISA deposits and significantly increased Notice account outflows. In addition, it was assumed that there would be a significant increase in requests to withdraw funds from fixed term bonds prior to the original maturity date. At the same time, to reflect a layering of liquidity risks, lending outflows were increased due to higher levels of pipeline completion.

Managing our business responsibly
Engaging with our stakeholders

Stakeholders and why we engage with them	Their priorities	How we engage	Outcomes
Customers Our customers are the individuals and businesses we provide finance products to. Our purpose is to help our customers achieve their ambitions, through our range of savings products and loan facilities. We engage with our customers to help us understand their needs and to enable us to develop products to meet these needs. We also engage to seek feedback on the service we provide and look continually to improve.	Our customers want to borrow or save money at competitive rates and under fair terms. They want high levels of customer service and to be able to access their accounts through a variety of channels that suit their needs.	We engage with our customers through a variety of channels; our contact centres; relationship managers; our sales teams; online services; and through our business partners. The Board has appointed Finlay Williamson an independent Non-Executive Director, as the Consumer Duty Champion. He provides regular updates to the Board on our customers and the services we provide to them. He helps to ensure that the retail customer voice is heard in the boardroom and that their interests are considered in our decision making.	• Feefo customer trust score of 4.7. • Trustpilot scores of 4.6. • Following the launch of a pilot scheme for our Retail Finance AppToPay app last year, we listened to the feedback from customers and launched a revised version of the app this year, to help our customers service their accounts in an easy way.
Shareholders and investors Our shareholders are the individuals and businesses that own/invest in the Company and provide the capital required to help achieve our strategic objectives. We engage to understand their views on the Group's strategy, performance, management and governance.	Our shareholders want to receive returns on their investment through dividends, capital returns and capital appreciation. They want a long-term sustainable business that has strong governance and risk management.	Our Executive Directors, Chair and investor relations team primarily undertake engagement and run investor engagement programmes after the release of our full-year and interim results. The Chair of our Remuneration Committee engages with shareholders following the annual remuneration round. All of our Directors are available to meet with shareholders on request and attend the Annual General Meeting, which provides a valued opportunity to engage with our smaller shareholders. This year, our newly appointed Chair met with major shareholders as part of his induction programme and we undertook two capital market day presentations focusing on our Real Estate Finance and Commercial Finance businesses. We also ran an independent shareholder perceptions study.	• In 2024, we agreed a new more sustainable dividend policy, which has enabled us to continue our growth strategy. The first dividend under the new policy was paid in September 2024. • Following feedback from our shareholders we have enhanced our segmental reporting to provide shareholders with greater information on each of our business units.

Managing our business responsibly
Engaging with our stakeholders

Stakeholders and why we engage with them	Their priorities	How we engage	Outcomes
Employees Our people are key to our success and help us deliver the service our customers expect. We engage with them to understand their views and priorities to help us retain, develop, motivate and recruit high-performing people who are aligned with our culture.	Our people want to work in a supportive, diverse and inclusive environment. They want opportunities for career and personal development, and a competitive remuneration and benefits package. They want to work for an organisation that has strong ESG practices and delivers value to stakeholders.	We have an employee council, which is chaired by Paul Myers, an independent Non-Executive Director and the designated Director for workforce engagement. The Council comprises nominated representatives from key business areas and discusses employee views on a wide range of subjects. Paul Myers provides feedback at the Board meetings following Council meetings. We have held regular employee townhalls with updates on the Company's strategy, performance and ESG initiatives. We have strong internal communications centred around Hive (our intranet) and Viva engage and our Chief Executive Officer ('CEO') regularly provides business updates. The Board reviews the results of our employee engagement surveys and has oversight of action plans to address items raised. Our People team lead engagement with employees and provide updates to the Board. The Chair visited several of our offices during the year and met with people across the business.	• Successfully retained our Great Place to Work® ('GPTW®') accreditation. • Achieved an overall employee trust index score of 74%. • Low rates of attrition with a voluntary turnover rate of 13%. • Employees participated in 4,592 hours of training across the Group.
Business partners Our business partners includes our suppliers, who support our operational infrastructure, and the brokers, retailers, introducers and dealers we have relationships with, who help distribute our products. We engage with them to ensure that we maintain effective working relationships, their services help support our delivery to clients and our activities are carried out in compliance with requirements.	Our business partners want to develop beneficial and effective long-term business relationships. They want us to offer a product range that meets their clients' requirements including effective servicing of their accounts. They want prompt and fair payment for services provided and to receive feedback to understand how they can improve their services and processes.	Engagement with our business partners is primarily undertaken by our management, client teams, and individual business units or functions. For our suppliers we also have a dedicated procurement team who set the framework for managing the relationships. The Board receives regular updates from all business units and our Chief Operating Officer who is also responsible for the Group's procurement team and any matters that require escalation are done so through the governance framework.	• 33.2 average creditor payment days. • An assessment of 611 suppliers within the Group's supply chain was undertaken in 2024, identifying nine that presented a higher risk of modern slavery and human trafficking. These suppliers were required to provide additional assurance of the programmes they have in place to address their risks. The assurance received highlighted no concerns.

Managing our business responsibly
Engaging with our stakeholders

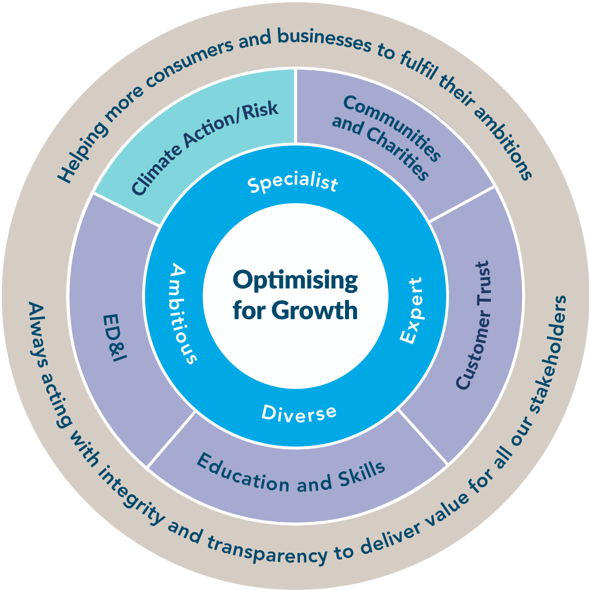
Stakeholders and why we engage with them	Their priorities	How we engage	Outcomes
Regulators Regulators are responsible for supervising their respective financial markets, including the entities and people working within them. They have an interest in ensuring we treat customers fairly, act with integrity and transparency, and comply with requirements. We engage with regulators to keep them updated on our business and also engage with regulators and policy makers to help develop and understand changing regulatory requirements.	To protect the interests of customers and the operation and stability of the financial markets that they regulate. In order to achieve this, they are interested in our practices and processes to protect our customers, the level of capital we hold, our governance and control frameworks and the performance of our business.	Our senior management, compliance and finance teams are the primary point of contact with our regulators. They hold meetings with the regulators to keep them updated on developments within our business. In addition, we make regulatory applications, notifications and filings in-line with requirements. Our senior managers and Directors provide feedback to the Board on our engagement with regulators. The Risk Committee receives updates from the Compliance team at each meeting, which includes details of all communications with our regulators and a 'horizon scanning' report, which identifies legal and regulatory changes relevant to our business.	• Continued compliance and enhancements to the Group's processes in relation to the Consumer Duty requirements. • Engagement with the regulator on legal and regulatory developments in relation to historical motor commissions. • Common Equity Tier 1 ('CET 1') of 12.3%. • Commenced the redress programme under the Financial Conduct Authority's Borrowers in Financial Difficulty review.
Communities and society We believe we have a responsibility to make a wider contribution to society, which we primarily achieve through our Environmental, Social and Governance ('ESG') strategy. We engage with our charitable partners to understand their priorities and how we can help them. We also engage with our business partners to help drive enhancements in their ESG practices (for instance, modern slavery and carbon emissions).	The Communities in which we operate and wider society cares about the impact we have, both in minimising our impact to the environment and having a positive impact to society. This includes our plans to enhance the impact we have to achieve better outcomes for all stakeholders and to support diversity, equity and inclusion across the industry.	We have an established Charity Committee, which leads charitable activities across the Group and the engagement with our charitable partners, including through our volunteering partnership scheme. We engage with all other stakeholder groups on our ESG strategy and priorities in order to understand their views. Our website provides information to all stakeholders and provides updates on our ESG initiatives.	• Reduced our Scope 1 and 2 CO_2 equivalent emissions by 22.8% against last year and achieved our target of 50% reduction in Scope 1 and Scope 2 emissions by 2025, a year early in 2024 (since 2021). Please see page 46 for further information. • £99,800 of charitable funds raised in 2024. • 281 volunteer days donated by our employees. • The Board reviewed and challenged the Group's Modern Slavery Policy and Statement which outline the steps taken by the Group to prevent modern slavery and human trafficking in its operations.

Section 172 Directors' duty

The Directors have continued to discharge their duties in accordance with section 172 of the Companies Act, which includes the need to consider the interests of the Company's wider stakeholders. Details of how the Directors have fulfilled their duties can be found throughout the Strategic and Governance Reports with further information on how the Directors have considered stakeholder interests in key decisions during the year on page 77.

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

Delivering value for all stakeholders



Environmental • Social • Governance

Our priorities	Sustainable Development Goals
Climate Action/Risk	9, 11, 12, 13
Customer Trust	8, 12
Equity, Diversity and Inclusion ('ED&I')	3, 4, 5, 10
Education and Skills	3, 4
Communities and Charities	4, 8, 11
Acting responsibly	11

What is our ESG strategy?

As a regulated bank, we put strong emphasis on ensuring we are aligned to the external standards relevant to our organisation, but our ESG strategy goes beyond this. It commits us to prioritise the ESG focus areas material to our organisation and stakeholders, and so is key to the delivery of our business strategy and our ability to achieve success.

We have a process in place for regular senior oversight and discussion of our ESG activities, their progress and any potential risks to progress. In 2024, as part of this process, we reviewed the ESG strategy launched at the start of 2023 resulting in some enhancements, which are effective from the start of 2025, and are reflected in the ESG summary graphic shown above and the strategy overview chart on the following page.

What progress has been made against our ESG strategy and priorities?

During 2024, we continued to make good progress across each of our focus areas. This is reflected by the positive responses of above 80% across all ESG-related questions in our annual employee opinion survey.

In June, a series of ESG calibration meetings were held focusing on our ESG focus areas, which fed into a senior level discussion about how we ensure our ESG aspirations remain as tightly aligned as possible to our business purpose and strategy. The outcome covered anticipated disclosure requirements about climate change and artificial intelligence, but also an evolved approach within our 'Communities and Charities' and 'Education and Skills' focus areas.

During 2024, we have made the ESG disclosures that we committed to and largely met the targets that we set for the period. Although the deadline for achieving the Group's published target of reducing Scope 1 and 2 CO_2 equivalent (CO_2e) emissions by 50% is not until the end of 2025 (since 2021), our published data shows that we have achieved this target a year early, with further initiatives planned for 2025.

We published progress against the Women in Finance Charter targets set at the start of 2024 in January 2025. This shows that during 2024 we exceeded targets set for female representation on our Executive Committee (33%), female participation in leadership programmes (52%), flexible working requests accepted (95%) and female participation in mentoring programmes as mentees (54%). We also improved female representation in senior management (grade seven and above, excluding Executive Committee members) by 2% to 24%,

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

demonstrating progress towards our end of 2025 30% target. Although our employee engagement survey scores were negatively impacted by the reorganisation implemented at the end of 2024, they remain reassuringly high. For example, our Trust Index at 74% and the proportion of colleagues who say the Group is a great place to work (71%) remain well above the average for UK companies surveyed in the most recent GPTW® population study.

Our ESG progress is supported by a range of partnerships developed with organisations who have relevant expertise and we will build on this further as we continue our ESG journey.

Who owns our ESG strategy?

Ultimate ownership and oversight of our ESG strategy is with the Board, as it supports the business strategy set by it. The Board delegates the implementation of our ESG strategy to the CEO and through him to the Executive Committee.

What is the governance that supports our ESG strategy?

The Executive Committee is supported by the Executive Risk Committee and working groups or committees for each of our five focus issues identified under the Environmental and Social part of our ESG strategy. These report progress to the senior team on a regular basis.

More broadly, we require our people to act with integrity and provide them with the necessary training and resources to conduct themselves with due skill, care and diligence. For example, we have a suite of policies to support the conduct of our employees including, our Conflicts of Interest and Conduct Risk policies. This is facilitated by a suite of policies, which promote the good conduct of our employees, and support our ESG principles, including our Anti-Harassment and Bullying, Menopause, Wellbeing and Family Friendly Policies. See page 66 for details on some of the Group's other policies, including our ED&I policy.

		Stakeholders	ESG priorities	Measures/disclosures	Progress
Governance **Always acting with integrity and transparency to deliver value for all our stakeholders**	**Environmental**	**Climate Action/Risk** • Regulators • Business partners • Shareholders and investors • Communities and society	We aim to understand the risks to our business associated with climate change so that we can maintain a strong credit discipline, capital allocation and risk management capabilities that support our specialised lending. We also aim to minimise the harmful impact of our business on the environment by reducing Scopes 1 and 2 CO_2e emissions from our operations, understand better Scope 3 emissions associated with our lending activities, and to use less and re-use more.	• Report annually on our operational energy use and carbon emissions in line with Streamlined Energy and Carbon Reporting ('SECR') regulations. • Scope 1 and 2 CO_2e emissions from our operations reduced by 50% from 31 December 2021 to 31 December 2025. • Climate-related disclosures (and climate risk scenarios) under the Task Force for Climate-related Financial Disclosures ('TCFD') and Companies Act requirements and related PRA regulations/Listing Rules. • Starting with the year beginning 1 January 2025 we are working to be ready to publish a Transition plan following the Transition Plan Taskforce Disclosure Framework and, when applicable, related mandatory requirements.	✓ Page 48 New for 2025
	Social	**Customer Trust** • Customers • Employees • Regulators • Business partners • Shareholders and investors	Our aim is to build the trust of our customers through the way we treat them, by enhancing our customers' experience, achieving high standards of customer service excellence and through the outcomes we enable for them.	• Feefo Trusted Awards. • External awards for our products and services, HM Government Cyber Essentials Plus certification.	✓ Page 49

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

		Stakeholders	ESG priorities	Measures/disclosures	Progress
Governance **Always acting with integrity and transparency to deliver value for all our stakeholders**	**Social**	**Equity, Diversity and Inclusion ('ED&I')** • Customers • Employees • Regulators • Business partners • Shareholders and investors • Communities and society	Our vision is to be a successful, inclusive business where all our people feel respected and can confidently be themselves and fulfil their potential. We aim to develop a positive and healthy working environment where colleagues have the opportunities and resources to support their own wellbeing, and which contributes to a culture where people feel able to be their authentic selves. We will strive to support all the protected characteristics and improve our gender and ethnic diversity.	• Maintaining inclusion on the GPTW® UK Best Workplace™ listings for Women and Wellbeing (large companies). • Signatory to the HM Treasury Women in Finance Charter. We have pledged to set and publicly report against gender diversity targets annually. • Annually reporting on our Gender Pay Gap. • Maintaining/improving our Employer Network for Equality and Inclusion ('ENEI') TIDE Mark. • Maintaining our Disability Confident accreditation.	Page 50
	Social	**Education and Skills** • Customers • Employees • Regulators • Business partners • Shareholders and investors	Through our Learning and People Development activities we aim to help all our colleagues build their specialisations, increase their confidence, plan their career progression and make it happen. We are a specialist lender, so these activities enhance our specialisations, support our differentiation from others and enable us to have market expertise and deep customer knowledge.	• Maintaining inclusion on the GPTW® UK Best Workplace listings for Development™ (large companies).	Page 52
	Social	**Communities and Charities** • Customers • Employees • Regulators • Business partners • Shareholders and investors • Communities and society	We aim to make a positive contribution to the communities in which we work and conduct our business. We aim to build and maintain strong links with these communities through support of local community initiatives and fundraising activities, prioritised by colleagues' preferences.	• Our bi-annual report of our supplier payment period in days. • Our annual modern slavery statement setting out the steps we take to eradicate modern slavery in our own businesses and supply chains. • Total annual fundraising for charities by colleagues and matched by Secure Trust Bank £4£. • Provide an annual update on community volunteering and local initiatives.	Page 53

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

	2024 progress	Looking ahead
Climate Action/Risk	We aim to support the government's ambitions in terms of tackling climate change by minimising the harmful impact of our business on the environment as well as protecting our business from climate-related risks and we have made good progress in 2024. • The Group committed to a 50% reduction in its own Scope 1 and 2 CO_2e emissions by December 2025 (since 2021) and this target was met at the end of 2024. Details of how this was achieved are included on page 62. • We offer our employees an opportunity to participate in our 'green car' leasing scheme, which has the potential to reduce Scope 3 emissions. This has been supported by a doubling of electric vehicle charging points at our head office. • We joined the Partnership for Carbon Accounting Financials ('PCAF'), which supported us in enhancing our Scope 3 emissions reporting capabilities, in particular the disclosure of financed emissions. Details can be found on page 61. • We developed our own internal reporting and assurance model to give confidence to stakeholders and observers of our progress, working in consultation with PCAF. We have updated the Executive Committee and our Board about the Group's alignment with the TCFD required disclosures. • Further information on the Group's climate change strategy, risk management, and metrics and targets, including our CO_2e emissions, and work undertaken during 2024 can be found within our Climate-related financial disclosures section on pages 54 to 65.	The key focuses in 2025 will be: • working towards the expected Transition plan disclosure requirements anticipated from 2026; • embedding the Scope 3 emissions reporting processes; • embedding business unit climate strategies developed in 2024; and • implementing our energy savings plan developed during 2024 and reducing our office footprint where practicable.

Solar-powered offices

In support of our CO_2e emissions reduction target, we invested in energy-saving solar panels at our head office in Solihull in 2024, following the successful installation of solar panels in the Cardiff office in 2023.

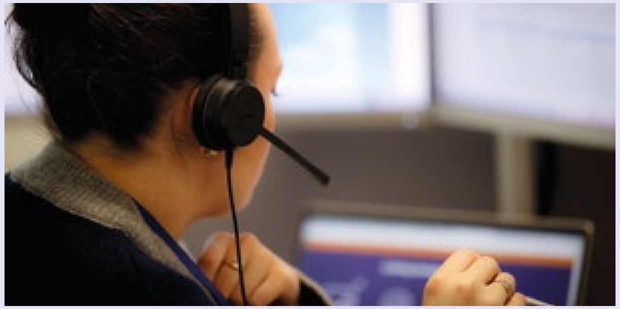
By generating our own power, we save around 19 tonnes of CO_2 annually, equivalent to planting 1,140 trees. Around 94 MWh of solar energy will be produced from the solar-powered system, which will help to power the day-to-day electricity for our offices, dramatically reducing the cost of energy bills. We have already moved to renewable energy sources in these office locations.

Our Cardiff and Solihull offices also have electric vehicle chargers installed, which are free to use by colleagues. In 2024, extra vehicle chargers were installed to meet demand in Solihull. In the same year, as part of our Green Car Scheme employee benefit, 27 electric vehicles were delivered to employees who opted for environmentally friendly travel via this scheme.

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

	2024 progress	Looking ahead
Customer Trust	With a vision to become the UK's most trusted specialist lender, developing customer trust is clearly a key priority for us and the experience of our consumers is monitored regularly in great detail as part of our Consumer Duty processes. • A key measure of customer trust is how satisfied our customers are. We achieved high scores for our Consumer Finance and Savings business, 4.7 out of 5 stars for Feefo and 4.6 out of 5 stars for Trustpilot. • In our Business Finance businesses, satisfaction has also remained high with 100% client satisfaction for Real Estate Finance and 97% for Commercial Finance. • The quality of the Group's product and service provision is also reflected through external recognition, which in 2024 included: - Retail Finance: Won Best Retail Finance Provider (Interiors Monthly); - Retail Finance: Finalist for Best Consumer Credit Product (Credit Strategy 2024 Credit Awards); and - Commercial Finance: Won Asset Based Lender of the Year (Insider Media Midlands Dealmakers Awards 2024). • At the start of the year, the Group received the government-backed Customer Service Excellence accreditation for the 11th consecutive year and was awarded a Compliant Plus rating. The assessment concluded that the Group had demonstrated year-on-year improvements to service delivery and sustained high levels of customer satisfaction in a climate of global financial uncertainty. • Technology has been a key enabler to improving customer experience during the year, as well as driving efficiency. Our Digital Savings Experience project is a good example. Further details can be found on page 27.	The focus in 2025 will be on: • continuing to embed Consumer Duty principles within the Consumer businesses and across teams following changes to our organisational structure; • building on, and acting on, customer insight; • developing more opportunities to collect real-time transactional customer feedback; and • supporting customer vulnerability through targeted training of customer service agents.

Recognition for customer service excellence



Recognition is built into our culture and directly linked to our purpose and values. We have created opportunities to recognise colleagues who show excellence when it comes to demonstrating our values, one of which is 'Customer Focus'.

These range from everyday e-thank yous linked to our values, and our annual flagship 'Outstanding Achievers' special event, to our quarterly Customer Trust Award. At the end of each quarter, employees who receive one of our Be Valued Awards for 'Customer Focus' are put forward for a Customer Trust Award, which is judged by senior colleagues who sit on our Customer Experience Best Practice Working Group. One of the standout winners in 2024 was Toni Melissa, one of our Collections advisers.

The Customer Trust Award recognises colleagues across all our businesses and support functions who deliver good customer outcomes. Toni was also nominated as a 'Customer Service Hero' during National Customer Service Week for handling challenges effectively and exceeding expectations.

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

	2024 progress	Looking ahead
ED&I	ED&I remains an important focus for the Group. In 2024, we continued to work with Business in the Community ('BiTC'), as well as other partners, to move the agenda forwards in this area. Key areas of focus for 2024 included: • BITC Workwell Commitment – to ensure ED&I is aligned more closely to wellbeing we launched a refreshed Wellbeing strategy and signed up to BITC's Workwell Commitment. This provides a framework for embedding health and wellbeing into our organisational culture. This is supported by the appointment of volunteer Wellbeing Champions and the introduction of a comprehensive new employee wellbeing offer. • Evolving our ED&I agenda – BITC facilitated introductions with D&I leads at other organisations, to provide insight into best practice, and a workshop with members of our Executive Committee to define our future commitment and actions in this area. • Promoting diversity – we continue to promote understanding of the diverse characteristics within our colleague and customer groups, through our award-winning internal lived experience podcasts, awareness raising campaigns and through our network of ED&I Inclusioneer Champions. Following a recommendation for corporate attendance at Pride events in key office locations, colleagues attended the Cardiff Pride event in 2024. • Key achievements during the year were as follows. - Being placed 24 out of 90 in the GPTW® UK Best Workplaces for Women™ (Large category). - Meeting our stage two targets for Women in Finance due at the end of 2024. - Participating in the ENEI's Talent, Inclusion and Diversity Evaluation ('TIDE') assessment, resulting in the Group retaining the silver TIDE Mark for the fourth consecutive year. - Retaining our Disability Confident accreditation. - Publishing our 2024 Gender Pay Gap report early, which indicates gradual progress, although the biggest driver of our gender pay gap is the shape of our workforce and that remains a key challenge to address over time. • Our Learning and Development offering and colleague recognition suite are key to supporting achievement of our ED&I targets and examples can be found on page 49.	The focus in 2025 will be on: • continuing to embed and deliver our ED&I priorities; • maintaining/meeting our stage two Women in Finance targets and reporting our Gender Pay Gap figures; • consider actions required in light of the regulatory consultations on new measures to enhance D&I in firms; and • maintaining focus on diversity within talent planning.

Proudly marching at Pride

Following a proposal from our team of volunteer ED&I champions, the Group was delighted to show its commitment to diversity and inclusion by taking part in its first Pride parade this year in Cardiff, the home of our Retail Finance business.

Colleagues were invited from across the Group to join the Pride Cymru parade and proudly sported V12 Retail Finance t-shirts, banners and flags as they walked the 1.4 mile route.

James Ablett, Operations Delivery Manager, Retail Finance, who joined in the parade said: "I loved the event; I found it uplifting, the atmosphere was amazing and it was awesome to see so many people supporting the event both in terms of those marching as well as those cheering from the sides. The uplifting sense was about seeing everyone celebrating diversity ranging from very young to very old and from all walks of life!"

The event received positive feedback and we will be marching for LGBTQIA+ in Cardiff and Birmingham Pride parades in 2025.

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

Board and Executive Management gender representation

At the year-end, the split by gender was:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO,CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management
Men	4	50	2	7	64
Women	4	50	2	4	36
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Board and Executive Management ethnic representation[2]

At the year-end, the split by ethnicity was:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO,CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management
White British or other White (including minority-White groups)	8	100	4	11	100
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. In accordance with the requirement under Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1), the 'Number in Executive Management' includes all members of the Executive Committee (which includes the CEO and CFO, who are also Directors), and the Company Secretary.
2. The Board and Executive Management were asked to confirm their ethnicity from the following options: white British/other white, mixed/multiple ethnic groups, Asian/Asian British, Black/African/Caribbean/Black British, Other ethnic group and not specified/prefer not to say.

Further details on Board diversity can be found in the Nominations Committee report on page 82.

We continue to make progress on our ED&I agenda as demonstrated by external benchmarks and our 2024 metrics show that this is also resulting in a gradual improvement in our workforce gender diversity.

At the year-end, the split by gender of the Group was as follows:

Male	4	50%
Female	4	50%
Total	8	100%

Male	39	54%
Female	33	46%
Total	72	100%

Male	394	48%
Female	430	52%
Total	824	100%

Male	437	48%
Female	467	52%
Total	904	100%

1. In accordance with the requirement set out in s.414C(8)(c)(ii) of the Companies Act 2006 for disclosure of Secure Trust Bank Group's 'senior managers' (as that term is defined in s.414C(9)), there were six male and three female senior managers.

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

	2024 progress	Looking ahead
Education and Skills	Our focus on education and skills is aimed at embedding excellence in our culture and is primarily delivered through our comprehensive Learning and People Development offering. This covers everything from mandatory regulatory learning competencies to funding multiple professional qualifications. We have enhanced our ESG strategy to ensure the emphasis is on developing skills to support better our business strategy and needs, in addition to career progression. A major focus in 2024 has been on transitioning learning programmes to an experiential approach, requiring a greater commitment from delegates. This has been delivered through three key programmes. • Management Zone, aimed at helping people leaders to shape team culture and drive optimum team performance. • Blazing My Trail, a four-month programme designed specifically to support our ED&I aspirations and inspires colleagues to take control of their careers and have the confidence to make changes to their lives that will help them take their next career step and achieve their potential. • MentorMe, our mentoring and reverse mentoring programme matches colleagues with team members who can enhance their skill set and guide their career development. The reverse mentoring element is also aligned to our ED&I agenda by enabling more junior team members to share their perspectives, experiences and skills with more senior team members to build greater inclusivity. Flagship programmes, including the Alan Karter Scholarship, have continued to have a positive impact and in May 2024 GPTW® published its first list of UK Best Workplaces for Development™, where we ranked 26 out of 100 companies ('Large' category) and satisfaction scores for our Career and Development offer stand at over 97%.	The focus in 2025 will be on: • supporting development in three areas, leadership skills; management skills; and business skills; • measuring the impact of new skills on the business; • rolling out a new learning management system, which allows tracking of progress and performance and has the capability to automate manual processes, including our performance management framework, longer term; and • investing in apprenticeships, with the focus on using our Apprenticeship Levy to enhance business skills where possible, and transfer unused Levy to local good causes to support their apprenticeship initiatives, in support of our Communities and Charities activities.

The Alan Karter Scholarship

The Group's Alan Karter Scholarship was created in memory of our highly regarded General Counsel, who sadly passed away in 2020.

After its launch in 2021, Alan's legacy has continued to offer scholarship opportunities to a select group of talented individuals each year, reflecting his passion for professional development.

Run in partnership with the prestigious Cranfield Business School, the Scholarship is open to all Group employees who want to take the next step and believe they would benefit from intensive professional development.

Since launch, competition has been strong to get awarded one of the residential places on the scholarship and this takes place via an interview and selection process. Places are fully funded, showing our commitment to the learning and career development of colleagues as well as supporting our ED&I agenda.

Managing our business responsibly
Environmental, Social and Governance ('ESG') strategy

	2024 progress	Looking ahead
Communities and Charities	We remain mindful that our role within wider society goes beyond making a profit. We have a duty to act as a good corporate citizen, helping our stakeholder groups with key issues that are important to them, and where we can having a positive influence. Key achievements for the year have included: • The Group raised nearly £100,000 for good causes in 2024 (2023: £98,000). This was for employee-elected charities (£53,000) as well as a wider range of colleague sponsored good causes through our £4£ Matched Funding programme (which matches funds raised by individual staff of up to £400 per person each year). • The Group exceeded its targets set by Charity Committees in Solihull (£100k over three years) and Cardiff (£25k in 2024). • In 2024, our Solihull office completed three years with its current charity partner, Acorns Children's Hospice and elected a new partner for the next three-year period, Birmingham Children's Hospital. 2025 will be the final year of our Cardiff office's three-year partnership with the children's hospice,Ty Hafan. • We have targeted different internal demographics to drive engagement as well as leveraging supplier and partner involvement. The Group's charity Golf Day and Real Estate Finance's Ramble have become popular events in the annual business calendar, offering teams a chance to build their business networks as well as support good causes. • Colleagues are encouraged to use one paid day a year to make a difference in their local area. In 2024, the equivalent of 281 days were recorded, supporting a range of organisations benefiting local causes. • This year the Group extended its work with key charities and other good causes including MIND, the Samaritans and Neurodiversity in Business, which are directly supportive of our ED&I and Customer Trust focus areas. • The Group continued to work with its further education college partners to deliver a series of activities that support the employability skills of young people in our local communities. • The Group also aims to ensure timely payment of suppliers (average of 33 days) and has processes in place to raise awareness of, and minimise the risk of, modern slavery within our own business and supply chains, as detailed in our modern slavery statement.	The focus in 2025 will be on: • establishing a strong working relationship between the Solihull office and Birmingham Children's Hospital and developing a plan to cover the three-year partnership; • providing additional volunteering opportunities, including online volunteering opportunities, to boost the contribution our people already make to our local communities; and • enhancing our further education college partner work with a more integrated programme of activities and roll out to other office locations, encouraging further colleague support and involvement.

Aspiring Solihull College students visit head office

Secure Trust Bank has been working in partnership with Solihull College & University Centre for many years. The partnership is led by our Chief People Officer, Anne McKenning, who is the College's volunteer Enterprise Adviser, working alongside the Head of Careers for the college.

In 2024, 50 aspiring students from Solihull College spent the day with our Learning and People Development team to gain insights into a professional working environment.

Students learnt about what it's like to work at Secure Trust Bank and how a bank operates, the importance of first impressions and body language, introvert and extrovert personalities, and how to spot a fraudulent scam.

The Group also runs an annual intervention with the college to help business study students prepare for work by working with them to hone employability skills including CV development and interview techniques. We also support the College through apprenticeship support, recruitment fairs and work experience.

Managing our business responsibly
Climate-related financial disclosures

Climate change

Climate change, and society's continued response to it, presents risks and opportunities to the UK financial services sector. While some of these risks may crystallise in the short term, our sector also needs to be prepared to support and help mitigate the impacts in both the medium and long-term time horizons.

The Group continues to assess its risk exposure to both the potential 'physical' effects of climate change and the 'transitional' risks from the UK's target to bring all greenhouse gas ('GHG') emissions to net zero by 2050. The Group remains committed to aligning with legal and regulatory requirements and is tracking developments via industry bodies and public statements.

This report sets out how the Group is managing its exposure to climate change risks and is aligning with the four key pillars of the 'Task Force for Climate-related Financial Disclosures' ('TCFD'), being Governance, Strategy, Risk management, and Metrics and targets. The key risks, their mitigants and assessments are covered under the Strategy and Risk management sections of this report.

The Climate-related financial disclosures made by the Group comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

The Group has also complied with the requirements of UK Listing Rule 16.3.23(R) by including Climate-related financial disclosures consistent with the recommendations and recommended disclosures of the TCFD within this Annual Report and Accounts, being fully compliant with each of the 11 statements, successfully closing the two gaps highlighted for 2023:

- Strategy (b): In 2024, the Group conducted workshops to identify risks and opportunities across its businesses and reviewed how its financial planning timelines aligned with the Group strategy.
- Metrics (b): To support the development of its reporting capabilities, the Group designed and implemented new models to report its Scope 3 emissions across all reportable Consumer and Business lending activity. Details of these are in the Scope 1, 2 and 3 GHG emissions section. See pages 60 to 62.

A review of disclosures by banks was undertaken to establish current best practice for metric publication and following this, the Group decided to enhance the reporting from 2023. As a result, the Group has disclosed greater detail of its existing metrics and provided improved insights in this report.

To align our reporting better with industry benchmarks, the Group joined with the Partnership for Carbon Accounting Financials ('PCAF') in May 2024. Access to PCAF data and methodologies has helped us develop enhanced Scope 3 reporting.

The Group is working towards the expected Transition plan disclosure requirements pending a government consultation anticipated for later in 2025 about mandating them, and for the likely endorsement by the government of sustainability reporting driven by the IFRS International Sustainability Standards Board ('ISSB') Disclosure Standards S1: General Requirements for Disclosure of Sustainability-related Financial Information and S2: Climate-related Disclosures.

Managing our business responsibly
Climate-related financial disclosures

Governance

The Group recognises the importance of climate change risk management and has continued to invest and provide resources to develop its climate strategy and ambitions. The Group has allocated the Senior Management Function responsibility for identifying and managing the risks from climate change to the Chief Risk Officer ('CRO').

The Board has delegated responsibility for oversight of Climate change risk to the Executive Risk Committee ('ERC'). The ERC members include the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The Group's risk governance structure can be found on pages 30 to 31.

Disclosure	Approach and 2024 progress	Looking forward
The Board's oversight of climate-related risks and opportunities	• The Board approved an updated ESG strategy for the Group with a continued focus on environmental aspects including climate action/risk. • Climate change risk is reported to the ERC and then the Board Risk Committee ('BRC'). Over the year, the ERC met on 12 occasions and the BRC met on six occasions. The Board receives reports on progress related to climate change activities (including metrics and targets). • The Board approved the annual review of the climate change risk appetite statement and metrics. • The Board received updates on climate change over 2024, and in its October update discussed transitional planning and regulatory developments. • The management of all risks (including climate change) is embedded into the Group's strategy setting, business plan and executive remuneration policies.	• The Board will continue to be engaged and will provide oversight to the development of the Group's Transition plan. • As the Group Climate change risk approach matures and becomes further embedded, the Group will further refine its reporting to its governance committees to provide improved visibility of climate risks and opportunities.
Management's role in assessing and managing climate-related risks and opportunities	• Ownership of Climate change risks sit with the accountable executives of the Group's relevant business areas and quarterly reporting is provided to the ERC. • Climate change risk is embedded into the Risk and Control Self-Assessment process, which is performed by first line risk owners with oversight provided by the second-line risk team. Monitoring of these risks is performed by the ERC and BRC. • During 2024, the Group has worked to develop management's understanding of Climate change risk and opportunities as well as enhancing its suite of metrics and reporting at a business unit level.	• Management will continue to build knowledge and further embed climate change in decision making. • The CRO and senior members of the risk function, including the climate lead will continue to attend industry meetings, and will provide guidance to management on best practice.

Managing our business responsibly
Climate-related financial disclosures

Strategy

The Group's updated ESG strategy was approved by the Board in October 2024 and this strategy includes a focus on climate action. Cognisant of the UK government's 2050 net zero target, the Group is committed to supporting the consumers and businesses it works with as the UK transitions to a low-carbon economy.

Disclosure	Approach and 2024 progress	Looking forward
Climate-related risks and opportunities identified over the short, medium, and long term	• In 2024, workshops were held across the Group's business functions to review existing risks, identify any new climate-related risks and to explore climate change opportunities. The Group has continued to drive ownership and accountability for Climate change risk with the relevant accountable executives and the management of all risks (including Climate change risk) remains embedded in the variable compensation structures for Executive Directors and other key material risk takers. Details of the Group's key Climate risks can be found on page 59. • The current operational strategy includes the Group's target to achieve a 50% reduction in Scope 1 and 2 CO_2 equivalent ('CO_2e') emissions by December 2025, compared with a 2021 baseline. The Group has achieved this target a year earlier than anticipated through targeted actions (further details can be found on page 62).	• The Group will continue to assess climate-related opportunities and integrate climate-related decision making into its activities. This work will support the Group in developing its Transition plan. • The Group has recently approved an Energy Savings Opportunity Scheme development plan to continue to drive a reduction in Scope 1 and 2 emissions from our buildings.
The impact of climate-related risks and opportunities on our businesses, strategy, and financial planning	• The Group has identified opportunities and assessed the impact of its climate-related risks and as having minimal adverse impact on its business, strategy and financial planning over a five-year time horizon. • The Group has also been monitoring the proposals for sustainability reporting in the UK. Although the application of these proposals is yet to be finalised, the Group has raised awareness internally and upskilled relevant employees.	• The Group will continue to respond to evolving regulatory requirements and developments in the broader industry, including the emergence of best practice. • As businesses in the UK develop and deliver their own Transition plans, the Group is ready to explore opportunities to support them and the wider transition of the economy.
The resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• The Group conducted scenario analysis exercises to test the resilience of its strategy to the impacts of climate change and continued to integrate climate issues into the Internal Capital Adequacy Assessment Process ('ICAAP') and IFRS 9 models. • The outcome of this work demonstrated the Group's continued resilience to Climate change in the scenarios tested, for 2024 using the 'Late Action' and the 'Early Action' scenario basis. Further details are provided on page 57.	• The Group is developing its internal modelling capabilities to embed climate scenario analysis further into its lending decisioning and to help ensure the Group is adequately capitalised.

Managing our business responsibly
Climate-related financial disclosures

Risk management

The Group has established risk frameworks and policies, which incorporate the approach to managing Climate change risk. Climate change risk is governed through existing risk governance structures, including reporting to the ERC and monitoring for any new regulation through established horizon scanning processes.

Disclosure	Approach and 2024 progress	Looking forward
Our processes for identifying and assessing climate-related risks	• Climate change has been recognised as a principal risk within the Group. The identification and assessment of this risk remains integrated and embedded within existing risk management frameworks. • Assessment of climate-related impacts are based on transactional and portfolio level as well as through stress testing and scenario analysis for a longer-term view. • The potential impacts of the risks are assessed against the established hierarchy contained within our risk frameworks, covering potential financial, regulatory/reputational impact, business disruption, customer impacts and the emerging regulatory landscape. Each risk has an executive owner, reviewed and agreed at the ERC.	• The Group is actively developing its scenario analysis capabilities, and future Climate stress testing will be developed internally, to support a bespoke approach for our distinct businesses.
Our processes for managing climate-related risks	• The Group uses established processes to support the management of Climate-related risks, which includes monitoring and reporting of data through the climate change working group and governance committees, driving ownership of Climate change risk to enable regulatory developments to be understood. • Physical transitional risks continue to be managed and integrated within the Operational Risk and Credit Risk Frameworks. This includes how risks are identified, assessed, prioritised, mitigated and any associated scenario analysis outputs. • Risks are governed through existing risk governance structures, including reporting to the ERC. All risks are reported collectively to enable the Executive Committee and the Board to understand and consider the scale and breadth of the Climate change risk profile.	• As the landscape continues to mature around climate, the Group will continue to develop its risk capabilities, to support and achieve its climate ambitions.
How our processes for identifying, assessing and managing climate-related risks are integrated into overall risk management	• Climate change risk is integrated into the Group's existing risk frameworks, and in-line with other key risks has a Board-approved risk appetite statement, suite of quantitative metrics, reporting through governance bodies including the ERC, BRC and Board and clear risk ownership and accountability.	• The Group will further embed climate change into its risk management practices and decision making, with a focus on developing awareness and understanding of Climate change risk across its employees to further improve its climate risk management.

Stress testing/scenario analysis

In order to understand the potential implications climate change can have on the Group, the Group undertakes annual scenario assessments to help assess the level of risk from climate change. The Group's businesses have each undertaken scenario analysis (see pages 63 to 65), appropriate for their time horizon and plausible scenarios. Each scenario is reviewed for its insights as a minimum every three years. This analysis has improved the Group's understanding of the key drivers to its risks and therefore the mitigating actions required.

The scenarios are linked to the Bank of England's Climate Biennial Exploratory Scenarios ('CBES') that are based on those developed by the Network for Greening the Financial System and are designed to support central banks to bring greater consistency and comparability to stress testing exercises. Two routes to meeting net zero carbon dioxide emissions targets by 2050 were considered: an 'Early Action Scenario' and a 'Late Action Scenario'. The former assumes early intervention to tackle the challenge of climate change, which results in a smoother transition, while the latter assumes a more acute fallout due to the lack of action. The outcomes from the scenarios undertaken indicate that currently there is no significant link to Expected Credit Losses ('ECLs') due to climate change factors and the Group is resilient across the scenarios assessed. The results will be factored into the Group's 2025 ICAAP. The Group plans to develop further in 2025 the scenario analysis undertaken and will continue to use the results to identify climate change risks/opportunities and how they may influence our business plans.

Managing our business responsibly
Climate-related financial disclosures

Metrics and targets

The Group seeks to understand and quantify its Climate change risk exposure, so the Group, working with its customers and clients, can minimise the financial risks associated with the transition to a low-carbon economy and any impacts from climate change to our business.

Disclosure	Approach and 2024 progress	Looking forward
The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	• The Group has integrated climate change metrics into its Enterprise Wide Risk Management Framework. There are a range of metrics, which are aligned to the Group's risk appetite and are reported quarterly to the ERC. These metrics include vehicle emissions for our Vehicle Finance business and flood risk for our Real Estate Finance portfolio. Further details of these can be found on pages 63 and 64.	• The Group will continue to develop metrics and measurement capabilities to monitor and manage climate-related risks and opportunities.
Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	• In 2024 the Group joined PCAF, to access previously unavailable data points, and for the first time is now able to report Scope 3 emissions for its Real Estate Finance and Commercial Finance lending portfolios as well as for its purchased goods and services and capital goods. This is in addition to Vehicle Finance Scope 3 emissions which have been published for the previous two years.	• The Group will continue working on enhancements to the availability and quality of data to support future calculations of emissions.
The targets used to manage climate-related risks and opportunities and performance against targets	• In 2024, the Group achieved the target of a 50% reduction in Scope 1 and Scope 2 CO_2e emissions by December 2025, compared to the 2021 baseline. The total reduction in Scope 1 and Scope 2 CO_2e emissions reached 55.5%. • Each of the Group's business metrics are reported alongside appropriate thresholds and target ranges. This ensures the Group has a clear line of sight across each business, to give governance committees' appropriate information and insight to Climate change risk.	• The Group will continue to monitor its metrics and will develop its targets in line with its own climate ambitions and the external environment.

Managing our business responsibly
Climate-related financial disclosures

Summary of climate change risks

Climate-related risks are identified and assessed through the Group's Operational and Credit Risk Frameworks. A summary of these risks is as follows:

Physical risk

Source	Area	Risk	Timeframe[1]	Assessment[2]
Acute/Chronic	Operations	Impact of climate change interrupting our internal operations e.g. floods.	Medium and long-term	Low
Acute/Chronic	Operations	Impact of climate change interrupting our supply chain e.g. floods.	Short, medium and long-term	Low
Acute/Chronic	Real Estate Finance	The value of the Group's security may be negatively impacted due to increased risk of flood associated with climate change.	Short, medium and long-term	Low

Transitional risk

Source	Area	Risk	Timeframe[1]	Assessment[2]
Market	Vehicle Finance	Failure to respond/recognise that the value of the loan security may be negatively impacted by 'transitional' effects from climate change.	Short, medium and long-term	Low
Emerging regulation	Real Estate Finance	Failure to respond/recognise that the value of the loan security may be negatively impacted by the effects of climate change or through 'transitional' impacts.	Short, medium and long-term	Low
Market and emerging regulation	Commercial Finance	Profitably or viability of our clients may be impacted by the transitional effects of climate change.	Short, medium and long-term	Low
Reputation	Group	The Group's reputation is negatively impacted due to failure to meet: • climate change regulation; • stakeholder expectations; • the strategic responses needed to address changing markets: and • consumer demands/preferences.	Short, medium and long-term	Low

1. Short-term 0 to 5 years, medium-term 5 to 10 years, long-term 10+ years.
2. All risks have been assessed as low, based on impact and likelihood scoring with minimal adverse impact and rare likelihood (0 to 2% likelihood of occurrence).

Affiliations

Through membership of industry bodies and initiatives, the Group plays an active role in working to address the sustainability challenges faced across the finance industry.

UK FINANCE

Our ongoing membership of UK Finance has seen the Group support industry-wide consultations and provide feedback. This is designed to enable greater industry collaboration. Forums include both regulatory, strategic and government policy design.

CFRF CLIMATE FINANCIAL RISK FORUM

As a member of the PRA Climate Financial Risk Forum, we have contributed to sessions for Banks. This has helped us to develop our own strategy, by discussing good practice with industry experts.

PCAF

The Group is a member of PCAF and actively contributes to their working groups developing good practice in financed emissions reporting and data collection.

TCFD

As an official TCFD supporter, the Group Annual Report and Accounts contains climate-related disclosures consistent with TCFD.

Managing our business responsibly
Climate-related financial disclosures

GHG emissions

Scope 1, 2, and 3 GHG emissions

The Group continues to develop its emission reporting capability each year. Scope 3 emissions for 2024 now include financed emissions for the Real Estate Finance and Commercial Finance businesses, as well as emissions for purchased goods and services and capital goods. The new reporting was developed through a combination of external consultancy and internal model validation. Due to the recent implementation of these new models, we are unable to provide comparative years performance of the measurement for these items.

Developing the Group's reporting capabilities will remain a key focus in 2025 as the regulatory landscape continues to mature.

The following tables set out the Group's energy consumption and CO_2e emissions for 2024 in accordance with TCFD guidance and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

We have calculated emissions using the GHG Protocol Corporate Accounting and Reporting Standard (revised edition).

GHG consumption and emissions are reported as single totals, by converting them to the equivalent amounts of kWh and CO_2e respectively, using emission factors from the UK government's GHG Conversion Factors for Company Reporting 2024.

All energy consumption and emissions relate to the UK and cover all Group entities and, therefore, are aligned with the financial reporting of the Group.

Measure	**2024 CO_2e tonnes**	2023 CO_2e tonnes	Further details
Scope 1, Scope 2 and Scope 3 (excluding categories 1, 2 and 15) CO_2e emissions	307.4	369.1[1]	See below
Scope 3 (1) Purchased goods and services; and (2) Capital goods	3,399.9	N/A	Page 61
Scope 3 (15) Financed Emissions	639,300.0	N/A	Page 61
Total Scope 1, Scope 2 and Scope 3 CO_2e emissions	**643,007.3**	**N/A**	

Measure	**2024 kwh**	2023 kwh	Movement %
Scope 1 – Building energy: gas consumption	65,926	150,425	(56.2)
Scope 1 – Business travel: Group-leased vehicles	242,895	136,364	78.1
Scope 2 – UK electricity consumption	625,582	948,919	(34.1)
Scope 3 – Business travel: employee-owned vehicles	94,502	148,844	(36.5)
Total energy consumption	**1,028,905**	**1,384,552**	**(25.7)**

Measure (Location-based emissions[2])	**2024 CO_2e tonnes**	2023 CO_2e tonnes	Movement %
Scope 1 – Direct emissions from the combustion of fossil fuel	68.8	60.2	14.3
Scope 2 – Indirect emissions from purchased electricity	129.5	196.5[1]	(34.1)
Scope 3 – Indirect emissions from the value chain – (see page 61 for categories included)	109.1	112.4	(2.9)
Scope 1, Scope 2 and Scope 3 (excluding categories 1, 2 and 15) CO_2e emissions	**307.4**	**369.1**	**(16.7)**

Measure: Total emissions excluding financed emissions per £ million Group operating income	**2024**	2023	Movement %
Group operating income (£ million)	203.9	184.7	10.4
Environmental intensity indicator	**1.5**	**2.0**	**(25.0)**

1. Restated due to certain emissions that were out of scope for reporting, which were identified through an external assurance process.
2. Location-based emissions are calculated by multiplying electricity consumption for all sites by the government's conversion factor for UK electricity.

- Scope 1 emissions result from activities owned and controlled by the Group. These are direct emissions that include the combustion of natural gas for heating buildings and fuel for Group-leased vehicles.
- Scope 2 emissions are indirect emissions generated from purchased electricity for the Group's activities but occur at sources that the Group does not own or control.
- Scope 3 emissions are indirect emissions generated by the Group's activities but occur at sources that the Group does not own or control up and down the value chain. Details of which categories are included in the 2023 and 2024 results are included on the following page.

Data relating to Scope 1, Scope 2 and Scope 3 (excluding categories 1, 2 and 15) CO_2e emissions has been assured by a third party.

Managing our business responsibly
Climate-related financial disclosures

Scope 3 CO_2e emissions categories

The Group has assessed the relevance and materiality for each category of Scope 3 emissions within the table below.

Scope 3 category		Status
1	Purchased goods and services	Separately disclosed on this page
2	Capital goods	Separately disclosed on this page
3	Fuel and energy-related activities (not included in Scope 1 or Scope 2)	Included in Scope 3 reporting on page 60
4	Upstream transportation and distribution	Included in Scope 3 reporting on page 60
5	Waste generated in operations	Included in Scope 3 reporting on page 60
6	Business travel	Included in Scope 3 reporting on page 60
7	Employee commuting	Not reported
8	Upstream leased assets[1]	Not applicable to the Group
9	Downstream transportation and distribution	Not applicable to the Group
10	Processing of sold products	Not applicable to the Group
11	Use of sold products	Not applicable to the Group
12	End-of-life treatment of sold products	Not applicable to the Group
13	Downstream leased assets	Not applicable to the Group
14	Franchises	Not applicable to the Group
15	Investments (Financed emissions)	Separately disclosed on this page

1. All material emissions from the leased assets are included in Scope 1 and 2 emissions.

Key

- Included in Scope 3 reporting on page 60
- Separately disclosed on this page
- Not reported
- Not applicable to the Group

Scope 3 financed emissions

In 2024, the Group continued its work to validate the baseline for financed emissions associated with our key lending portfolios.

Financed emissions are the indirect emissions attributable to the Group due to the financing we provide to our customers.

We have established data for financed emissions for Real Estate Finance and Commercial Finance in 2024. Due to the recent implementation of these new models, we are unable to provide comparative years performance of the measurement. The Group intends to develop further its data and reporting capabilities in 2025.

	2024 CO_2e tonnes	2023 CO_2e tonnes	Further details on page:
Vehicle Finance	87,900	71,911	63
Real Estate Finance	7,900	N/A	64
Commercial Finance	543,500	N/A	65
Total financed emissions	**639,300**	**N/A**	

The Group joined the PCAF and used standard PCAF calculations to calculate emissions. The methodologies have been provided by third party specialists and undergo internal validation.

The financed emissions analysis for these lending portfolios follows the formula prescribed in the PCAF standard.

$$\text{Financed emissions} = \sum \textbf{Attribution factor} \times \textbf{Emissions}$$

Scope 3 Supply chain: Purchased goods and services and capital goods

	2024 CO_2e tonnes	2023 CO_2e tonnes
Purchased goods (1) and services and capital goods (2)	**3,400**	**N/A**

This assessment has been undertaken using data from our core purchasing system and excludes any payments made outside of the system such as payments to intermediaries. The approach incorporates 81% of supplier spend, which captures our top 100 suppliers.

The approach used to calculate these emissions has been developed with support from an external consultancy and the calculations have been validated internally.

Emissions analysis follows the formula prescribed in the PCAF standard.

$$\text{Purchased goods and services and capital goods} = \sum \textbf{Value of purchased goods or service} \times \textbf{Emission factor}$$

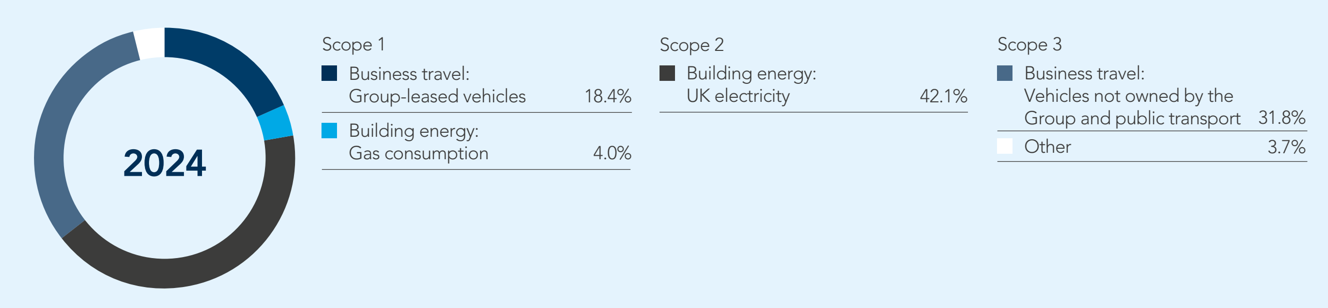
The scope will be developed in 2025, to include a greater volume of suppliers by improving our data capabilities.

Forward look

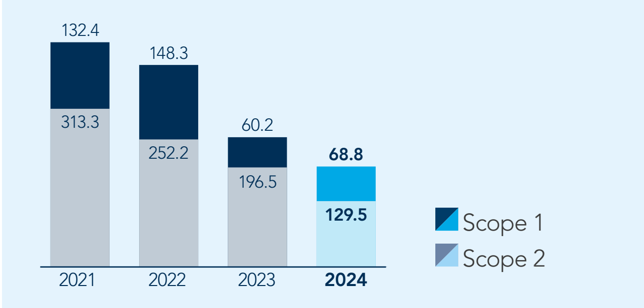
The Group is well placed to support its customers as they transition to a low-carbon economy and continues to invest in internal expertise, engage with relevant bodies and to explore climate opportunities in its range of products. In 2025 the Group aims to prepare to publish its first Transition plan.

Managing our business responsibly
Climate-related financial disclosures

Scope 1, Scope 2 and Scope 3 (excluding categories 1, 2 and 15) CO_2e emissions



Scope 1 and 2 CO_2e emissions (tonnes)



- Total CO_2e emissions from these categories have decreased by 16.7% against equivalent emissions reported in 2023.
- We successfully decreased electricity emissions (67.0 tonnes CO_2e) and gas consumption (15.0 tonnes CO_2e), however, this was offset with increases in business travel in Group-owned vehicles (24.3 tonnes CO_2e).
- Electricity and gas emissions have reduced by 34.1% and 54.7% respectively year-on-year, following the closure of two buildings and the installation of solar panels at our two main offices. Gas usage reduced following the removal of a gas appliances from our two main offices.
- Although electricity accounts for 42.1% of our emissions, 99.8% of our electricity is from REGO-certified 100% renewable sources.
- Although we have switched more drivers from plug-in hybrid to Electric Vehicles ('EVs'), Group-leased vehicle emissions increased by 24.3% year-on-year. The number of drivers and the amount of mileage travelled has increased to support the growth in our Vehicle Finance and Retail Finance businesses.

We will continue to review our performance and implement initiatives designed to reduce further our CO_2e emissions in the coming year.

In 2021, our Scope 1 and 2 emissions were at 446 tonnes CO_2e. We set a target to reduce these emissions by 50% by December 2025.

After implementing an extensive programme of work, we reduced our Scope 1 and 2 emissions to 198 tonnes CO_2e, achieving our target a year early.

In just three years, we have achieved the following:

- Rationalised our building use (closing four offices).
- Switched to 100% renewable electricity and installed solar panels at our two main offices.
- Removed all gas appliances from our head office.
- Phased out all petrol and diesel Group-leased vehicles and switched many of these from plug-in hybrid to EVs.

Managing our business responsibly
Climate-related financial disclosures

Retail Finance

The Retail Finance business supports the transition to a low-carbon economy through the funding of EV chargers for home use and E-Bikes. The business is expecting the funding of EV charging points to increase, as the EV market grows and is exploring partnerships with solar panel and battery retailers.

Scope 3: Financed emissions

Given the nature and broad product range of the Retail Finance business and data availability, calculating Scope 3 financed emissions is not currently possible.

Vehicle Finance

The Vehicle Finance business provides lending for lower-emission vehicles and EVs with current funding levels at 2.7% of overall lending as at 31 December 2024.

The key area of risk for the Vehicle Finance business is the implication of an accelerated transition to the use of 'non-fossil fuelled vehicles' on the residual values of our security on internal combustion engine vehicles.

We used scenario analysis (see page 57 to explore the impact of this transition). In the unlikely event of the Group not taking any action to mitigate the potential impacts from these scenarios, the increase in the level of ECLs would likely peak around 2031 for the Early Action and Late Action Scenarios, albeit at a lower level in the Early Action scenario. Management monitor the key indicators so that, if should elements of the scenarios unfold, the Group can take corrective action through amending credit policies to reduce loan-to value ratios and/or reduce lending on those vehicles likely most significantly reduced in value from the transition. The outcomes from the scenarios undertaken indicate that currently there is no significant link to ECLs due to climate change factors.

Vehicle Finance is enhancing its market intelligence, and monitoring key factors that will influencing changes in this market (e.g. customer preferences, government intervention, infrastructure, and vehicle developments). In addition, we are working with our Introducer base to understand how we can develop our products and lending criteria, to support demands for EV and hybrid vehicles.

Metrics

Metric example	Key risk indicators	31 December 2024	Insight provided
Average CO_2 of each vehicle	Monitoring	150 CO_2	Trends of emission averages per vehicle
New business, average age of the vehicle being financed.	> 8 years	6.1 years	Consumer behaviour and buying patterns for internal combustion engines in comparison to EVs

Scope 3: Financed emissions: 87,900 CO_2e tonnes

Attribution factor:	Outstanding loan value / original vehicle value
Emissions:	Vehicle emissions annual Km x CO_2Kg/Km)

Vehicle Finance emissions have grown broadly in line with the growth of the loan book. External data sources including CAP code, attribution factors and emission factors have been used.

Managing our business responsibly
Climate-related financial disclosures

Real Estate Finance

There are two areas of potential Climate change risk that could impact the performance of the Real Estate Finance portfolio. The first relates to flood risk and the risk that properties we hold as security for our lending are subject to an increased risk of flooding or similar risks associated with severe weather. The second area of risk is where the value of our security could be impacted by transitional changes made or imposed on the sector through government intervention to improve energy efficiency. These risks are mitigated through climate-specific risk assessments for all potential deals and regular reviews across the portfolio.

To understand better the potential implications of these risks, the Group has undertaken a review of a range of scenario assessments (as described on page 57), to help assess the longer-term level of risk. The analysis considered the potential economic implications of the transition to net zero and the most severe potential impacts of flooding on property values. The analysis showed that the Group's approach to surveying/valuing properties and the short-term nature of the lending facilities provided, enabled us to minimise any impact from flooding within the planning period and adapt lending policy to withstand the most severe longer-term economic impacts. The outcomes from the analysis indicate that currently there is no significant link to ECLs due to climate change factors.

Metrics

Metric example	Key risk indicators	31 December 2024 %	Insight provided
Energy Performance Certificate ('EPC')	Tracking		EPC risk exposure of the portfolio
• C or below		75.95	
• Above C rating		24.05	
Security value of properties in high/very high flood areas, divided by the total portfolio security value	> 8%	5.52	Understanding the impact on portfolio of flood risk

Scope 3: Financed emissions: 7,900 CO_2e tonnes

Attribution factor:	Outstanding loan value/ Property value at loan origination
Emissions:	Property emissions (Annual property Scope 1 and 2 emissions (tCO_2e/year))

The business has improved its address match rate to 89% (2023: 57%) of its database for its climate assessment with the support of a new data provider.

Managing our business responsibly
Climate-related financial disclosures

Commercial Finance

The Group's Commercial Finance clients cover a broad range of sectors. There is a risk that their businesses and/or customers could be affected by the transitional impacts of climate change, which in turn, could affect their ability to service their lending from the Commercial Finance business.

This risk is mitigated through climate-specific risk assessments for all clients and the fact that the portfolio is primarily composed of short-term, self-liquidating facilities secured principally by receivables and stock.

Metrics

Metric example	Key risk indicators	31 December 2024	Insight provided
Number of clients with a residual climate risk rating of 'high'	> 1	0	Enables clear understanding of a business' credentials and impact on the Group metrics

Properties contained within the Commercial Finance portfolio undergo scenario assessment using the same approach as the Real Estate Finance business. The outcomes from the analysis indicate that currently there is no significant link to ECLs due to climate change factors.

Scope 3: Financed emissions: 543,500 CO_2e tonnes

Attribution factor:	Outstanding loan value/ Total equity + debt
Emissions:	Company emissions (Company turnover x emissions factor (tCO_2e/£) or disclosed emissions (tCO_2/year))

Outputs for Commercial Finance are impacted by availability of data and timing of the calculation. There is a reliance on information in third parties' published accounts and emission factors from PCAF to calculate financed emissions. The business expects like for like emissions values to reduce as government policy evolves around clean energy and targets set nationally, however overall values will depend heavily on evolving composition of the portfolio. Overall emissions are currently weighted towards one client which accounts for almost 90% of Commercial Finance emissions.

Operations

Disruption to the Group's and third-party suppliers' operational sites through climate change-related impacts, such as severe weather.

The Group has reviewed the physical risks associated with the location of each of its operational sites. Similarly, we have consulted with our material suppliers about their contingency plans in the event of flooding or other severe weather. From the flood risk data and energy performance ratings of our internal sites, and the responses from our material suppliers, we do not consider there to be any material risks in the short term.

In strategic terms, these risks and their associated risk appetites will be assessed and can influence any proposed changes to our operational sites and the selection and onboarding processes for any new suppliers.

Non-financial and sustainability information statement

The non-financial and sustainability information required to be disclosed is detailed below. Information about environmental matters, employees, social matters, respect for human rights and anti-corruption and anti-bribery matters is included in the 'Managing our Business Responsibly' section and certain other information is included by reference to the following locations in the Annual Report and Accounts:

Reporting requirement	Section	Pages
Description of principal risks and impact of business activity	Principal risks and uncertainties	30 to 39
Description of the business model	Our business model	2
Non-financial key performance indicators	Chief Executive's statement	8
Climate-related financial disclosures	Climate-related financial disclosures	54 to 65

Secure Trust Bank has a range of policies designed to support effective governance within the organisation. Throughout the year these policies have been implemented successfully and have delivered the anticipated outcomes. We ensure the effective implementation of our policies by fostering a culture of integrity and accountability, regular review and communication of the policies, and their requirements and mandatory staff training where appropriate. The effectiveness of these policies is reviewed by our risk and compliance teams (second-line of defence) and Internal Audit (third-line of defence). A summary of relevant key policies is detailed as follows:

People policies

Equity, Diversity and Inclusion Policy

Our Equity, Diversity, and Inclusion Policy promotes fair treatment, non-discrimination, and an inclusive work environment. The policy includes measures such as diversity training, reasonable adjustments, and support for employees with disabilities. It also emphasises the importance of respect, dignity, and compliance with relevant legislation like the Equality Act 2010.

Health and Safety Policy

Our Health and Safety Policy ensures a safe and healthy working environment for all employees, customers, and visitors. It includes risk assessments, regular safety training, and compliance with health and safety regulations to prevent accidents and injuries.

Conflicts of Interest Policy

Our Conflicts of Interest Policy ensures that all potential conflicts between personal interests and professional duties are identified and managed effectively. It includes guidelines for recognising, disclosing, and mitigating conflicts to maintain integrity and trust. The policy also outlines procedures for reporting and addressing conflicts to ensure transparency and ethical conduct.

Whistleblowing Policy

Our Whistleblowing Policy encourages employees to report any concerns about unethical or illegal activities within the organisation. It ensures confidentiality and protection for whistleblowers. The policy outlines clear procedures for reporting and investigating such concerns to maintain integrity and transparency.

Consumer policies

Credit Risk Management Policy Framework

We have a Credit Risk Management Policy Framework which is comprised of a number of policies across the Group and individual business units to ensure responsible lending that is fair and appropriate to the customer's circumstances. The policy aims to protect customers and maintain the Group's financial stability.

Conduct Risk Policies and Framework

Our Conduct Risk Policies and Framework, ensure that the Group has an effective framework to prevent poor outcomes for customers and to operate with integrity in the financial markets.

Product Governance Policy

This policy outlines the governance we implement to ensure products and services are designed to meet the needs, characteristics, and objectives of the identified target market, enabling, and supporting retail customers to pursue their financial objectives.

Financial Promotions Policy

Our Group Financial Promotions Policy ensures that all marketing and promotional materials are clear, fair, and not misleading. It complies with regulatory standards to protect consumers and maintain trust.

Non-financial and sustainability information statement

Climate policies

Environmental Policy

The Company's Environmental Policy commits to minimising the environmental impact of its operations by reducing Scope 1 and 2 emissions by 50% from 2021 to 2025. The policy emphasises sustainable practices, such as energy efficiency, waste management, and resource conservation. Overall, the policy reflects the Group's dedication to environmental stewardship and sustainability.

Financial Crime policies

Financial Crime Policy

The Financial Crime Policy provides a consistent, coherent, and proportionate approach to deterring, detecting, preventing, and reporting all types of financial crime across the Group.

Anti-Bribery and Corruption Policy

Our Anti-Bribery and Corruption Policy establishes strict guidelines to prevent bribery and corruption within the organisation. It includes procedures for reporting and investigating suspected bribery and corruption and ensuring compliance with legal and ethical standards.

Market Abuse and Inside Information Policy

The Market Abuse and Inside Information Policy outlines the procedures for preventing market abuse and managing inside information. The policy ensures compliance with UK Market Abuse Regulations and emphasises the importance of integrity and transparency in financial markets.

Human right policies

Modern Slavery Policy

The Slavery Policy outlines the Group's commitment to combating modern slavery and human trafficking. It includes measures for preventing these practices within its operations and supply chain, emphasising a zero-tolerance approach.

Group Data Protection Policy

Our Group Data Protection Policy outlines the Group's commitment to complying with the UK GDPR and the Data Protection Act 2018. It details the principles of data protection, including lawful processing, individual rights, and security measures.

The Strategic Report was approved by the Board on 12 March 2025 and signed on its behalf by:

David McCreadie
Chief Executive Officer

Governance at a glance

Committee structure

Secure Trust Bank PLC Board
71% independent

Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
100% independent	100% independent	100% independent	100% independent

UK Governance Code compliance

The Company supports the principles of corporate governance as set out in the 2018 version of the UK Corporate Governance Code (the 'Code'), issued by the Financial Reporting Council ('FRC'), which can be found on the FRC website at www.frc.org.uk.

The Company did not fully comply with provision 19 of the Code, between 1 January 2024 and 16 May 2024. Provision 19 states that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. However, it also confirms that this period can be extended for a limited time to facilitate effective succession planning, particularly in those cases where the Chair was an existing Non-Executive Director on appointment.

The previous Chair, Lord Forsyth, was appointed to the Board in March 2014 and as Chair in October 2016 and, therefore, had exceeded the nine-year period from his first appointment. However, Lord Forsyth remained in post to ensure an effective succession plan and an appropriate handover of responsibilities. Jim Brown was appointed the Chair at the Company's Annual General Meeting ('AGM') in May 2024 and from this date the Company has been fully compliant with the provisions of the Code.

2024 meeting attendance

Board member	Board	Audit Committee	Nomination Committee	Risk Committee	Remuneration Committee
Ann Berresford	18/18	6/6	6/6	6/6	–
Jim Brown[1]	12/12	–	4/4	–	4/4
Lord Forsyth[2]	9/9	–	2/2	–	3/3
Julie Hopes[3]	3/3	1/1	1/1	–	1/1
Rachel Lawrence	17/18	–	–	–	–
David McCreadie	18/18	–	–	–	–
Victoria Mitchell[4]	17/18	–	6/6	2/2	5/5
Paul Myers	18/18	–	6/6	6/6	5/5
Finlay Williamson	18/18	6/6	6/6	6/6	–
Victoria Stewart[5]	18/18	6/6	6/6	–	5/5

1. Jim Brown was appointed a Director effective 31 March 2024.
2. Lord Forsyth stepped down from the Board on 16 May 2024.
3. Julie Hopes was appointed to the Board effective 24 October 2024.
4. Victoria Mitchell was appointed to the Risk Committee effective 24 October 2024.
5. Victoria Stewart stepped down from the Board from 31 December 2024.

Board and Committee changes during 2024

March 2024
- Jim Brown appointed as a Non-Executive Director, Chair Designate and a member of the Nomination and Remuneration Committees

May 2024
- Lord Forsyth steps down from the Board and as Chair
- Jim Brown appointed as Chair of the Board

October 2024
- Julie Hopes appointed a Non-Executive Director, Chair designate of the Remuneration Committee and as a member of the Audit, Remuneration and Nomination Committees
- Victoria Mitchell appointed a member of the Risk Committee

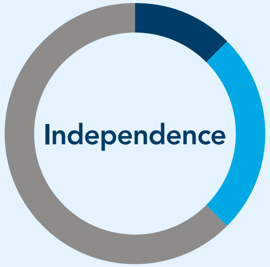
December 2024
- Victoria Stewart steps down from the Board and as Chair of the Remuneration Committee
- Julie Hopes appointed Chair of the Remuneration Committee

Governance at a glance

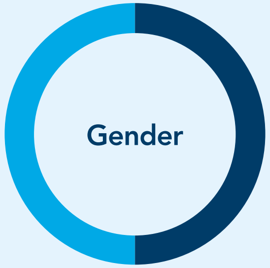
Board and senior management composition

As at 31 December 2024

Board



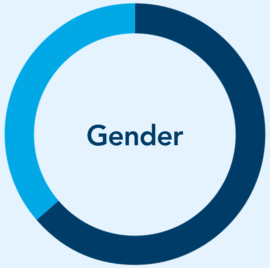
Chair	1
Executive Directors	2
Independent Non-Executive Directors	5
Total	8



Male	4
Female	4
Total	8

White British	8
Total	8

Senior management[1]



Male	7
Female	4
Total	11

White British	11
Total	11

1. Defined within the Code as consisting of Executive Committee members and the Company Secretary. Further information on wider diversity, as well as the gender breakdown of senior management including their direct reports, can be found on page 51.

Directors' skills and experience

Banking	100.0%
Strategy	87.5%
Risk	87.5%
Consumer	62.5%
Transformation	75.0%
Operations	75.0%
Digital	37.5%
Technology	25.0%

Non-Executive Directors' tenure

	Years as at 31 December 2024
Ann Berresford	8.10
Jim Brown	0.75
Julie Hopes	0.20
Victoria Mitchell	1.16
Paul Myers	6.10
Finlay Williamson	3.50

Chair's introduction

"Since my appointment as Chair we have sharpened the focus on strategy and business performance at the Board."

Jim Brown
Chair

I am pleased to present our Governance report for the year ended 31 December 2024, which details how we have implemented the provisions of the UK Governance Code and provides information on our governance framework, how it has operated throughout the year and the outcomes it has driven.

UK Corporate Governance Code (the 'Code')

As detailed on page 68, we did not comply with the requirements of the Code, relating to Chair tenure, between January and May 2024, while succession planning for the Chair role and an appropriate handover were executed.

In early 2024, the FRC announced the introduction of a revised UK Corporate Governance Code (the 'New Code') with effect from 1 January 2025 (with some provisions effective 1 January 2026). The Board supports the provisions of the New Code and anticipates being compliant with the New Code from the respective effective dates.

Company's purpose and culture

The Company has a clearly defined purpose set by the Board, which is to help more consumers and businesses fulfil their ambitions. This is underpinned by our strong culture supported by six core values our colleagues are expected to embody and their behavioural performance is assessed against. For further information on this, and our strategic priorities, please see page 01. The Board oversees the embedding of the culture across the firm and updates are provided to the Board by our Chief People Officer and various metrics are monitored within Board and Committee meetings, to ensure our culture is consistently applied and aligned to our purpose and strategy.

Effective leadership and stakeholder engagement

Since my appointment as Chair we have sharpened the focus on strategy and business performance at the Board, which was an item identified for development in the 2024 Board performance review. We have extended the length of Board meetings and structured agendas to ensure sufficient time for debate on key strategic items and regular deep-dives into each business unit. We have also focused on succession planning for key Board roles and further information on this can be found in the Nomination Committee Report on page 80.

We continue to focus on stakeholder engagement and hear regular updates from Board members and management on stakeholder views. The Board receives regular updates on how we have embedded Consumer Duty including the review and challenge of our Consumer Duty dashboards, and the Consumer Duty Annual Report. Our Consumer Duty Champion, Finlay Williamson, helps ensure our retail customers are considered in our decision making and provides feedback on relevant matters.

In addition to our shareholder engagement programmes undertaken after our full-year and interim results, I have met with many of our top shareholders, we have held two capital market days for investors and also commissioned an independent shareholder perceptions study.

Our employees are central to our success, and we review the feedback from our employee survey and hear regular updates from senior management. The Chair of our Employee Council, Paul Myers, provides feedback to the Board on the open and frank discussions held at council meetings. I have visited several of our offices since my appointment and enjoyed the more informal discussions with our employees.

Information on our stakeholder engagement can be found from page 42, our Board activities from page 75 and how we have considered stakeholders in key decisions on page 77.

Governance Framework

During the year, the Board approved a new management governance framework across the Group, to better align with our new centralised operating model. This has reduced the complexity of our governance structure, reducing risk, while enhancing our agility. The Board will continue to monitor the effectiveness of this new structure.

Looking forward

As detailed in my opening statement, the Company faces some legal and regulatory challenges and addressing these is a key priority for the Board. We will continue to focus on the optimisation of our strategy and business performance, ensuring a high level of service to our customers, and increase returns for our shareholders.

I am looking forward to meeting with shareholders at the Company's AGM, which will be held on 15 May 2025.

Jim Brown
Chair

Board leadership
Board of Directors

Committee membership
Nomination
Audit
Risk
Remuneration
Executive
C Chair

Jim Brown
Non-Executive Chair
C

Appointed as an Independent Non-Executive Director on 31 March 2024 and Chair on 16 May 2024. Chair of the Nomination Committee and member of the Remuneration Committee.

Skills and experience

Jim Brown is a banking professional with many years' experience, gained through a number of executive positions. He was Chief Executive Officer ('CEO'), Sainsbury's Bank and a member of the Sainsbury's Group Operating Board until his retirement from these roles at the end of March 2024. He is a Non-Executive Director on the Board of Just Group plc and is also an investor in, and advisor to, a number of Fintechs. Before this, Jim was the CEO at Future Williams & Glyn within The Royal Bank of Scotland ('RBS') Group (now Natwest Group plc) and prior to that he was CEO, Ulster Bank Group. He held a number of senior appointments within RBS and ABN AMRO in Asia and the Middle East and, earlier in his career, with Citibank and Chase AMP Bank.

Long-term contributions

Jim Brown has extensive experience and a proven track record as a banking executive and brings substantial wholesale, commercial and retail banking experience to the Board. He has held roles at the executive level managing both retail and commercial banking for over 35 years at country and regional level across multiple markets and various sized businesses. Much of his career has involved starting, growing and/or restructuring banks and businesses, as well as mergers and acquisitions. Jim also has significant stakeholder management experience including boards, regulators, rating agencies, investors, suppliers, industry bodies, professional firms, unions, politicians and media.

Other appointments include

Jim is a Non-Executive Director of Just Group plc.

David McCreadie FCBI
Chief Executive Officer

Appointed to the Board on 17 December 2019 and appointed as CEO on 5 January 2021.

Skills and experience

David McCreadie has many years of banking experience and is a Fellow of the Chartered Banking Institute. He spent more than 20 years at RBS (now Natwest Group plc) holding roles in Branch Banking, Consumer Finance and several Group central functions. From 2004 to 2008, David was appointed the CEO of Kroger Personal Finance, a joint venture between RBS and Kroger Co, based in Cincinnati, USA. David joined Tesco Personal Finance in 2008 and was a member of the executive team that built Tesco Bank. David was an Executive Director and Managing Director of Tesco Bank, with responsibility for the banking and insurance businesses, from 2015 to 2019.

Long-term contributions

His executive career and wealth of experience in banking, risk management, governance, consumer-facing businesses and retailing provide David with the skills required to manage the day-to-day activities of the Group. His strong leadership and strategic expertise enable him to lead the Group in a sustainable way and create shareholder value.

Rachel Lawrence ACMA
Chief Financial Officer

Appointed to the Board and as Chief Financial Officer ('CFO') on 23 September 2020.

Skills and experience

Rachel Lawrence has considerable experience in financial services gained from a career spanning more than 20 years. She has held senior finance roles in Metro Bank PLC, where she was part of the original team that set up the bank, and Shawbrook Bank where she was part of the successful Initial Public Offering. Prior to joining Secure Trust Bank, Rachel was CFO at AIB Group (UK) plc. She brings considerable banking experience focused on high growth start-up organisation and wider financial services experience gained in asset management, life, pensions and general insurance. She is a qualified chartered management accountant.

Long-term contributions

Rachel's considerable experience in finance and banking proves invaluable in her role as CFO. She has a deep understanding of the Group's businesses and strategy and has a strong track record of creating shareholder value.

Board leadership
Board of Directors

Committee membership

Nomination
Audit
Risk
Remuneration
Executive
C Chair

Ann Berresford ACA
Senior Independent Director

Appointed to the Board on 22 November 2016, appointed Chair of the Audit Committee on 23 September 2017. Member of the Risk and Nomination Committees. Ann was appointed as the Senior Independent Director following the close of the Annual General Meeting on 24 June 2020.

Skills and experience

Ann Berresford is a Chartered Accountant with a background in the financial services and energy sectors. She has held positions at Bath Building Society, the Pensions Regulator, Hyperion Insurance Group, Triodos Renewables plc, the Pension Protection Fund, Bank of Ireland Group, Clyde Petroleum plc and Grant Thornton.

Long-term contributions

Her career has given Ann experience in mortgages, pensions, operations, accounting, finance and risk. Her previous experience in the renewable sectors gives her a long-term outlook. The insights she has gained from her career mean that she is a strong Senior Independent Director and an excellent addition to the Board and Committees she serves. Her financial background makes her an excellent Chair of the Audit Committee.

Other appointments include

Ann is a Non-Executive Director and Chair of the Audit and Risk Committee of Albion Crown VCT PLC.

Julie Hopes MBA ACIB
Independent Non-Executive Director

Appointed to the Board on 24 October 2024 and as Chair of the Remuneration Committee on 31 December 2024. Member of the Audit and Nomination Committees.

Skills and experience

Julie Hopes has over 30 years' experience in financial services, having served in a number of senior roles at RSA plc, before becoming Managing Director of Insurance at Tesco Bank until 2013. She is a Non-Executive Director of Saga plc where she chairs the Remuneration and Risk Committees and is Deputy Chair, and Chair of the Remuneration Committee, of West Bromwich Building Society. Previously Julie was a Non-Executive Director of MS Amlin Underwriting Limited, where she chaired the Risk and Solvency Committee, Chair of Police Mutual and a Non-Executive Director and Chair of the Risk Committee of Co-Operative Insurance.

Long-term contributions

Julie's background has given her experience in remuneration, governance, risk, finance, accounting and corporate strategy. She is an experienced Chair, with a strong customer focus and her skills and experience make her an ideal candidate to lead the Remuneration Committee.

Other appointments include

Julie is a Non-Executive Director of Saga plc where she also chairs the Remuneration and Risk Committees. She is also Senior Independent Director and Deputy Chair of West Bromwich Building Society.

Victoria Mitchell
Independent Non-Executive Director

Appointed to the Board on 1 November 2023. Member of the Remuneration, Risk and Nomination Committees.

Skills and experience

Victoria Mitchell has many years of banking experience, gained predominantly during a 20-year career with Capital One (Europe) plc, during which she served as Chief Legal Counsel, Chief Risk Officer and Chief Operating Officer. Victoria is the Senior Independent Director of Vocalink Limited, where she chairs the Risk Committee and is a member of the Audit, Remuneration and Nomination Committees.

Victoria was previously a Non-Executive Director and member of the Remuneration and Risk Committees of the West Bromwich Building Society. She also served as a Non-Executive Director at Lookers plc, which gave her considerable insight into the Motor Finance industry. She was a member of the Audit and Risk, Remuneration and Nomination Committees throughout her tenure at Lookers plc, was Chair of the Remuneration Committee from April 2021 to September 2022 and was Chair of Lookers Motor Group Limited. Victoria was also a member of the Audit and Risk Committee, Nomination and Governance Committee and Chair of the Financial Services Board at N Brown Group plc. She is a graduate of Birmingham University.

Long-term contributions

Her background has given Victoria vast experience in risk, remuneration, governance, corporate strategy, and finance, particularly motor finance. This experience makes her a valuable addition to the Remuneration, Risk and Nomination Committees.

Other appointments include

Victoria is the Senior Independent of Vocalink Limited where she also chairs the Risk Committee and is a member of the Audit, Remuneration and Nomination Committees.

Board leadership
Board of Directors

Committee membership
Nomination
Remuneration
Audit
Executive
Risk
C Chair

Paul Myers ACIB
Independent
Non-Executive Director
C

Appointed to the Board on 28 November 2018 and as Chair of the Risk Committee on 31 March 2020. Member of the Remuneration and Nomination Committees. Paul is the Non-Executive Director designated for workforce engagement and the Chair of the Employee Council.

Skills and experience

Paul Myers has many years of banking experience, gained initially in Barclays, where he spent 24 years in a variety of retail banking roles. He was part of the small team that founded and built Aldermore Bank, where he served as Chief Operating Officer, Corporate Development Director and on the Board as an Executive Director. Paul had a wide range of responsibilities at Aldermore, including IT, operations, transformation, marketing and digital as well as building and developing the retail and SME savings operations. Paul also has previous experience as CEO of a FinTech new banking venture, GKBK Limited. Paul is an Associate of the Chartered Institute of Bankers.

Long-term contributions

Paul's career has given him a wide range of experiences and responsibilities, including IT, operations, transformation, marketing and digital as well as building and developing retail and SME savings operations. His insight into banking, and particularly IT and operations, provide a unique viewpoint that complements the Board and the Committees he serves well. His broad experience positions him well as Chair of the Risk Committee.

Other appointments include

Paul is currently a Non-Executive Director at Ashman Finance Limited, a company currently seeking a UK banking licence.

Finlay Williamson CA FCIBS
Independent
Non-Executive Director

Appointed to the Board on 30 June 2021 and as Consumer Duty Champion on 27 October 2022. Member of the Audit, Risk and Nomination Committees.

Skills and experience

Finlay Williamson is a qualified accountant with many years of banking experience, gained initially at RBS (now NatWest Group plc) and then at Virgin Money Holdings (UK) plc, where he was CFO prior to the IPO. Finlay was previously a Non-Executive Director at Paragon Banking Group PLC, where he was a member of the Audit Committee and chaired the Group and Bank Risk Committees.

Long-term contributions

His career has given Finlay experience in retail, SME and auto finance banking, as well as real estate domain experience. He also has experience of corporate acquisitions and subsequent integrations, with significant experience of change and transformation. Finlay has developed good relationships with the Financial Conduct Authority and Prudential Regulatory Authority during his career and is up to date with their priorities and processes. He also has prior appointments on plc Boards and Committees. The skills and experience he has gained from his career mean that he is a strong addition to the Board and Committees he serves.

Other appointments include

Finlay is currently the Chair of the Audit Committee and Senior Independent Director of Hampden & Co PLC.

Governance framework

The Board – Roles and responsibilities

The Board has a schedule of matters specifically reserved for its attention, which can be found on our website (www.securetrustbank.com/corpgov) and a summary of the key items can be found below:

- Setting the Group's purpose, culture and values
- Establishing the Group's strategy and objectives
- Overseeing the Group's operations and management
- Setting the Group's Risk Appetite and maintaining an effective system of internal controls and risk management
- Approving the annual budget
- Approving the capital allocation, dividend payments and other uses of capital or changes to the Group's capital structure
- Deciding major acquisitions, disposals and investments
- Approving significant capital projects, expenditure and borrowings
- Approval of annual or interim accounts, and certain regulatory reports/plans
- Board appointments, the appointment or removal of the Company Secretary and ensuring appropriate succession planning for the Board and senior management

Chief Executive Officer ('CEO')[1]

- Proposes the strategy and ensures its execution
- Runs the business within the delegated authorities, risk management and internal control frameworks
- Builds and maintains an effective management team

Non-Executive Chair[1]

- Leads the Board and is responsible for its overall effectiveness and good governance practices
- Works with management and Independent Non-Executive Directors to develop and implement the Group's purpose, strategy and culture
- Engages with stakeholders and ensures their views are understood by the Board and decisions consider their interests

Chief Financial Officer ('CFO')

- All aspects of financial and capital reporting and the integrity thereof
- Supports the CEO in the execution of the strategy
- Leads on financial and capital planning

Senior Independent Director[1]

- Acts as a sounding board for the Chair
- Leads the Chair's performance appraisal and succession
- Available to shareholders and Board members, should they have concerns not resolved through normal channels

Independent Non-Executive Directors

- Contribute to, and constructively challenge, management on the development and implementation of the strategy and firm's culture
- Establish the Board's risk appetite and monitor the control framework
- Oversee the achievement by management of the purpose and strategic aims of the Group
- Constitute the Board's governance committees

Executive Committee

- Operates under the authority and direction of the CEO
- Formulates and proposes strategy to the Board and oversees the successful execution thereof
- Oversees the day-to-day management of the Group

Risk Committee

- Board Committee comprises four independent Non-Executive Directors
- Responsible for overseeing all elements of risk management across the Group and the oversight of the ICAAP and ILAAP and the Group's Compliance function

Read further information on its activities on page 90

Audit Committee

- Board Committee comprises three independent Non-Executive Directors
- Responsible for overseeing financial reporting and external and internal audit

Read further information on its activities on page 83

Remuneration Committee

- Board Committee comprises three independent Non-Executive Directors and the Board Chair who was independent on appointment
- Responsible for overseeing the remuneration of Executive Directors, senior management and Group-wide remuneration policies

Read further information on its activities on page 94

Nomination Committee

- Board Committee comprises all independent Non-Executive Directors and is chaired by the Chair of the Board
- Recommends changes to the structure of the Board, oversees succession planning for the Board and senior management

Read further information on its activities on page 80

Executive Risk Committee

Responsible for the day-to-day management of all elements of the Group's risk management and compliance

Assets and Liabilities Committee

Responsible for implementing and controlling the liquidity and asset and liability management

Strategic Change and Investment Committee

Responsible for reviewing and approving strategic change and investments (within the parameters set by the Board)

1. There is clear division of responsibilities between the Chair, CEO and Senior Independent Director which are set out in writing and available on the Company's website: www.securetrustbank.com/corpgov

Corporate Governance report
Board activities

The Board held 10 scheduled meetings in 2024 and eight additional meetings were held to consider certain matters that were urgent or needed consideration before the next scheduled Board meeting. The Board also held two separate one-day strategy sessions, which were attended by all Directors and members of senior management as appropriate. The Directors' attendance at Board and Committee meetings is detailed on page 68 and the meetings Directors were unable to attend were all arranged on short notice. Should a Director be unable to attend a meeting, they review all of the papers and raise any questions in advance of the meeting. The Chair engages with the absent Director prior to, and post, the meeting to ensure their views are represented at the meeting and that they are briefed on the meeting outcomes. The Chair meets with the Non-Executive Directors in a short session prior to each Board meeting and engages regularly with all Directors outside of formal meetings. Non-Executive Directors have also met with senior members of management on an individual basis. The Senior Independent Director meets with other Directors to evaluate the Chair's performance.

At each meeting, the Board receives an update from the CEO and CFO, which includes a detailed management information pack providing an overview of Company and business unit performance. The Committee Chairs, including the Chair of the Employee Council, and the Consumer Duty Champion provide updates to the Board at meetings. Various members of the firm's senior management team attend part, or all of, the Board meetings, and this includes the General Counsel, who attends all meetings to advise on legal and regulatory considerations.

A summary of the principal items considered during the year and their outcomes are detailed in the table below, together with the strategic priorities and stakeholder groups these discussions related to. The Board have also approved documents such as the Group's results, ICAAP, ILAAP and Recovery Plan and Resolution Pack and certain material contracts.

Items considered	Outcome	Stakeholder group	Strategic priorities (See key on page 76)
Strategic			
Target operating model review	The Board approved a change in the operating model of the Group, with a move from federated individual business units to a Group centralised model. This delivered important benefits including reducing complexity and risk, providing a consistent service to clients across business units and reducing operating costs.	C E S R	
Vehicle Finance deep-dive	The Board has undertaken a deep-dive review into the Vehicle Finance business and approved some refinements to the strategy, designed to improve business performance and return on equity, including a refocus to specific segments within the market.	S C E B	
Collections	The Board continued to oversee the performance of collections in Vehicle Finance following the FCA's BiFD review. This has included the steps taken to enhance customer outcomes, provide redress and the additional resources deployed to increase collections activity. While there has been progress in this area, the Board will continue to focus on this and the wider collections strategy during 2025.	C S R	
Dividend policy	The Board approved a new progressive dividend policy, which was effective from the Company's 2024 AGM. In developing the revised policy, the Board considered feedback from shareholders, including the need to provide further certainty on expected dividend levels and the ability of the Company to deploy capital for investment for growth. The revised dividend policy provides shareholders with assurance that dividends will not be lower than the previous year and is more sustainable, enabling further investment in the business.	S	
Approval of 2025 budget and funding plan	The Board reviewed and challenged the annual budget and funding plan for 2025. A number of changes to management's proposed budget were requested and incorporated into the final budget, which was then signed off by the Board.	S E R	
IT strategy	Following the implementation of the new operating model, the Board reviewed initial considerations of a holistic Group IT strategy. The Board agreed with the direction of travel and emphasised the need to execute on the Group's revised data strategy as a key priority. The Board will continue to focus on this during 2025.	C E S	
Environmental, social and governance ('ESG') strategy	The Board approved minor changes to the ESG strategy with a greater focus on education, skills and training initiatives, particularly through our partnerships with local educational institutions, and consideration of responsible use of Artificial Intelligence.	C E S R W	
Industry M&A	The Board received updates on developments within the industry, particularly in relation to M&A and consolidation in the sector.	S E	
Term Funding Scheme for Small and Medium-Sized Enterprise ('TFSME')	The Board reviewed and approved management's plan to repay the Bank of England's TFSME. The Company has already made good progress in repaying TFSME and the Board also considered the key risks to the plan and management actions to mitigate these risks and ensure repayment within the required timescales. Any deviation from the proposed plan will be escalated to the Board.	S R	

Corporate Governance report
Board activities

Items considered	Outcome	Stakeholder group	Strategic priorities
Performance			
Business unit spotlights	At each meeting the Board receives an update from individual business units on a rotational basis. These updates cover the performance of the business unit, growth plans and pipeline, strategic initiatives, customers, competitive landscape and the management team.	C E S	
CEO and CFO updates	At each meeting the Board receives updates from the CEO and CFO, which include detailed information on the performance of the Group and each business unit, information on key stakeholder groups and developments impacting them, updates on strategic priorities and key projects and information on any industry and competitor developments.	C E S B R	
Update on commissions	The Board received regular updates on the legal and regulatory developments involving motor finance commissions. Following the Court of Appeal's judgment on motor finance commissions, the Board approved a pause in writing new motor finance business while appropriate updates were made to the Group's systems and processes over a three day period. The Board have considered various scenarios, potential impacts to the Group and management actions, which are all dependent on the outcome of the ongoing legal and regulatory processes.	C S E B R	
Governance			
Shareholder perception study	The Board commissioned an independent shareholder perceptions study to provide further insight to the views of shareholders. Following this, the Board has agreed to increase the level of segmental reporting to provide shareholders with greater information on the performance of the individual business units operated by the Group.	S	
Culture	The Board received updates from the Chief People Officer on the Group's culture with a focus on the results of the employee engagement survey, related management actions and employee dashboards. The Board also reviewed a deep-dive on employee well-being, absences across the Group and initiatives in place to support our people.	E S R	
Talent and succession	The Board reviewed the Group's talent management framework, the talent across the Group and management's succession plans for key roles. The Board challenged the succession plans and the need to develop further diverse talent within the Group. It was noted that, particularly due to the changes within the Group's operating model, this would continue to be a focus during 2025.	E S	
Board appointment	The Board has focused on succession planning for key Board roles and the appropriate refreshment of the Board. In October, in line with the recommendation of the Nomination Committee, the Board approved the appointment of Julie Hopes as a Non-Executive Director, Chair designate of the Remuneration Committee and a member of the Nomination and Audit Committees. At the same time, the Board also appointed Victoria Mitchell to the Risk Committee as also recommended by the Nomination Committee.	E S R	
ESG updates	The Board received regular updates on the Group's ESG strategy and including a review of the ESG dashboard, which tracks our progress across a number of key metrics in line with our ESG strategy, including climate action, acting responsibly, equity, diversity and inclusion, customer trust, education and skills, and communities and charities.	C E S R W	

Key

C Customers
S Shareholders
B Business partners
Simplify
Leverage networks
E Employees
R Regulators
W Communities and society
Enhance customer experience
Enabled by technology

Corporate Governance report
Stakeholder considerations in our decision making

S.172 legal duties

Section 172 of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

i. the likely consequences of any decision in the long term;
ii. the interests of the Company's employees;
iii. the need to foster the Company's business relationships with suppliers, customers and others;
iv. the impact of the Company's operations on the community and the environment;
v. the desirability of the Company maintaining a reputation for high standards of business conduct; and
vi. the need to act fairly as between members of the Company.

How we consider stakeholder interests

The Company's section 172 statement of compliance can be found on page 44, together with an overview of our stakeholders, their priorities, how we engage with them and outcomes for each stakeholder Group.

The Board considers stakeholder interests and views and discusses how any decisions will impact the different stakeholder groups. Our new Executive Summary template includes dedicated summary sections on customer and other stakeholder considerations, to ensure relevant issues are identified and escalated for Board review and challenge. Stakeholder interests need to be embedded across all levels of the organisation to help to ensure the appropriate escalation of stakeholder considerations through the Group's governance framework. Our culture, values, governance framework and training all help to support this.

Stakeholders can have different and sometimes competing interests, priorities and views, and these need to be balanced with each other and within the wider duty of the Board to promote the long-term sustainable success of the Company and act in accordance with our regulatory obligations. Not all decisions can deliver the desired outcomes for all stakeholders.

Detailed below is an overview of how stakeholder interests have been considered in two key decisions taken by the Board during 2024.

Introduction of a new dividend policy

The Board considered the Group's current and forecast capital position, forecast business performance, the Group's liquidity profile and the macroeconomic environment. Directors considered different potential options with the aim of developing a more sustainable dividend policy, which appropriately balanced the need to invest in the business with returns for shareholders. The Board considered the views of shareholders and sought feedback from advisers in developing the revised policy.

The Board approved a move to a progressive dividend policy, which means dividend payments will not be less than the previous year and was announced with the 2023 Annual Results in March 2024. The revised policy is more sustainable; enabling the Company to deploy capital to pursue its growth strategy, providing shareholders with further certainty on the level of dividend payments and enables year-on-year growth in the dividend amounts paid to shareholders.

Implementation of a revised operating model

The Board has held several discussions on the need to optimise the Group's operating model, which primarily operated on a federated basis in each business unit. The Directors considered the potential benefits of the move to a centralised operating model, which would enable greater consistency of service to clients across business units, reduce complexity and risk across the Group and drive efficiencies. While there were a number of benefits in implementing the revised operating model, there were difficult decisions impacting our employees. After careful consideration, the Board agreed that proposed changes would help to drive the long-term sustainable success of the business for the benefit of its members and other stakeholders and deliver benefits to our customers.

The Group consulted with employees on the proposed changes and feedback was provided to the Board. Throughout the consultation employees' views were considered and proposals developed where appropriate. The Board oversaw the support provided to employees and the Remuneration Committee approved the good leaver status for departing employees.

Corporate Governance report
Board effectiveness

Board performance review

The Board undertook an internal performance review in relation to 2024. An overview of the process followed and the outcomes of the review can be found below. The last externally facilitated review was undertaken in 2022.

Provider selection

A small number of platform providers submitted proposals for the annual performance review, with the Company Secretary making a recommendation to the Nomination Committee who approved the final selection.

→

Process approval

The Nomination Committee provided input to, and agreed the proposed process for, the performance review, including the scope of reporting and the content of the individual questionnaires for the Board and its Committees.

→

Questionnaires

The final questionnaires were made available to Directors on the Independent Audit Ltd platform and duly completed by the Board and key stakeholders. These included questions from previous years, to identify trends and measure progress, and included additional questions of specific relevance for 2024.

→

Reporting

Following completion of the questionnaires, the Company Secretary, with oversight from the Chair, prepared reports for the Board and each of its Committees, which were discussed at relevant meetings and formal action plans agreed. The Chair also met with individual Directors, and the Senior Independent Director with the Chair, to discuss performance.

Outcomes

The Board performance review demonstrated that the Board was operating effectively and that there had been good progress across a number of the themes identified in 2023. Respondents particularly highlighted the additional focus on strategic discussions and monitoring strategic performance in Board meetings. There had also been an improvement in ensuring the Board works at the right level of detail and focuses on the big picture. Whilst there had been improvements in talent management, particularly the roll-out of an executive development centre in partnership with an executive search firm, this will be an area of continued focus for the Nomination Committee, especially in light of the structural changes across the organisation. The performance review specifically commended the level of challenge and debate within the Board, which was undertaken in a constructive and collaborative manner and consideration of the external economic environment and of stakeholders in decision making. There were an number of actions and areas identified for consideration in 2025:

- Further strengthen relations between Board and management and broaden the Board's exposure to talent across the organisation. This was primarily through more informal engagement opportunities outside of Board meetings. In addition it was agreed to hold Board meetings more frequently in different offices, to provide greater exposure to talent across the business.
- Bring greater external insights and expertise into the boardroom, particularly focusing on the competitive landscape and industry developments.
- Develop an overarching cultural dashboard, linked to the Company's values to amalgamate the existing management information and enhance the Board's oversight of culture embeddedness across the organisation.
- Post the structural changes develop a revised people strategy to ensure appropriate recruitment, retention and development of talent aligned to our strategy.
- Develop a report to track and provide further information on strategic initiatives.

Training

Directors receive training and education through external courses and seminars and also through Board-specific training sessions, which are delivered by external and internal experts. Such sessions held during the year have included Basel 3.1, Senior Management Responsibilities, Health and Safety, Directors' responsibilities in context of corporate activity, regulatory changes, and ESG. All Directors have access to the services of the Company Secretary, who advises the Board on governance matters, and Directors are able to obtain independent advice, at the Company's expense, where this is necessary to discharge their duties effectively.

Corporate Governance report
Board effectiveness

Induction process

New Directors are supported in their role by a formal tailored induction process, which is designed to provide a comprehensive introduction to the Company to enable them to discharge effectively their duties. The induction programme comprises meetings with key senior management and external advisers/stakeholders, together with a tailored documentation pack and all Non-Executive Directors are provided access to previous Board and Committee packs and minutes. During the year, two inductions were held for Jim Brown and Julie Hopes and a summary of the induction programme is provided below. As both roles hold Senior Management responsibilities a formal documented handover and meetings were held to transition the Senior Management functions in line with the Group's Senior Management Handover Policy. As part of his induction, Jim Brown also held meetings with our major shareholders.

Meeting with	Topics for discussion	Related documents
Board and Nomination Committee Chair	Recent key Board discussions, decisions and priorities for the Board and Board succession plans. Views on the Group and management and views of key stakeholders.	Previous Board and Nomination Committee packs and minutes and Board governance documents.
CEO	Overview of the Group's purpose, strategy, values and culture. Recent developments within the business and views of stakeholders.	Group strategy and values, shareholder register and perceptions study.
CFO	The Group's financial performance, financial plans, prudential risks and recent developments across the CFO's areas of responsibility.	Current budget, funding plan, latest management information pack and various prudential risk documents.
Chair of Audit Committee	Recent discussions of the Audit Committee and key areas of focus.	Previous Committee packs and minutes, and external and internal audit documentation (as in relevant sections below).
Chair of Remuneration Committee	Recent discussions of the Remuneration Committee and key areas of focus.	Previous Committee packs, minutes and remuneration policies.
Chair of Risk Committee	Recent discussions of the Risk Committee and key areas of focus.	Previous Committee packs, minutes and risk documentation (as in risk section below).
Business Unit Managing Directors	Overview of business, route to market, customers, the team and business partners. Update on recent business performance, initiatives and key priorities and, if relevant, Consumer Duty.	Latest business spotlights reports, performance reporting and Consumer Duty dashboards.
Chief Operating Officer	Overview of team and areas of responsibility together with key priorities and challenges across each of the functions and updates on key projects.	Latest operational reports and project updates.
Chief Risk Officer	Group's risk appetite, principal risks and Enterprise-Wide Risk Management Framework ('EWRMF'). Overview of the team and key priorities and challenges.	Risk appetite statement, risk register, EWRMF and recent risk reports.
Company Secretary	Overview of the Group's legal structure, governance, share plans and operational matters for the Board and its Committees. Key priorities and areas of focus for the Company Secretariat.	Group structure, governance documentation, previous Board and Committee packs, and share plan summaries and rules.
Chief People Officer and Head of Reward	Overview of firm's culture, employee benefits and structures. Recent employee initiatives and key priorities for the team.	Remuneration policies and people dashboards.
Chief Compliance Officer	Overview of compliance monitoring plan and recent compliance reporting. Key priorities and challenges for the team.	Compliance monitoring plan and recent reports and Senior Management responsibilities map.
General Counsel	Executive governance structure and sustainability strategy. Overview of the legal team and its key priorities and challenges.	Governance Manual and ESG strategy.
Chief Internal Auditor	Internal Audit plan and progress thereon including summary of recently issued reports and outstanding management actions. Views of control environment and cultural alignment. Overview of Internal Audit structure and team (co-sourced function).	Internal Audit Plan, recent Internal Audit reports, and the Internal Audit Charter.
External Auditors	Introduction and overview of team. Update on the external audit plan including key risks, engagement with management and views on the Group's culture and internal control environment.	External Audit Plan.
Remuneration Consultants	Update on and views of remuneration policies and practices across the Group.	Remuneration policies.

Nomination Committee report
Statement by the Chair of the Nomination Committee

"The Committee focused on Board succession planning, in consideration of the tenure of some of our Non-Executive Directors, and the need to ensure a smooth transition of responsibilities for key roles and sufficient continuity on our Committees."

Jim Brown
Chair

I am pleased to present the report of the Nomination Committee (the 'Committee') for the year ended 31 December 2024, which provides an overview of the Committee and the work it has undertaken during the year.

Board and Committee composition

It has been another busy year for the Committee with a focus on Board succession planning, in consideration of the tenure of some of our Non-Executive Directors, and the need to ensure a smooth transition of responsibilities for key roles and sufficient continuity on our Committees.

In October, we announced the appointment of Julie Hopes as a Non-Executive Director and a member of the Remuneration, Audit and Nomination Committees with immediate effect. Julie was also appointed Chair designate of the Remuneration Committee and, following the receipt of regulatory approval, was appointed Chair of the Remuneration Committee on 31 December 2024. On the same date, Victoria Stewart, who was entering her ninth year on the Board, stepped down from the Board and as Chair of the Remuneration Committee. Further information on the recruitment process for Julie Hopes can be found on page 81.

We also recommended to the Board the appointment of Victoria Mitchell to our Risk Committee in October 2024, which has broadened the depth of talent and will provide future continuity in the membership of the Risk Committee.

Board diversity

The Committee and the Board recognise the benefits of diversity in its widest sense, and this has continued to be an area of focus. We have adopted a revised Board Diversity Policy during the year, which can be found on page 82 and better articulates the benefits of diversity in achieving our purpose, and for our colleagues and other stakeholders. We have set ambitions for diversity aligned to the Listing Rule requirements, and as at 31 December 2024, we had exceeded two of these. The Listing Rules state that 40% of the Board should be comprised of female directors and there should be one female director in a Board leadership position. We have achieved gender parity on the Board and have two female Directors in Board leadership positions, namely our Chief Financial Officer and Senior Independent Director. However, we do not have a Director on the Board from an ethnic minority, and while this was part of the considerations for the recent recruitment process, we did not identify a suitable candidate with the specific skills and experience required for the role. This will be a key consideration in future recruitment, with external search agencies required to provide short-lists with appropriate diversity. In line with our Diversity Policy, the key priority will be to recruit the best candidate with the required skills and experience to undertake the role. Further details of the Board and Senior Management diversity can be found on page 69 and our wider diversity tables on page 51.

Management succession

The Committee and the Board as a whole have continued to oversee succession plans for our Executive Committee and this will continue to be an area of focus into 2025, particularly in light of the organisational changes made across the Company during the year. There will be a focus on roles below the Executive Committee and developing talent throughout the organisation. As Chair of the Committee and Board, I met with our new Managing Director, Business Finance as part of the selection process. This was an important recruitment and part of the succession planning for the Executive Committee, as our Managing Directors of Commercial Finance and Real Estate Finance announced their retirement plans. We were pleased to appoint Luke Jooste into the role, with effect from 1 March 2025 and to promote internal candidates to the roles of managing directors of each of the specific business units, demonstrating the strength of talent within the organisation.

Outlook

Two key priorities for the Committee in 2025 will be continued Board succession planning, to ensure suitable refreshment of the Board and its Committees in line with good governance. We will also focus on diversity across the organisation, how this links with our wider strategy, how we drive improvements in diversity across senior management and develop the diverse talent we have within the organisation.

I would like to thank the members of the Nomination Committee, who have worked diligently to help execute on the Committee's responsibilities, and to those in the management team who continue to support the work of the Committee.

Jim Brown
Chair

Nomination Committee report

Committee Governance

The Committee met six times during the year and members' attendance is summarised in the table on page 68.

Meetings of the Committee were attended during the year by the Chief Executive Officer, Chief Financial Officer and Chief People Officer to present their reports and answer questions from the Committee as required.

The Chair of the Nomination Committee reports to the Board on the outcome of Committee meetings and any recommendations arising from the Committee. The Company Secretary, or their alternate, acts as Secretary to the Nomination Committee. Committee materials and minutes from the meetings are made available, as appropriate, to all Board members.

The UK Governance Code states that a majority of members of the Committee should be independent Non-Executive Directors. The Committee membership, which is comprised of all of the independent Non-Executive Directors on the Board and chaired by the Board Chair who was independent on appointment, complied with this Code provision throughout 2024.

Key responsibilities

The Nomination Committee is responsible for considering the structure, size and composition of the Board; the retirement and appointment of Directors, including Executive Directors; succession planning for the Board and senior management, focused on the development of a diverse succession pipeline; and making recommendations to the Board on these matters. The Committee's roles and responsibilities are covered in its Terms of Reference, which were reviewed during the year and are available on our corporate website (www.securetrustbank.com/corpgov).

Key activities during the year

Board and committee composition

The Committee reviewed the composition of the Board and its Committees during the year, focusing on the skills, experience and diversity of the Directors and taking into account all relevant governance requirements and best practice. The Committee agreed that, while the structure and composition of the Board was appropriate for the Company's current needs, there needed to be a focus on Board and Committee succession planning, particularly in relation to key roles within the Board and the need to ensure appropriate leadership and continuity in the membership of the Board's Committees.

Board succession and recruitment

Following the review of the Board and Committee composition, the Committee agreed to start recruitment processes for two new Directors, with an immediate focus on the succession planning for the Chair of the Remuneration Committee, Victoria Stewart, who was entering her ninth year on the Board.

The Nomination Committee appointed Per Ardua Associates Limited ('Per Ardua'), who had successfully led the search for a new Chair of the Board in 2024 (as detailed in last year's Nomination Committee report). Per Ardua is a member of the Association of Executive Search Consultants ('AESC') and is committed to the AESC's Code of Professional Practice. With the exception of previous recruitment activities on behalf of the Group, Per Ardua had no other connections to the Company, Senior Management or the individual Directors prior to their appointment.

The Committee and Per Ardua developed candidate profiles, with due consideration of the Board's skills matrix and required experience for the roles. In relation to the Remuneration Committee role, Per Ardua presented a long-list of diverse candidates, which was reviewed by the Committee and developed into a short list. The Committee established an interview panel consisting of the Chair, the Senior Independent Director and Chair of the Risk Committee, who also sits on the Remuneration Committee, which regularly provided feedback to the Committee. Other Directors and key stakeholders met with the preferred candidate, prior to the Committee recommending the appointment of Julie Hopes to the Board. During 2025, the Committee will focus on the recruitment of a new Non-Executive Director to ensure appropriate succession planning is in place for key Board roles.

Nomination Committee report

Conflicts of interest

The Company's Articles of Association permit the Board to consider and authorise situations where a Director has an actual or potential conflict of interest in relation to the Group. All Directors are required to disclose to the Board any outside interests that may conflict with their duties to the Group (including any related party transactions). The Board has a formal system to record potential conflicts and, if appropriate, to authorise them. Conflicts of interest are included as a standing agenda item at each Board and Committee meeting. When authorising conflicts or potential conflicts of interest, the Director concerned may not take part in the decision making.

Director re-election

In line with governance requirements, all Directors stand for annual re-election at the Company's Annual General Meeting. Each Director's performance, including the results of the annual Board performance review, independence, potential conflicts and ability to commit sufficient time to the Company is considered by the Committee, which recommends to the Board their re-election. Each Director also undertakes a detailed fitness and propriety assessment each year.

Board and Committee performance review

The Committee reviewed the proposed process for the annual Board and Committee performance review, including the use of a third-party platform, scope of reporting and provided feedback on the individual questionnaires. Details of the Board and Committee performance review process can be found on page 78. The 2024 Committee performance review demonstrated that the Committee was operating effectively and that there had been good progress in a number of areas since the last performance review undertaken in respect of the 2023 year. Respondents generally felt that there had been improvements in discussion and debate among Committee members and in the Committee's oversight of the skills and experience required for the Board. There were a number of areas identified for further action during the course of 2025, including:

- enhancing oversight of executive capability, succession and talent development including consideration of initiatives to drive diversity. This was particularly identified due to the changes in senior leadership and organisational restructure; and
- develop a Board training plan for 2025, which includes mandatory training being undertaken online, in accordance with the general employee population and greater focus on external expertise in evolving areas relevant to the business.

Board Diversity Policy

The Board is committed to promoting diversity, equity and inclusion in the boardroom and throughout the Group. The Board believes that promoting a culture that is diverse, inclusive and equitable creates a supportive, enjoyable and healthy working environment for our colleagues. It also enables the Group to make the most of the different backgrounds, experience and perspectives of our colleagues and best supports our customers to achieve their ambitions.

The Board is supportive of this culture and believes that a diverse Board brings a broad range of perspectives, insights and challenges which drives effective decision making and enables us to better respond to our stakeholder's needs.

Appointments to the Board will be subject to a formal, rigorous and transparent procedure. Appointments and succession plans will be based on merit and objective criteria, recognising the benefits that diversity, in its widest interpretation, brings to the Board including in relation to gender, ethnicity, age, sexual orientation, disability, neurodiversity, socio-economic, educational and professional background, and geographic provenance.

When reviewing the Board composition, conducting searches for Board candidates, and making recommendations to the Board on appointments, the Nomination Committee will have due consideration of the benefits of diversity including, but not limited to, the factors outlined above, in order to enable the Board to discharge its duties and responsibilities effectively.

As part of the annual performance review of the effectiveness of the Board, Board Committees and individual Directors, the Nomination Committee will consider the balance of skills, experience, independence, knowledge and the diversity representation of the Board, how the Board works together as a unit, and other factors relevant to its effectiveness.

Audit Committee report
Statement by the Chair of the Audit Committee

"The Committee considered the potential impacts on the Group, arising from legal and regulatory developments within the motor finance sector."

Ann Berresford
Chair of the Audit Committee

I am pleased to present the report of the Audit Committee (the 'Committee') for the financial year ended 31 December 2024. The report is designed to provide stakeholders with information on the Committee, including how the Committee has discharged its responsibilities during the year.

I would like to touch on changes to the Committee membership during the year. Victoria Stewart stepped down from the Board and her membership of the Committee from 31 December 2024. On behalf of the Committee, I would like to extend our thanks to Victoria for her valuable contributions during her tenure. We were delighted to welcome Julie Hopes as a new member of the Committee in October 2024. Julie brings a wealth of knowledge and experience in finance, accounting and governance that make her a strong addition to the Committee.

A key responsibility of the Committee is to safeguard the integrity of the Group's financial statements including monitoring of the Company's financial reporting process. The Committee conducted a detailed review of the Group's Annual Report and Accounts for the year ended 31 December 2024 as well as the half-year ended 30 June 2024. An important part of this has been the Committee's rigorous review and challenge of the judgements applied in the Group's expected credit loss IFRS 9 models, process of changes to the models, the validation of those models' outputs and, particularly in 2024, the implementation of new models. This included a dedicated deep dive into model governance and the controls in place to ensure the effectiveness of the models.

The Committee considered the potential impacts on the Group, arising from legal and regulatory developments within the motor finance sector, particularly commission payments. These developments, further information on which can be found in Note 29 on page 162, could lead to redress payable to customers and associated operational costs. We have therefore recognised a provision in the Annual Accounts for the year ended 31 December 2024, in the amount of £6.4 million. This has been reviewed and challenged by the Committee and further information on this can be found on page 86.

The Committee has continued to oversee the effectiveness and independence of the Group's External Auditor, Deloitte LLP, who are approaching the conclusion of their seventh year of appointment. Our lead audit partner, Neil Reed, will step down from the conclusion of the external audit for the year ended 31 December 2024, due to the length of time he has worked on the Company's external audit. I would like to thank Neil for his work and the professionalism he has demonstrated throughout his tenure. Potential candidates for the lead external audit partner were considered by the Committee and we are pleased to confirm Kieren Cooper will be appointed lead external audit partner for the year ending 31 December 2025, subject to Deloitte's reappointment by shareholders. The Committee remain satisfied that Deloitte LLP continues to be effective and, therefore, recommends their reappointment as External Auditor, which will be proposed to shareholders at the forthcoming AGM.

Another key responsibility of the Committee is the oversight of the Internal Audit function and the Committee receives regular reports from the Chief Internal Auditor on progress against the internal audit annual plan, which is approved by the Committee, the outcomes of recent Internal Audits, updates on management actions and Internal Audit's view of the effectiveness of the control environment.

Looking forward, the key priorities for the Committee in 2025, in addition to its core responsibilities, will be to continue to monitor the legal and regulatory environment relating to motor finance commissions, to ensure a smooth transition to our new lead external audit partner and oversee the implementation of elements of the 2024 UK Governance Code, particularly in relation to the assessment of the effectiveness of internal controls.

Finally, I express my gratitude to those who have supported the Committee throughout the year. We have continued to receive valued support from internal and external stakeholders including the Chief Internal Auditor, Chief Financial Officer, senior members of the Finance team and the External Auditors.

I hope to be able to meet with shareholders and discuss the Committee's activities, in person, at the AGM on 15 May 2025.

Ann Berresford
Chair of the Audit Committee

Audit Committee report

Committee Governance

The Audit Committee met six times during the year and members' attendance is summarised in the table on page 68.

Meetings of the Committee were regularly attended during the year by the Chief Executive Officer, Chief Internal Auditor, Company Secretary, the Chief Financial Officer and senior members of the Finance team, as well as the lead external audit partner and senior members of the External Audit team. Other members of the Board also attended meetings at the invitation of the Committee. The Committee maintains a close and open dialogue with the External Auditor and Chief Internal Auditor, routinely holding private sessions with them following Committee meetings and as required between meetings.

The Chair of the Audit Committee reports to the Board on the outcome of Committee meetings and any recommendations arising from the Committee. The Company Secretary, or their alternate, acts as Secretary to the Audit Committee. Committee materials and minutes from the meetings are made available, as appropriate, to all Board members.

The Committee membership complied with the Code provision for independence throughout 2024. Both Ann Berresford and Finlay Williamson are considered by the Board to have recent and relevant financial experience and the Audit Committee, as a whole, has competence relevant to the sector in which the Group operates.

Key responsibilities

The Audit Committee assists the Board in, among other matters, discharging its responsibilities for regulatory reporting, financial reporting, including monitoring and reviewing the integrity of the Company's annual and interim financial statements, reviewing and monitoring the effectiveness and independence of the External Auditors, including advising on their appointment, reappointment, removal and remuneration. The Committee also oversees the effectiveness of the Company's internal audit activities, internal controls and risk management systems including the Company's whistleblowing framework. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the Interim Report remains with the Board. The Audit Committee reviews the Annual Report before submission to the Board for approval, and will consider whether taken as a whole, it is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee assists the Board in reaching its conclusions by reviewing significant financial reporting judgements, including the going concern assumption and long-term viability of the business and any material uncertainties, and assessing whether the narrative reporting in the Strategic Report accurately reflects the financial statements.

The Audit Committee is supported in this assessment by an effective external audit, the assessment of internal controls by internal audit and by challenging management on the integrity of financial and narrative statements.

Items considered by the Committee during the reporting period

Meetings of the Audit Committee are scheduled to align with key dates in the Group's financial reporting cycle. The Committee maintains a schedule of meetings with a forward-look agenda that facilitates the even distribution of items and the effective management of Committee time, as required additional Committee meetings may be convened to consider items as they arise.

Items considered	Outcomes
Financial reporting	For further information see page 86.
Annual and interim reporting	The Committee reviewed and recommended the approval of the Annual and Interim Reports to the Board, including that there were effective financial controls operating across the Group to safeguard their integrity and the accounting judgements and assumptions used in their preparation. The Committee reviewed and suggested changes to the annual and interim reports to ensure they provided a true and fair view of the Company's position and that they were fair, balanced and understandable.
Distributable reserves	Prior to the declaration of the interim and final dividends, the Audit Committee considered whether the Company had sufficient distributable reserves to pay a dividend and confirmed to the Board that there were sufficient distributable reserves.
External Audit	For further information see page 88.
External Audit reporting	The Committee received regular reporting from the External Auditors on the external audit plan, progress thereon and any matters identified in the course of the external audit.
External Audit process effectiveness	The Committee oversaw the relationship with the External Auditors and assessed the effectiveness of the external audit process ensuring that the audit is conducted in accordance with all applicable requirements. The Committee found the External Auditors to be effective and recommended their reappointment to shareholders.
Independence of External Auditors	At each meeting the Committee considered the independence of the External Auditors including consideration of non-audit related engagements and expenditure and ensured it remained satisfied that the External Auditors continued to be independent.

Audit Committee report

Items considered	Outcomes
External Audit fee	The Committee reviewed and challenged the proposed fees for the external audit of the Company and its subsidiaries. This year's audit fee is £1,223,525 (2023: £968,000) such increase primarily driven by increases in the scope of the audit due to the implementation of further IFRS 9 models and additional systems in place across the Group. Total non-audit fees paid to the External Auditors have decreased to £88,000 (2023: £185,000).
Lead audit partner transition	The Committee considered and approved the appointment of a new lead audit partner for the year ended 31 December 2025 and will oversee the transition to Kieren Cooper as the Group's new lead audit partner.
Internal Audit	For further information see page 88.
Internal Audit reporting	At each scheduled meeting, other than the single subject meetings held in January and July, the Committee received a report from Internal Audit, which provided an update on the internal audit plan, an overview of all internal audit reports issued during the period and an update on identified and outstanding management actions. All Internal Audit reports are made available to the Board at the time they are finalised. The Committee reviewed the reports and challenged management on any actions that had been identified as overdue.
Internal Audit plan	The Committee reviewed and approved the internal audit plan, which outlined an appropriate focus on higher risk areas and areas of regulatory focus. The plan ensures coverage of all major risk areas over a five-year period with coverage of each business unit and an element of credit risk audited each year. The Committee agreed the Internal Audit plan including the use of co-sourced providers.
Internal Audit effectiveness	A formal review of the effectiveness of the Internal Audit function was undertaken during the year. The Committee noted and agreed with the conclusion that, overall, the Internal Audit function was effective and that no change was required to meet the CIIA Performance and Attribute Standards or the recommendations set out in the 2013 Code on Effective Internal Audit in Financial Services (updated 2021).
Internal Audit charter	In 2024, the Committee reviewed and agreed that no changes were currently required but that this would be considered in Q1 2025 following the implementation of the Institute of Internal Auditors Global Standards. The changes to the Charter to reflect the Institute of Internal Auditors Global Standards has been agreed in March 2025. The Group's Internal Audit Charter can be found on our website (www.securetrustbank.com/corpgov).
Whistleblowing	
Whistleblowing arrangements	The Committee Chair as whistleblowing champion ensures, should any whistleblowing reports be received, these are proportionately and independently investigated and provides regular updates to the Committee on any issues raised. There was one new case during the year (2023: three). The Committee reviewed the Group's whistleblowing policy and arrangements, and found these to be effective.
Other	
Hedge accounting update	The Committee received an update on the development of two new hedge accounting models used across the Group and noted the benefits of the new models, which included additional capability to undertake regression testing and improved tracking of amortisation adjustments.
Model governance – deep dive	The Committee reviewed the governance in place to oversee model risk management across the Group, which included the processes for the development of models, and their monitoring and validation. The Committee was comfortable that the model governance in place was appropriate.
Terms of reference	The Committee reviewed its Terms of Reference to ensure they remained up to date and in accordance with best practice. A small number of amendments were approved, primarily reflecting updates to the internal audit standards. A full copy of the Terms of Reference can be obtained via the Group's website (www.securetrustbank.com/corpgov).
In-Camera meetings	During the year, the Committee held in-camera meetings with: • the Chief Internal Auditor; and • the External Audit Partner. These meetings provided an opportunity for private discussion with the Committee, without other members of management present, and supported, among other things, the Committee's assessment of the performance of the External Auditors and Internal Audit.

Audit Committee report

Financial and regulatory reporting

A key responsibility of the Committee is to ensure the integrity of the Group's financial reporting, which includes reviewing the financial control systems that identify, assess, manage and monitor financial risks. The Committee has also assessed the Annual Report and Accounts to confirm that, taken as a whole, it is fair, balanced and understandable. The Committee reviews the accounting policies adopted by the Group and challenges management on areas of estimation and judgement ahead of recommending the interim and year-end financial statements to the Board for approval. The Audit Committee has reviewed the following matters in connection with the annual and interim financial statements.

Accounting policies, key judgements and assumptions used in preparing interim and annual financial statements

Significant accounting judgements and estimates

IFRS 9 provisions for expected credit losses	
Assessment of area of judgement	The Committee has considered updates and overlays to judgements and assumptions to take account of developments in the macroeconomic environment. STBG has continued to avail of the support of an economic advisory firm in formulating the macroeconomic scenarios and weightings, prior to recommendation to the Committee and the Audit Committee has continued to use their outputs for this purpose. In 2024, the Committee reviewed the outputs from the Group's IFRS 9 models and considered the quantum and rationale for post-model adjustments in ensuring the adequacy of the levels of impairment provision, including the performance of the Group's collections activity within Vehicle Finance, following the Financial Conduct Authority ('FCA's') thematic review regarding borrowers in financial difficulty ('BiFD').
Outcome	The discussions on the IFRS 9 provisions was attended by the External Auditors with whom the Committee engaged to understand the results of their audit work. The Committee reviewed, challenged and approved the IFRS 9 provisions for expected credit losses as presented by management.
Legal and regulatory developments	
Assessment of area of judgement	The Committee considered the legal and regulatory developments in relating to motor finance commissions. Further information on which can be found in Note 29 to the accounts on page 162. The outcome of these developments is uncertain, requiring judgment about the potential for redress being payable to customers and associated operational costs.
Outcome	The Committee reviewed and challenged the scenario analysis undertaken, including the assumptions and probability weightings used in the scenario analysis to estimate a potential exposure. The Committee approved the recognition of a provision of £6.4 million for the year ended 31 December 2024, whilst noting the level of uncertainty of outcomes which could result in a materially higher or lower provision.

Audit Committee report

Significant accounting matters

Statement of viability and going concern	
Assessment of area of judgement	Under UK law and the UK Corporate Governance Code, the Board of Directors are required to opine on the Group's ability to continue as a going concern and to include a statement of viability in the Group's Annual Report and Accounts. The requirement necessitates that the Directors must satisfy themselves as to the Company's ability to continue as a going concern for a period of 12 months from the date of the approval of the financial statements. In addition, the Company is required to provide a statement of viability, available from page 40, which reports on the viability of the Company over a longer period, with the Company applying a five-year period.
Outcome	The Committee considered, challenged and approved the Group's statement of viability, including the period by reference to which viability is assessed, and the preparation of the annual and interim accounts on a going concern basis. The Committee's assessment was supported by a number of factors including the current financial position, the annual business planning and budgeting process, the different financial stress testing exercises and the effective risk management of the Principal Risks. The Committee considered the legal and regulatory uncertainty in relation to motor finance commissions and their potential impact. The Committee's conclusions are taken into account in the Board's viability statement on pages 40 and 41. The Committee concluded that it was appropriate to prepare the financial statements on a going concern basis of accounting and that the Company would remain commercially viable throughout the forecast period of five years.
Presentation of a fair, balanced and understandable Annual Report and Accounts	
Assessment of area of judgement	The Committee assessed whether, taken as a whole, the 2024 Annual Report and Accounts was fair, balanced and understandable. To assist with the Committee's assessment as to whether the Annual Report and Accounts is fair, balanced and understandable, the Committee receives and discusses papers from management outlining changes in the application of any accounting policies together with IFRS 9 and other key judgements. The Committee reviewed drafts of the accounts during the preparation process and near final versions were presented at its March meeting and throughout considered whether the performance and position of the Group had been described in a fair, balanced and understandable way.
Outcome	The Audit Committee, having reviewed the content of the Annual Report and considering relevant matters including the presentation of material sensitive items, the representation of significant issues, the consistency of the narrative disclosures in the Strategic Report with the Financial Statements, the overall structure of the Annual Report and the steps taken to ensure the completeness and accuracy of the matters included, has advised the Board that the 2024 Annual Report and Accounts include a 'fair, balanced and understandable' assessment of the Group and Company's businesses.
Disclosure of exceptional items	
Assessment of area of judgement	The Committee reviewed and questioned management's proposal to include a number of exceptional items. These are defined as "Items of income or expenditure that are significant in size and which are not expected to repeat over the short to medium term". Exceptional items incurred in 2024 amounted to £9.9 million and related to costs incurred in relation to the: • Operating model restructure • FCA's thematic review regarding BiFD • Motor finance commissions
Outcome	The Committee challenged management on the overall quantum of these exceptional items, however concluded that they were in-line with the accounting definition, a view supported by the Group's External Auditors.

Audit Committee report

External Audit

At a glance

External Auditors	Deloitte
Lead engagement partner	Neil Reed
Financial period first appointed	Year ended 31 December 2018
Audit tender last conducted	2017
Lead engagement partner designate	Kieren Cooper
Lead partner due to rotate	Year ending 31 December 2025
Next audit tender required	Year ending 31 December 2027
Total statutory audit fees	£1,223,525
Total fees for non-audit services	£88,000

Independence and effectiveness of the External Auditor

Deloitte LLP has confirmed to the Audit Committee that it has policies and procedures in place to satisfy the required standards of objectivity, independence, and integrity, and that these comply with the Financial Reporting Council's ('FRC') Ethical Standards for Auditors. Due to the length of time Neil Reed has worked on the external audit of Secure Trust Bank PLC, he will step down as lead audit partner following the FY24 external audit. It is proposed Kieren Cooper will be appointed the lead external audit partner in respect of the financial year ending 31 December 2025, subject to Deloitte's reappointment by shareholders, and he has shadowed the FY24 external audit to ensure a smooth transition. The Audit Committee has considered matters that might impair the independence of the External Auditor, including the non-audit fees paid to the External Auditor (as above and detailed in the Non-audit services section adjacent), and has confirmed that it was satisfied as to the independence of the external audit firm, Deloitte LLP.

During 2024, the Committee assessed the effectiveness of the external audit process for 2023. The capabilities of the external audit team, their independence and challenge of management, the scope of the work, the quality of their communications and fees were all considered. The assessment also considered the views of the Finance team, Chief Risk Officer, Chief Internal Auditor and Company Secretariat. The Committee also considered the FRC's Audit Quality review of Deloitte's audits, noting the improvements from last year's review. The Committee concluded that the external audit process was satisfactory and that the External Auditor was performing well. The review did not highlight any reason for the Audit Committee not to recommend their reappointment. The Committee remain satisfied that Deloitte LLP continues to be effective and are recommending their reappointment as External Auditor to shareholders at the forthcoming AGM.

Non-audit services

The Group has agreed a policy on the provision of non-audit services by its External Auditor. The policy ensures that the engagement of the External Auditor for such services requires pre-approval by appropriate levels of management or the Audit Committee and does not impair the independence of the External Auditor, and that such engagements are reported to the Audit Committee on a regular basis. The External Auditor is only selected for such services when they are best suited to undertake the work and there is no conflict of interest. The total of audit and non-audit fees paid to Deloitte during the period is set out in Note 6 to the Financial Statements on page 142. The non-audit services fee of £88,000 (2023: £185,000) were in respect of, but not limited to, the review of the interim financial statements and work relating to the profit verification. In the case of each engagement, management considered it appropriate to engage Deloitte for the work because of their existing knowledge and experience of the organisation. Non-audit fees represented 7.19% of audit fees in 2024 and 8.8% over a three-year rolling period.

Internal Audit

Internal Audit function effectiveness

The Group has an independent Internal Audit function led by the Chief Internal Auditor, augmented by external subject matter experts from a panel of internal audit co-source providers. The Chief Internal Auditor reports to the Chair of the Audit Committee and they met frequently through the year.

The primary role of the Internal Audit function is to help the Board and Executives protect the assets, reputation and sustainability of the Group, by providing independent and objective assurance on the design and operating effectiveness of the Group's governance, risk management and control framework and processes, following a risk-based approach.

The Committee reviews and approves the internal audit plan each year, and during the year it oversaw internal audit activity, including adjustments to the approved plan to respond to external and internal events and priorities. In approving the 2025 internal audit plan, the Committee was satisfied that the team has the appropriate resource to deliver its plans. The Committee received and considered all reports issued by the internal audit team. Key themes addressed in 2024 included:

- Operational Resilience and IT;
- Finance, Treasury and Prudential;
- Consumer Duty;
- Customer Lifecycle;
- Internal Capital Adequacy Assessment Process and Recovery plan; and
- Regulatory initiatives.

Audit Committee report

Internal Controls Framework

The Board has overall responsibility for maintaining the Group's system of internal control, including financial, operational and compliance controls, and for reviewing its effectiveness. This system is designed to manage risk of failure to achieve business objectives and to provide reasonable assurance against the risk of material misstatement or loss. The system of internal control was in place throughout the financial year, and up to the date of the approval of the Annual Report and Accounts. The Board, through the Risk Committee, has confirmed that in reviewing the Annual Report, it has completed a robust assessment of the Group's emerging and principal risks and has included a description of its risk management framework and principal risks as set out on pages 30 to 39.

The Board, through the Audit and Risk Committees, reviews the effectiveness of the internal control framework. The Audit Committee receives reports of reviews undertaken by the Internal Audit function as well as reports from the External Auditors, Deloitte LLP, which include details of internal control matters they have identified as part of their external audit. Other key elements of the Group's system of internal control include the Risk and Control Self-Assessment process, regular meetings of the Executive and Board Risk Committees and monthly financial and operational reporting. The Audit Committee also receives an assurance report from the Chief Internal Auditor on the effectiveness of the internal control environment.

During 2024, the Committee reviewed the procedures for detecting fraud affecting financial reporting, and a report from the Head of Financial Crime on the systems and controls for the prevention of bribery. The financial reporting process is operated by suitably qualified and experienced accountants and designed to provide assurance regarding the reliability of financial reporting and preparation of financial statements through documented procedures and accounting policies. It operates under the Group's Enterprise-Wide Risk Management framework, where controls are in place to provide assurance over the preparation of the financial statements. The Annual Report and Accounts are reviewed throughout the financial reporting process by relevant senior managers prior to presentation to the Audit Committee, which provide review and challenge, before recommending to the Board for approval.

The Committee's review of the internal control framework concluded that it was operating satisfactorily and that there were satisfactory processes in place to ensure appropriate financial and regulatory reporting controls over the Group and that the Group operated a robust three lines of defence model.

Committee performance review

During the reporting period, an internal assessment was conducted, which considered the Committee's effectiveness as part of the wider Board performance review. For details on the process followed please see page 78. The performance review confirmed that Committee members and other respondents considered that the Committee was performing very effectively with strong performance in all areas. There were a number of areas of focus identified for 2025, which included:

- Arranging a deep-dive session on IFRS 9 models, with a number of changes implemented during the year.
- Focus on the implementation of procedures to ensure compliance with the new Corporate Governance Code provisions on internal controls.
- Include an update from the Group's Assumptions Committee at each meeting.
- Effective oversight of the transition to a new lead external Audit Partner.

Risk Committee report
Statement by the Chair of the Risk Committee

"The Committee has focused on the Group's collections capability and performance, in particular for the Vehicle Finance business."

Paul Myers
Chair of the Risk Committee

I am pleased to present the report of the Risk Committee (the 'Committee') for the financial year ended 31 December 2024, which provides an overview of the Committee and the work it has undertaken during the year.

In October 2024, we welcomed Victoria Mitchell as a member of the Committee. Victoria, who was appointed a Non-Executive Director of the Company in November 2023, previously served as General Counsel and Chief Risk Officer of Capital One (Europe) plc and brings a wealth of experience that will benefit the operation of the Committee.

This year, the UK saw a continued reduction in inflation albeit this has remained elevated and, while interest rates stabilised, they remained high causing continued challenges in consumer and business affordability. There was greater uncertainty for much of the year with a change in the UK Government and a slowdown in economic growth impacting the markets in which we operate. The Committee continued to monitor the risks arising from the macroeconomic environment, particularly credit risk, and potential mitigations to minimise any impacts on the Group.

As discussed in our Strategic Report, there have been legal and regulatory developments which have impacted the Group in 2024, specifically our Vehicle Finance business. Assessing the impacts and responses to these has been a key priority for the Committee.

The Committee has focused on the Group's collections capability and performance, in particular for the Vehicle Finance business, following the FCA's BiFD review. The Group has overhauled extensively its collections processes, overseen by the Committee and Board via regular updates on activity and levels of impairment.

There was disruption across the motor finance industry following the Court of Appeal's judgment on commissions, further information on which can be found in Note 29 on page 162.

During the year, the Committee oversaw enhancements to the Group's Risk Appetite Statements, streamlining the number of risk appetite metrics monitored by the Committee, enabling greater focus on material risks to the Group, aligned with the Group's medium-term strategy. The Committee challenged the governance process to ensure there was appropriate monitoring of the risk appetite metrics within the wider governance framework and timely escalation of issues to the Committee.

The Committee has focused on operational resilience, particularly the Group's project to test the resilience and recovery of important business services in line with the new regulatory requirements. The Committee has also overseen project and change risk, especially in light of the changes to the Group's operating model and ensuring that risks arising from the changes were managed effectively.

Looking ahead, there will be continued focus on the macroeconomic environment, particularly the UK's growth and interest rates and the potential impacts on our customers and the business. Legal and regulatory developments will continue to be a key priority, with further clarity anticipated about motor finance commissions from the FCA and the outcome of the UK Supreme Court appeal later in 2025. We will continue to monitor other regulatory developments including the implementation of Basel 3.1 and the Small Domestic Deposit Takers framework, the implementation of which in the UK has been delayed. Operational resilience, particularly cybersecurity and information security, and the risks and opportunities arising from artificial intelligence, will be at the forefront of our agenda as we navigate a rapidly evolving risk landscape.

Further information on the activities of the Committee during the year is provided in the following report and additional information about risk-related matters can be found in the Principal risks and uncertainties section on pages 30 to 39.

Finally, I would like to thank my Committee and Board colleagues and the management team for their hard work and dedication during what has been another busy year for the Committee.

Paul Myers
Chair of the Risk Committee

Risk Committee report

Committee Governance

The Committee met six times during the year and members' attendance is summarised in the table on page 68.

Meetings of the Committee were regularly attended during the year by the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor. In addition, the Chief Operating Officer, Chief Compliance Officer, Head of Enterprise-Wide Risk, Head of Financial Crime and other senior managers attended meetings to present their reports and answer questions from the Committee. Risk Committee meetings were also attended, on occasion, by other Non-Executive Directors including the Chair of the Board. The Committee maintains a close and open dialogue with the Chief Risk Officer, routinely holding private sessions with him following Committee meetings and as required between meetings.

The Chair of the Risk Committee reports to the Board on the outcome of Committee meetings and any recommendations arising from the Committee. The Company Secretary, or their alternate, acts as Secretary to the Committee.

All Committee materials and minutes from the meetings are made available, as appropriate, to all Board members.

The Code states that, where a company has a separate Risk Committee, it should be comprised of Independent Non-Executive Directors. The Committee membership complied with the Code provision for independence throughout 2024.

Key responsibilities

The purpose of the Risk Committee is to assist the Board in its oversight of management's responsibility to implement an effective risk management framework reasonably designed to identify, assess and manage the Group's strategic, credit, market, conduct and operational risks. It considers, recommends and monitors the Group's risk appetite in relation to the current and future strategy of the Group and oversees the Group's compliance framework and processes. The Committee's responsibilities also include approval of prudential risk-related documentation, risk policies and the review of associated frameworks, analysis and reporting.

Items considered by the Committee during the reporting period

The Risk Committee has a 12-month forward looking agenda that details agenda items for discussion at each of the scheduled meetings. It is updated in real time to include any new or emerging issues pertinent to the Group.

At each meeting the Committee receives reports from the Chief Risk Officer, Chief Financial Officer, Head of Enterprise-Wide Risk, Chief Operating Officer, Chief Compliance Officer and the Head of Financial Crime providing updates relevant to their responsibilities and within the Committee's remit. The Group's Executive Risk Committee and Assets and Liabilities Committee report to the Committee on their activities at each meeting. The principal matters discussed during the year, and up to the date of this report, are detailed in the table below.

Items considered	Outcomes
Group risk appetite statement and key risk indicators	The Group's risk appetite statement and risk appetite metrics are reviewed annually by the Committee and recommended to the Board for approval. While there were no changes to the Group's risk appetite statements, the Committee challenged some of the proposed changes to the risk appetite metrics and the applicable thresholds. In addition, the risk appetite metrics were classified into three tiers, with appropriate monitoring by the Committee, the Executive Risk Committee and the first line accordingly. The Committee challenged the governance process for monitoring the lower level risk appetite metrics and how this would be escalated through the governance framework. The changes have enabled the Committee to focus on principal risks and key metrics aligned to the medium-term strategy. The Committee recommended the risk appetite statement, subject to a small number of changes, which were implemented before presentation to the Board. Throughout the year, the Committee reviewed performance against the risk appetite statements by reference to the risk appetite metrics and management information provided to each meeting.
Enterprise-Wide Risk Management Framework	The Committee is responsible for reviewing the Enterprise-Wide Risk Management Framework ('EWRMF') on an annual basis. A number of changes were proposed this year to ensure appropriate monitoring of risks throughout the governance framework aligned to the changes to the classification of the risk appetite statement metrics as described above. The Committee agreed with the proposed changes and approved the EWRMF.
Risk culture	The Committee considered an assessment of the risk culture in place across the Group, which was prepared by the second-line functions. The assessment demonstrated there was a strong risk culture in place throughout the Group.

Risk Committee report

Items considered	Outcomes
Strategic and operational risks	The Committee oversees the management of strategic and operational risk across the Group. The Head of Enterprise-Wide Risk presented the outcomes of the Strategic and Operational Risk Review to the Committee, which included the results of the annual Risk and Control Self-Assessment ('RCSA'). The Committee noted the reduction in the number of identified risks and improvements in the control environment primarily driven by the simplification of the business, implementation of control findings by management and harmonisation of controls across functions. Strategic risks were discussed and challenged throughout the year. In assessing strategic risks, the Committee considers the existing process and internal controls in operation and reviews the recommendations from the Risk and Compliance functions on how to adapt the controls to mitigate those risks. When reviewing the strategic and operational risks the Committee also considered emerging risks, including the likelihood and impact upon the Group. A Chief Operating Officer Report has been introduced at each meeting, which provides the Committee with a first-line view of operational risk, particularly within IT and Change and updates the Committee on any matters relevant to its remit.
Climate risk	The Committee received reports from management on the Group's direct and indirect exposure to climate risk. Risk appetite thresholds, such as flood risk for the Real Estate Finance business and vehicle age for the Vehicle Finance business, have been monitored and challenged by the Committee during the year. For further information on the Group's response to climate risk, see the Group's Climate-related financial disclosures on pages 54 to 65.
Macro risk	Updates from the Chief Risk Officer were provided to the Committee on the wider macro risk particularly arising from the change in UK Government and 2024 Budget, economic outlook and potential monetary and fiscal policy on the Group. The Committee considered potential impacts on our customers including customer affordability and potential changes to customer sentiment.
Credit risk	The Committee has continued to focus on credit risk across the Group and receives reports on key risk indicators for credit risk, together with quarterly assessments of each portfolio's credit profile, including impairments, bad debts, watch-lists, collections data and any policy exceptions. Credit risk performance for all business units was kept under regular scrutiny and the changing trading environment of businesses was considered along with concentration risk. The Committee has received regular reports on the Group's collection strategy and collection performance within Vehicle Finance, following the FCA's BiFD review. The Committee has welcomed the progress in developing the collections strategy, including the centralisation of the function and increased use of digital communications, with the levels of early arrears reducing over the year. However, work to recover value from the excess defaulted balances will continue to be a key area of focus during 2025.
Operational resilience and risk, including cyber, information security resilience risk and business continuity	The Committee oversees the operational risk framework, including appropriate reporting of metrics, key risk indicators and the output from the annual RCSA undertaken by individual business units and functions. To assist in understanding how the risk framework is embedded within the Group and to challenge the effectiveness of the risk management function, the Committee receives a quarterly review of material operational risk events/losses, performance against the key operational risk appetite metrics, together with the key findings from annual RCSAs. The Committee has focused on operational resilience during the year, particularly the project to test the resilience of important business services to ensure that these can be recovered within our impact tolerances and considered the Internal Audit review of this project. The Committee has reviewed progress in addressing the actions identified, including the development of further testing scenarios. The Committee receives regular updates from the Chief Operating Officer on the strategies undertaken within the Group to understand, identify, monitor and respond to current and upcoming cyber threats and the Group's cyber resilience profile. This included a revised Information Security strategy that introduced centralised system management and advanced tooling.

Risk Committee report

Items considered	Outcomes
Capital and liquidity risk	The Committee has continued to monitor capital and liquidity risk and receives updates on these items at each meeting. The Committee has primary responsibility for reviewing and making a recommendation to the Board on the Group's ICAAP, ILAAP and the Recovery Plan and Resolution Pack. The Committee reviewed key assumptions, stress test scenarios and outputs used in these processes in advance of considering the final documents for recommendation to the Board. The Committee also considered the output of Internal Audit's reviews of the documents and the policies followed. Enhanced early warning mechanisms and adjustments to key recovery indicators were implemented to better align with the Group's risk appetite. The Committee also reviewed and approved the Group's annual Pillar 3 disclosures, which were recommended to the Board.
Regulatory and conduct risk	The Committee receives reports at each meeting on key risk indicators for regulatory, reputational and conduct risk, regulatory incidents and key advisory activities of note, engagement with regulators, horizon scanning, actions to implement new and revised regulations or legislation and the outputs of the Compliance Monitoring Plan. The Committee also considered and questioned the effectiveness, robustness and resourcing of the Compliance function. The Committee has considered the legal and regulatory risks arising from the FCA's review of discretionary commission arrangements within the motor finance sector and the Court of Appeal's judgment on three cases with motor finance commission payments and their potential impact on the Group. The Committee challenged the changes introduced to the Group's systems and processes to address the Court of Appeal's judgment to ensure these were sufficiently robust. The Committee reviewed the Data Protection Officer's Report and requested a review of the Group's compliance with its internal Data Retention Policy. The Committee reviewed and approved the Compliance Monitoring Plan for 2025 and considered the interaction of this plan with the Internal Audit plan to provide appropriate coverage of the Group's risk profile. As detailed above, the Committee regularly received and considered reports and updates from the Chief Operating Officer, Chief Risk Officer and Chief Compliance Officer following the FCA's BiFD review and the progress against the project including second and third-line assurance.
Financial crime	The Committee received reports at each meeting from the Head of Financial Crime, including updates on key risk areas such as sanctions, Authorised Push Payment ('APP') fraud and facilitation of tax evasion risk. The Committee reviewed the Annual Report from the Money Laundering Reporting Officer and the annual anti-bribery and corruption management information report. The Committee received updates on the progress of the Financial Crime Transformation Programme and has been pleased with the progress made, with the programme being closed in early 2024. The Committee has also approved the Financial Crime Monitoring Plan for 2025, as part of the wider Compliance Monitoring Plan.
Governance	During the year, the Risk Committee reviewed its Terms of Reference and various policies. A full copy of the Terms of Reference for the Risk Committee can be obtained via the Group's website (www.securetrustbank.com/corpgov). The Committee undertook an internal review of its performance in 2024 and further information on the process followed can be found on page 78. The result of the performance review demonstrated that the Committee was performing effectively and that there had been good progress from the previous year's performance review, particularly around a holistic view of risks across the organisation, improvements in the quality of Committee papers and enhancements to the risk framework. The review indicated there were a number of areas which the Committee should focus on in 2025 including: • Arranging deep-dives on specific areas relevant to the Committee's responsibilities and which have been impacted by recent organisational changes including IT, Data, Credit risk and a review of emerging risks, especially in light of legal and regulatory developments. • To continue to drive improvements in MI and papers received by the Committee with a focus on operational matters following the organisation restructure and to review and enhance the Committee's forward agenda.

This table is not a complete list of matters considered by the Committee but highlights the most significant matters for the period in the opinion of the Risk Committee. For more information on the framework for managing risks within the business see the Principal risks and uncertainties section on pages 30 to 39.

Directors' Remuneration Report
Statement by Chair of the Remuneration Committee

"The Committee has carefully considered the Company's financial and risk management performance, strategic progress and the experience of our stakeholders, together with the need to reward performance and have appropriate retention in place."

Julie Hopes
Chair of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report ('DRR') for the year ended 31 December 2024, my first as Chair of the Remuneration Committee.

As outlined in the Strategic Report, the Company has faced a number of challenges during the year which have impacted the Company's performance and share price and, in turn, our stakeholders' experience. This has included our shareholders and our employees, many of whom own shares in the Company and have elements of their compensation paid via share-based awards. The Committee has carefully considered the Company's financial and risk management performance, strategic progress and the experience of our stakeholders, together with the need to reward performance and have appropriate retention in place.

Performance and incentive outturns for 2024

Performance

While the financial performance of the Company was below expectations for the year, primarily due to the level of impairments in our Vehicle Finance business, management delivered adjusted profit before tax of £39.1 million representing an 8.2% decrease from the 2023 outturn of £42.6 million. Adjusted profit before tax pre-impairments increased from £85.5 million in 2023 to £100.9 million in 2024, an 18% increase. There has been further progress towards our medium-term targets, including our net lending target of £4 billion, with net lending as at 31 December 2024 of £3.6 billion (2023: £3.3 billion) and a rigorous approach to cost management, resulting in an adjusted cost income ratio of 50.9% (2023: 54.0%). Management have focused on areas of strategic importance during the year, including further investment in our Vehicle Finance collections activities, following the FCA's BiFD review, and the centralisation of our operating model. Further information on the performance of the Group can be found within our Strategic Report.

Bonus outturn

The Executive Directors' annual bonus scorecard is based on financial metrics, which account for 65% of the weighting and 35% on strategicmetrics.

Based on a formulaic assessment of performance in the period, the outturn for the financial metrics amounted to 11.7% out of a maximum of 65%. We carefully considered this outcome within the context of a range of factors including the performance of the business against budget and the experience of shareholders during the year. The Committee determined it was appropriate to exercise downward discretion to the formulaic outcome and reduced the outturn of the financial metrics to 0%.

The Committee then assessed management's performance against the strategic elements of the bonus scorecard, which included the effective delivery of various strategic objectives and additional issues addressed by management during the period. This assessment resulted in a total bonus outturn of 17.5% for the Chief Executive Officer ('CEO') and 25% for the Chief Financial Officer ('CFO'). A full disclosure of the bonus determination process and the scorecard outcomes is provided on pages 102 and 103. In line with the Directors' Remuneration Policy, 50% of the bonus is deferred into shares under the Company's Deferred Bonus Plan ('DBP').

Long Term Incentive Plan ('LTIP') outturn

The performance period for the 2022 LTIP award, in which both of the Executive Directors participate, ended on 31 December 2024 and awards are due to vest in April 2025. The Committee assessed the performance conditions attached to the 2022 LTIP, which were primarily based on Total Shareholder Return ('TSR') metrics, which totalled 75% of the award and 25% on a risk management metric. The assessment of the TSR performance conditions resulted in 0% vesting for these elements.
The Committee noted the material impact on TSR, following the Court of Appeal's judgment on motor finance commissions, which resulted in a material fall in the Company's share price towards the end of the performance period when relevant TSR measurements are made. The Committee considered the risk management performance condition, including how different risk types had been managed during the period, management's responses to risk events and the risk culture and behaviours in evidence throughout the performance period.

Directors' Remuneration Report
Statement by Chair of the Remuneration Committee

This review was supported by reporting from the Group's Chief Risk Officer and after due consideration the Committee approved a vesting level of 15% out of a maximum of 25%. This resulted in an overall vesting level of 15% for the 2022 LTIP.

Wider workforce

As part of the annual deep dive of remuneration for the wider workforce, we considered the performance linkage to bonus assessments and pay reviews for those employees outside of Senior Management. The Committee reviewed and agreed the overall bonus pool for the Group. In addition, the Committee received updates on the Gender Pay Gap actions and Equity, Diversity and Inclusion progress and initiatives being undertaken across the Group.

2025 remuneration

Following the year-end, the Committee reviewed pay increases for the employee population as well as Senior Management, including the Executive Directors. Average salary increases across the Group for 2025 will be 3%, which will also be applied to the Executive Directors.

We have approved annual grants under the Company's executive share schemes, which will be made to participants after the release of the Company's annual results in March 2025. When approving the grant we considered the fall in the Company's share price, the impact this would have on grant levels and whether this created share plan dilution issues and the potential for windfall gains.

The Committee discussed the uncertainty across the industry, caused by the Court of Appeal's judgment and the need to ensure appropriate incentivisation and retention for the Executive team. It was, therefore, agreed that awards would not be scaled at grant but the Committee would consider the outcomes at vesting and, in the event of windfall gains, would exercise its discretion to reduce the level of vesting. This will be highlighted to participants in the grant documentation. No share plan dilution issue will impact the Company as, earlier in 2024, the Company committed to using its Employee Benefit Trust ('EBT') to purchase shares for the 2025 share plan awards.

The Committee has also decided to defer setting the performance conditions for the 2025 LTIP grants until H2 2025. In the first half of this year, the Company is undertaking a Group-wide review to define a fresh ambition to scale the business and accelerate growth in returns for our shareholders. Ensuring the performance conditions for the LTIP, which have a three-year performance period, are aligned to our new ambition is of key importance in driving delivery of the refreshed plan and aligning remuneration to the desired performance outcomes, which will benefit our stakeholders. Appropriate disclosure regarding the performance metrics for the 2025 LTIP awards will be made retrospectively in our DRR for 2025.

Forward look

Our current policy, approved by shareholders in 2023 with 95.88% support, will be due for renewal at the 2026 AGM. This will be a key focus for the Committee during 2025 and I look forward to engaging with our shareholders over the year to understand their views when developing the revised policy. In addition, the Committee will consider the appropriate performance metrics for the 2025 LTIP grant, once the strategy refresh has been undertaken in H1 2025 as explained above.

Concluding thoughts

I would like to thank all of the Committee members for their contributions and particularly to extend my thanks to Victoria Stewart for her support and generosity with her time during the transition of Chairship. I would also like to thank all those who have supported the work of the Committee and helped to ensure a smooth handover of responsibilities.

The Committee welcomes all input on remuneration and I am looking forward to engaging with shareholders at the 2025 AGM and hearing your views directly. Alternatively, if you are not able to attend the AGM, you can email me any comments or questions on the DRR via the Company Secretary at companysecretariat@securetrustbank.co.uk.

Julie Hopes
Chair of the Remuneration Committee

Directors' Remuneration Report

Executive Directors: Remuneration at a glance

	Salary	Pension and benefits	Annual bonus	LTIP	Minimum Shareholding Requirement ('MSR')	Malus and clawback
Purpose	Supports attraction and retention of Executive Directors to deliver the key strategic objectives.	Supports retention of Executive Directors.	Incentivises the delivery of key financial and non-financial strategic objectives.	Incentivises delivery of the long-term sustainable success of the Company for shareholders. Alignment of Executive Directors' and shareholders' interests.	Ensuring alignment of Executive Directors' and shareholders' interests.	Ensuring that the Company can reduce variable compensation should material adverse events occur or come to light that impact the appropriate quantum of the original award.
Key features of current policy	Reviewed annually and takes into account a range of factors including: • skills and experience of the individual; • benchmarking of peer data; • wider market and economic conditions; and • the level of salary increases in the wider employee population.	Provision of benefits that are competitive and linked to market practice. The maximum Company pension contribution is 5% of salary.	Maximum opportunity of 100% of salary. Balanced scorecard approach based on financial and non-financial metrics approved by the Remuneration Committee. 50% of total bonus deferred in to share options and vesting over three years in annual tranches. Payments are subject to risk assessment and subject to the Remuneration Committee's discretion. Malus and clawback provisions also apply.	Maximum opportunity of 100% of salary for both the Executive Directors. Awards are subject to performance conditions assessed over a three-year performance period and are subject to an additional two-year holding period post-vesting. Vesting is subject to risk assessment. Malus and clawback provisions apply.	Executive Directors are required to build a minimum shareholding equivalent to 200% of base salary. Post-employment shareholding requirement for Executive Directors for two years.	Malus and clawback provisions apply to all variable remuneration. Awards under the discretionary share plans are subject to the clawback provision up to the fifth anniversary of the grant date. Bonus payments are subject to clawback from three years of payment and one year from vesting for the deferred elements. The Committee believes, in light of the Company's business, that the majority of issues would be identified within this period. In addition, the Committee retain the right to extend this period in the event of an investigation by the Company or a regulator, until the conclusion of the investigation. Circumstances under which the malus and clawback provisions may be invoked include, among other matters: • material misstatement of financial results; • assessment of performance condition or target being based on material error or materially inaccurate or misleading information; • the action or conduct of the participant amounting to fraud or gross misconduct; • participant being subject to regulatory censure in respect of a material failure in control; • a material failure of risk management and/or regulatory non-compliance resulting in damage to the Company's business or reputation; and • any circumstances that the Remuneration Committee consider to have a similar impact to the above.

Directors' Remuneration Report

	Salary	Pension and benefits	Annual bonus	LTIP	Minimum Shareholding Requirement ('MSR')	Malus and clawback
Planned implementation for the year ending 31 December 2025	CEO: £731,581 p.a. 3% increase CFO: £509,850 p.a. 3% increase	No change from prior year.	100% of salary max opportunity	100% of salary annual award	MSR will continue to be monitored in 2025.	In line with the Directors' Remuneration Policy.
Implementation for the year ended 31 December 2024	CEO: £710,273 p.a. CFO: £495,000 p.a.	No change from prior year. Pension contribution remains at 5% of base salary.	Bonus outcomes (% of max) CEO: 17.50% CFO: 25%	Vesting of 2022 LTIP at 15% for both CEO and CFO in April 2025.	Neither Executive Director has achieved the minimum shareholding requirement, which has been impacted by the recent fall in the Company's share price. Details on the Executive Directors' shareholdings can be found on page 105.	In line with the Directors' Remuneration Policy.

Committee governance

The Remuneration Committee met five times during the year and members' attendance is summarised in the table on page 68. The Committee membership complied with the Code provision for independence throughout 2024. The Board Chair was also a member of the Committee, as he was considered independent on appointment as Chair.

Meetings of the Committee were regularly attended during the year by the Chief Executive Officer, Chief People Officer, Company Secretary, Chief Risk Officer, the external remuneration consultant and senior members of the Reward team, as well as other members of the Board at the invitation of the Committee.

The Chair of the Remuneration Committee reports to the Board on the outcome of Committee meetings and any recommendations arising from the Committee. The Company Secretary, or their alternate, acts as Secretary to the Remuneration Committee. Committee materials and minutes from the meetings are made available, as appropriate, to all Board members.

A copy of the Committee's Terms of Reference can be obtained via the Group's website (www.securetrustbank.com/corpgov).

Directors' Remuneration Report

Role of the Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibilities for remuneration including, among other matters, determining the policy for the individual remuneration and benefits packages of the Executive Directors and the Group's Material Risk Takers ('MRTs'). The Committee also reviews workforce remuneration, related policies and how executive and wider workforce pay are aligned to the culture of the Group.

Key matters considered by the Committee during the year, and up to the date of this report, were:

Items considered	Outcomes
Executive Directors' remuneration	The Committee agreed the annual bonus outcomes for both the CFO and CEO for the 2024 performance year, as well as their respective salary increases for 2025. The Committee considered the Executive Directors' performance, Group performance, progress against strategic objectives, stakeholder experience and benchmarking for each role. Further information on the outcomes can be found from page 102. The Committee approved the grant of LTIP options to each Executive Director in line with the DRR and elected to defer setting of the performance conditions (as outlined on page 95), to ensure that the performance conditions are aligned to the Group's ambitions over the performance period.
Senior Managers' remuneration	The Committee considered and approved remuneration for individual MRTs, using benchmarking data, and assessed the outcomes of scorecards to assess performance for bonuses. The Committee approved the quantum of awards used for the LTIP and DBP grants. As part of the focus in 2024 on simplifying the Group's target operating model, the Committee reviewed and approved remuneration packages for a number of individuals stepping into MRT roles within the business. When considering MRT remuneration packages, the Committee balances the need for packages to remain competitive, promote equity, diversity and inclusion, while remaining appropriate for a group the size of Secure Trust Bank PLC. For senior individuals leaving the Group, the Committee considered and approved their redundancy packages and treatment of share-based awards.
Chair's remuneration	The Committee considered the Chair's fee during the year. While a mechanical process was implemented in 2019 to increase the Chair's and Non-Executive Directors' fees in line with employees' average salary increases in the prior year, the Committee resolved that, given that the Chair was appointed in the year, it was not appropriate to apply an increase to the Chair's fee from 1 January 2025.
Wider workforce remuneration	In March 2025, the Committee reviewed the proposed Group bonus pool to be paid in April 2025 in respect of performance for the 2024 financial year and the proposed average salary increase to be effective from April 2025. The Committee, having regard to the guidelines issued by institutional investors regarding reward, regulatory requirements and guidance, the review of the going concern and viability assessments conducted by the Audit Committee and conduct review by the Chief Risk Officer, concluded that the payment of a bonus to all employees who met the individual performance criteria was appropriate and in the best interests of the Group. The Committee reviewed and agreed the proposed distribution and quantum of the Group bonus pool and also approved an average 3% salary increase for employees. The Committee reviewed dashboard information, processes and guidelines for annual remuneration for the entire employee workforce, including more granular information on the Compliance and Risk functions to ensure remuneration for these key control functions was appropriate and would not promote excessive risk taking. The Committee reviewed the Group's benefits package, which included additional digital health benefits rolled out to all employees. The Committee also reviewed the outcomes of the Group's Gender Pay Gap reporting, which has continued to improve year on year.

Directors' Remuneration Report

Items considered	Outcomes
Discretionary share plans and dilution	The Committee reviewed the outcome of the performance metrics for the 2022 LTIP grant, which will mature in April 2025 with a 15% vesting level. The Committee elected not to utilise its discretion to modify the formulaic outcome of the vesting of the awards, which was considered to be aligned to the shareholder experience over the full performance period. The Committee has reviewed and agreed the participants and quantum for the 2025 LTIP grant. As highlighted in my opening letter, the performance conditions attached to this grant will be agreed during 2025, with further detail provided in the 2025 DRR, and the grants will be made using an average share price in the three days immediately prior to grant. The Committee reviewed and approved the participants under the 2025 DBP grant and agreed the quantum of share options to be granted relative to the portion of bonus to be deferred into shares. The Committee further agreed the vesting of tranches of the DBP under the 2022, 2023 and 2024 grants. Malus and clawback provisions were reviewed, with relevant clauses being included in all LTIP and DBP standard documentation. The Committee discussed the dilution impact to shareholders as a result of settling awards via issuance of new shares. Following creation of the EBT in October 2022, exercises under discretionary awards can be satisfied from shares purchased in the market by the EBT, which will not impact dilution levels. The Committee agreed to increase the use of market purchase shares through the Company's EBT for discretionary share plans and the grants made in 2025 will all be satisfied by market purchase shares. The Committee will continue to monitor share plan dilution levels which, for discretionary plans, currently stand at 2.13% of the issued share capital and manage these appropriately.
All-Employee Sharesave ('SAYE') plan and dilution	The Committee reviewed and approved the 2024 SAYE plan invitation to all eligible employees, once again reducing the maximum savings contribution for the year to £250, to continue to manage potential dilution impacts to existing shareholders. The SAYE plan is popular across the Group and dilution under this all-employee plan, which includes all outstanding awards, stands at 4.06% of the issued share capital. We strongly support the SAYE plan, which provides all employees with the opportunity to purchase shares in the Company and helps to align all employees' interests with that of our shareholders and creates a culture of ownership. The 2021 SAYE grant matured in November 2024 and as the option price was below the share price, no participants exercised their options.
DRR and other disclosures in the Annual Report and Accounts	The Committee considered the disclosures required in the Annual Report and Accounts and recommended its approval to the Board. The Committee received advice from the Company Secretary, Chief People Officer and FIT Remuneration Consultants LLP ('FIT') when compiling the DRR and the additional disclosures in the Annual Report and Accounts.
Governance matters	The Committee reviewed the outcomes of the annual internal audit review of the implementation of the remuneration policy. During the reporting period, an externally facilitated internal assessment considered the Committee's performance as part of the wider Board effectiveness review. Please see page 78 for further information on the process followed. The result of the performance review confirmed that the Committee was considered to be performing effectively and highlighted the transition in Chair of the Committee. Following the performance review there are a number of areas identified for the Committee's focus in 2025, particularly to ensure appropriate alignment of pay and performance, which supports the refreshed strategy, a holistic review of the Directors' Remuneration Policy and the need to drive improvements in MI and reports provided to the Committee. The Committee has also reviewed a number of workforce policies, including the Application of Proportionality and Material Risk Takers policies, as well as the All-Employee Remuneration Policy and the Remuneration Policy Statement.

This table is not a complete list of matters considered by the Committee but highlights the most significant matters for the period in the opinion of the Remuneration Committee.

Directors' Remuneration Report

Remuneration consultant and Committee advice

During the year, the Committee received external advice from FIT. The appointment of FIT to advise the Committee was made in September 2020 following a competitive tender process.

FIT has no other significant connection with the Group or its Directors other than the provision of advice on executive and employee remuneration, and related matters. FIT is a member of the Remuneration Consultants Group and abides by its code of conduct that requires remuneration advice to be given objectively and independently. The total fee paid for the provision of advice to the Committee during the year was £71,076 (excluding VAT) (2023: £105,442). FIT also provided support to the People Team, Company Secretary and Legal teams on remuneration implementation. The Committee is satisfied that the advice provided in the year by FIT on remuneration matters is objective and independent.

The Committee received advice on specific matters from internal advisers, management and the Company Secretary and is satisfied that the Committee has exercised independent judgement when evaluating the advice received from all its advisers.

Directors' Remuneration Report

The information contained in the Directors' Remuneration Report is subject to audit, where indicated in the report, in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Directors' Remuneration Report contains the Annual Remuneration Report, which explains the operation of remuneration-related arrangements for 2024.

A full copy of the existing Directors' Remuneration Policy, which was approved by shareholders at the 2023 AGM, can be found on the Group's website as part of our 2022 Annual Report and Accounts.

How we link executive remuneration to our strategy

The key principles behind the Directors' Remuneration Policy are to:

- be simple and transparent in order to reflect the Group's purpose;
- promote the long-term sustainable success of the Group, with transparent and demanding performance conditions;
- provide alignment between executive reward and the Group's values, risk appetite and shareholder returns; and
- have a competitive mix of base salary and short and long-term incentives, with an appropriate proportion of the package linked to the delivery of sustainable long-term returns.

In developing and implementing the Directors' Remuneration Policy, we have also had regard to regulatory requirements for senior managers under the Senior Manager Regime. The Group is currently a Level 3 firm within the classifications applied by the financial regulators for regulated entities. This means that the Group is not required to satisfy in full all elements of the FCA and Prudential Regulation Authority ('PRA') remuneration codes.

Notwithstanding this, in formulating and applying the Directors' Remuneration Policy the Committee has had regard to the remuneration codes when considering existing and proposed remuneration and also the remuneration-related provisions of the UK Corporate Governance Code.

Directors' Remuneration Report

Single figure table (audited information)

The following table sets out total remuneration earned for each Director in respect of the year ended 31 December 2024 and the prior year.

	Salary and fees[1]		Benefits		Annual bonus[2]		Pension		Shares[3,4]		Total remuneration		Total fixed remuneration		Total variable remuneration	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Executive Directors																
D McCreadie	**705**	685	**2**	1	**124**	283	**35**	35	**43**	75	**909**	1,079	**742**	721	**167**	358
R Lawrence	**479**	430	**23**	22	**124**	183	**24**	21	**28**	57	**678**	713	**526**	473	**152**	240
Non-Executive Directors[5]																
J Brown	**174**	–	**–**	–	**–**	–	**–**	–	**–**	–	**174**	–	**174**	–	**–**	–
A Berresford	**122**	120	**2**	1	**–**	–	**–**	–	**–**	–	**124**	121	**124**	121	**–**	–
V Mitchell[6]	**82**	13	**–**	–	**–**	–	**–**	–	**–**	–	**82**	13	**82**	13	**–**	–
P Myers	**107**	105	**–**	–	**–**	–	**–**	–	**–**	–	**107**	105	**107**	105	**–**	–
F Williamson	**92**	90	**2**	1	**–**	–	**–**	–	**–**	–	**94**	91	**94**	91	**–**	–
J Hopes[7]	**15**	–	**–**	–	**–**	–	**–**	–	**–**	–	**15**	–	**15**	–	**–**	–
Former Directors																
M Forsyth[8]	**70**	230	**3**	3	**–**	–	**–**	–	**–**	–	**73**	233	**73**	233	**–**	–
V Stewart[9]	**102**	100	**2**	1	**–**	–	**–**	–	**–**	–	**104**	101	**104**	101	**–**	–
Total	**1,948**	**1,773**	**34**	**29**	**248**	**466**	**59**	**56**	**71**	**132**	**2,358**	**2,456**	**2,041**	**1,858**	**319**	**598**

1. The 2024 base salary figures are based on three months of salaries approved in April 2023 (David McCreadie £689,585 and Rachel Lawrence £432,847), and nine months of salaries approved in April 2024 (David McCreadie £710,273 and Rachel Lawrence £495,000). The 2023 base salary figures are based on three months of salaries approved in April 2022 (David McCreadie £669,500 and Rachel Lawrence £420,240), and nine months of salaries approved in April 2023 (David McCreadie £689,585and Rachel Lawrence £432,847).
2. In respect of the 2024 financial year, David McCreadie received an annual bonus of £124,298, of which £62,149 will be deferred into share awards and Rachel Lawrence received an annual bonus of £123,750 of which £61,875 will be deferred into share awards.
3. The shares values for David McCreadie and Rachel Lawrence reflect the performance vesting of the 21 April 2022 LTIP award where performance was measured to 31 December 2024. This award partially vested giving David McCreadie 7,959 vested shares and Rachel Lawrence 4,996 vested shares, which for the purpose of providing an estimated value for this table, was multiplied by the average share price in the three month period to 31 December 2024 (521.4p). No element of the values shown represent share price growth as the share prices at 31 December 2024 were lower than the share prices at the respective dates of award (5 April 2022: 1240p). Details of awards made under the LTIP and DBP can be found on page 104.
4. This includes the value of the SAYE options granted to David McCreadie and Rachel Lawrence on 26 September 2024 (calculating the number of shares in the option (1,326 shares) multiplied by the difference in the option price (699.0p) and the market value of the shares on 26 September 2024 (814.0p)).
5. Non-Executive Directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by the Company. These expenses and the related tax have not been included in benefits listed in the table above.
6. Victoria Mitchell was appointed as a Non-Executive Director on 1 November 2023 and was appointed to the Remuneration and Nomination Committees. She was appointed to the Risk Committee effective 24 October 2024.
7. Julie Hopes was appointed as a Non-Executive Director on 24 October 2024 and was appointed as a member of the Audit, Remuneration and Nomination Committees. She was appointed Chair of the Remuneration Committee on 31 December 2024.
8. Michael Forsyth stepped down as Chairman of the Board on 16 May 2024.
9. Victoria Stewart stepped down from the Board from 31 December 2024.

The figures in the single figure tables above are derived from the following:

Salary and fees	The amount of salary/fees received in the year.
Benefits	The taxable value of benefits received in the year. These are principally private medical health insurance and travel allowances.
Annual bonus	The value of the bonus earned in respect of the financial year (including the proportion of the amount earned that is subject to deferral).
Pension	The amount of payments in lieu of Company pension contributions received in the year.
Shares	The value of LTIP awards vesting in relation to performance periods ending in 2024 and also the value of SAYE options granted during the year.

Directors' Remuneration Report

Additional disclosures in respect of the single figure table (audited information)

Base salary and fees

Base salaries for the Executive Directors in respect of the year ended 31 December 2023 and 31 December 2024 are as follows:

	2024 base salary £'000	2023 base salary £'000
D McCreadie	**710**	690
R Lawrence	**495**	433

The Executive Director base salaries are the annual salaries as agreed by the Remuneration Committee for each year.

Bonus arrangements

For the financial year ended 31 December 2024, Executive Directors were eligible for an annual bonus award of up to 100% of salary; 65% of the bonus was subject to financial metrics and risk performance metrics and 35% of the bonus was subject to a mixture of strategic, stakeholder, operational and employee performance ('Non-financial') metrics.

Financial and risk performance metrics

The financial and risk performance metrics were based on the delivery of Board agreed key performance indicators in accordance with the schedule below. For 2024, in consideration of the financial performance of the Company and the shareholder experience the Committee exercised its discretion to reduce the bonus payable under the financial metrics to 0%.

Objective[1]	Threshold (0% payable)	On-target (50% payable)	Stretch (100% payable)	Achieved	Weight	Percentage achieved	Bonus payable
Group underlying continuing profit before tax[2]	£49.59m	£55.10m	£60.61m	£39.1m	25%	0%	0%
Group underlying, continuing cost:income ratio[2]	53.66%	51.16%	48.66%	50.93%	10%	5.5%	0%
Group net interest margin	5.16%	5.41%	5.66%	5.42%	10%	5.1%	0%
Cost of risk	1.47%	1.34%	1.24%	1.81%	10%	0%	0%
Adjusted Common Equity Tier 1 ('CET 1') ratio[3]	12.58%	12.87%	13.22%	12.62%	10%	1.2%	0%
Total					**65%**	**11.7%**	**0%**

1. Please refer to the key performance indicators on pages 07 and 08 for an explanation of why these are measured and how they are linked to our strategy.
2. Figures include continuing operations only, which exclude exceptional items (see Note 8 to the Financial Statements).
3. Adjusted for exceptional items, discontinued operations, and own shares.

Directors' Remuneration Report

Non-financial metrics

	Objective	Targets (summary)	Achievement	Weight	Bonus payable CEO	Bonus payable CFO
CEO	Group operating model review	• Design and implement a simpler, more focused operating model. • Implement a plan to deliver effective leadership changes in the Group's business units. • Simplify governance arrangements across the Group.	• Centralised operating and governance models implemented during 2024, resulting in a more consistent service to customers, reduced complexity, cost reductions and increased agility. • Succession plans have been successfully implemented for leadership changes.	10%	5%	N/A
	Stakeholder engagement	• Maintain effective and constructive relationships with the Group's stakeholders including shareholders and regulators. • Communicate progress against the Group's Environmental, Social and Governance ('ESG') strategy. • Customer satisfaction - maintain Feefo ratings at targeted levels in Retail Finance, Vehicle Finance and Savings. • Develop an action plan following feedback from the employee survey and maintain the Colleague Trust score.	• Significant increase in engagement with the Group's stakeholders. • Dedicated ESG team briefings held across the Group. • Consumer product customer satisfaction ratings maintained at 4.7 stars (Feefo). • Colleague Trust score reduced to 74% (2023: 83%) driven by organisational design change. Action plan has been developed and approved.	10%	5%	N/A
CFO	Group Finance Function	• Develop a plan and implement changes to enhance the Finance and Treasury structure, including increased automation. • Oversee the plan for delivery of planned repayment of TFSME.	• The Finance function has been effectively restructured delivering improved performance and reduced costs. • TFSME repayment is ahead of plan with £160.0 million repaid.	20%	N/A	17.5%
Shared objectives	Strategic development	• Oversight and leadership of initiatives to deliver medium-term financial targets both through growth initiatives and cost savings.	• Net lending growth increased 8.8% to £3.6 billion. • Annualised cost savings of £5 million delivered and additional annualised cost savings of £3 million identified.	10%	5%	5%
	Diversity and inclusion	• Develop and implement effective strategies to recruit and attract a more diverse applicant pool for all role vacancies. • Develop plans to improve diverse talent pipeline for senior levels.	• Recruitment processes ensure diverse long and short lists for all vacancies. ENEI Silver TIDEMark retained. • 44% of potential successors for Executive Committee members are women (increased from 34% in 2023).	5%	2.5%	2.5%
Total:				**35%**	**17.5%**	**25%**

2022 LTIP awards maturing by reference to 2024 performance

LTIP awards were granted on 5 April 2022 and performance conditions were measured to 31 December 2024. Awards are subject to a further two-year holding period from vesting. The 2022 awards were subject to four metrics, which are detailed in the table below together with the vesting levels:

Performance condition	Weighting	Vesting level
Relative TSR vs FTSE SmallCap (excluding investment trusts)	25%	0%
Relative TSR vs selected banks	25%	0%
Absolute TSR growth of 20% to 40% Compound Annual Growth Rate ('CAGR')	25%	0%
Risk Management	25%	15%
Total:		**15%**

Recipient	Date of grant	Basis of award	Number of shares	Vested	Performance period
D McCreadie	5 April 2022	100% of salary	53,065	7,959	1 January 2022 – 31 December 2024
R Lawrence	5 April 2022	100% of salary	33,308	4,996	1 January 2022 – 31 December 2024

Directors' Remuneration Report

Awards exercised during the financial year (audited information)

On 25 April 2024, David McCreadie exercised 18,613 Deferred Bonus Plan ('DBP') share options and Rachel Lawrence exercised 11,682 DBP share options at an exercise price of 40 pence per share. Both Executive Directors elected to sell sufficient shares to cover the transaction costs arising.

Awards granted during the financial year (audited information)

2017 LTIP

Nominal-cost share options were granted to Executive Directors on 16 April 2024 in accordance with the rules of the LTIP as follows:

Recipient	Date of grant	Basis of award	Number of shares	Face value of award £'000[1]	Performance period
D McCreadie	16 April 2024	100% of salary	101,322	710	1 January 2024 – 31 December 2026
R Lawrence	16 April 2024	100% of salary	70,613	495	1 January 2024 – 31 December 2026

1. Based on a share price of £7.01 being the average mid-market price determined between 11 April 2024 – 15 April 2024.

Vesting of the LTIP awards granted in April 2024 is subject to a blend of a TSR, Return on Average Equity ('ROAE'), Earnings per ordinary share ('EPS') and risk management performance metrics, assessed over a three-year performance period as summarised below.

Measurement basis and % weighting	Underlying Continued EPS (25%)	Relative TSR vs FTSE SmallCap (ex. investment trusts) (25%)	ROAE (25%)	Risk management (25%)
Target range	Underlying continued diluted EPS of the Company for the relevant financial year of the Group as determined by the Board. There is a range of 20% to 30% CAGR over three financial years.	Median to upper quartile vesting range. Measured against constituents of FTSE SmallCap (excluding investment trusts).	ROAE for the financial year ending 31 December 2026. There is a range of 14% to 16% ROAE.	Maintaining appropriate risk practices over the performance period reflecting the longer-term strategic risk management of the Group, including consideration of: • the number of customer complaints received; • the number and nature of material risk events within the Group; • credit losses compared to the Board's assessment of the Group's risk appetite; and • management of regulatory capital limits.
Underpin	Vesting for each of the elements is also subject to an underpin as follows: (a) the Board's assessment of the Group's general financial performance and shareholder experience over the performance period; (b) the Board's assessment of the Group's risk management performance over the performance period; and (c) the Board's assessment of progress against strategy, in particular, growth in responsible lending, progress on balance sheet management and customer satisfaction.			

For each metric, threshold attainment is 25% of that part, with vesting on a straight-line basis to 100% for maximum attainment.

For the TSR element, TSR will be measured using a market normal three-month average TSR to the beginning and end of the performance period (which is the three-year period from 1 January 2024).

Awards vest to the extent that the performance metrics are achieved and are subject to a further two-year holding period.

2017 Deferred Bonus Plan ('DBP')

Nominal-cost share options were granted to Executive Directors on 16 April 2024 in accordance with the rules of the DBP as follows:

Recipient	Date of grant	Number of shares	Tranche 1	Tranche 2	Tranche 3	Face value of award £'000[1]
D McCreadie	16 April 2024	20,185	6,728	6,728	6,729	141
R Lawrence	16 April 2024	13,056	4,352	4,352	4,352	92

1. Based on a share price of £7.01 being the average mid-market price determined between 11 April 2024 - 15 April 2024.

Directors' Remuneration Report

Statement of Directors' shareholding and share interests (audited information)

A formal shareholding guideline requires Executive Directors to build up and maintain a shareholding of at least 200% of base salary, over time, by retaining shares from awards granted under the Group's share plans that vest (net of Income Tax and National Insurance).

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 December 2024 were as set out below. Any changes to a Director's shareholding are set out in the notes below the table.

Directors' shareholding and share interests

Director	Type	Total as at 1 January 2024	Shares purchased during the year	Options granted during the year[1]	Options (exercised) during the year	Options (lapsed) during the year	**Total as at 31 December 2024[2]**	**Owned outright**	**Vested but unexercised**	**Unvested, not subject to performance conditions**	**Unvested, subject to performance conditions**
D McCreadie[3,4]	Shares[5]	39,434	32,393	–	–	–	**71,827**	71,827	–	–	–
	2017 LTIP	174,690	–	101,322	–	(43,564)	**232,448**	–	11,755	–	220,693
	2017 DBP	36,626	–	20,185	(18,613)	–	**38,198**	–	–	38,198	–
	2017 SAYE[6]	1,683	–	1,326	–	–	**3,009**	–	1,683	1,326	–
R Lawrence[3,4]	Shares[7]	7,148	13,316	–	–	–	**20,464**	20,464	–	–	–
	2017 LTIP	111,180	–	70,613	–	(27,345)	**154,448**	–	8,908	–	145,540
	2017 DBP	22,990	–	13,056	(11,682)	–	**24,364**	–	–	24,364	–
	2017 SAYE[6]	5,096	–	1,326	(3,388)	–	**3,034**	–	–	3,034	–
M Forsyth	Shares	7,500	–	–	–	–	**7,500**	7,500	–	–	–
J Brown	Shares[8]	–	29,600	–	–	–	**29,600**	29,600	–	–	–
A Berresford	Shares	–	–	–	–	–	**–**	–	–	–	–
J Hopes	Shares	–	–	–	–	–	**–**	–	–	–	–
V Mitchell	Shares	–	–	–	–	–	**–**	–	–	–	–
P Myers	Shares	8,966	–	–	–	–	**8,966**	8,966	–	–	–
V Stewart	Shares	–	–	–	–	–	**–**	–	–	–	–
F Williamson	Shares	–	–	–	–	–	**–**	–	–	–	–
		415,313	**75,309**	**207,828**	**(33,683)**	**(70,909)**	**593,858**	**138,357**	**22,346**	**66,922**	**366,233**

1. Awards granted under LTIP and DBP rules on 16 April 2024 are set out on page 104.
2. 31 December 2024 or as at the time of stepping down from the Board.
3. Executive Directors are required to hold shares not purchased on the open market post their employment in line with the minimum shareholding requirements policy.
4. Neither David McCreadie nor Rachel Lawrence have achieved the required 200% of base salary shareholding requirement based on shares owned outright. Both are calculated using the number of shares owned outright, the Group's SAYE and 53% of unvested and vested share awards that are not subject to performance conditions (2017 DBP and vested 2017 LTIP)). Shares held by David McCreadie (105,529 shares), are worth £382,016 when using the 2024 year-end share price of £3.62 (53.78% of 2024 annual base salary). Shares held by Rachel Lawrence (43,780 shares) are worth £158,484 when using the 2024 year-end share price of £3.62 (32.02% of base salary).
5. On 25 April 2024, David McCreadie exercised 18,613 DBP options and retained 8,772 of these. David McCreadie ,or a person closely associated with him, purchased 8,857 shares on 3 May 2024, 2,882 shares on 7 May 2024 and 11,882 shares on 15 August 2024.
6. David McCreadie and Rachel Lawrence participated in the 2024 SAYE plan, granted on 26 September 2024, to the maximum monthly saving amount.
7. On 25 April 2024, Rachel Lawrence exercised 3,388 SAYE and 11,682 DBP options, retaining all of her SAYE shares and 5,834 of the shares arising from the DBP exercise. She purchased a further 4,094 shares on 1 November 2024.
8. Jim Brown or a person closely associated with him purchased 17,000 shares on 15 August 2024 and 12,600 shares on 20 August 2024.

There have not been any changes to the above interests since 31 December 2024 and the date of this report.

Directors' Remuneration Report

Payments made to former Directors during the year (audited information)

No payments were made to former Directors during 2024.

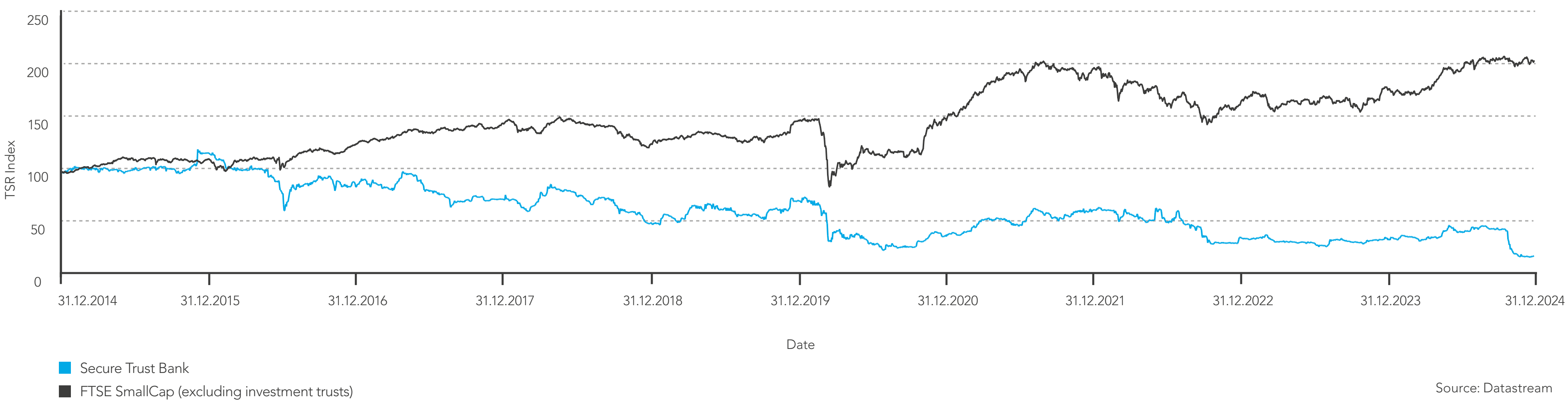
Payments for loss of office made during the year (audited information)

No payments for loss of office were made in the year to any Director of the Company.

Performance graph and historical CEO remuneration outcomes

Total shareholder return ('TSR')

The graph below shows the TSR performance for the Company's shares in comparison to the FTSE SmallCap Index (excluding investment trusts) for the period from 1 January 2015 to 31 December 2024. For the purpose of the graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value, by 31 December 2024, of £100 invested in the Group over the period compared with £100 invested in the FTSE SmallCap Index (excluding investment trusts). The FTSE SmallCap Index (excluding investment trusts) has been chosen as a comparator as this is the most appropriate reference point given the market capitalisation of the Company.



Source: Datastream

Directors' Remuneration Report

The table below shows details of the total remuneration, bonus and share options vesting (as a percentage of the maximum opportunity) for the CEO over the last 10 financial years.

	Total remuneration £'000	Bonus as a % of maximum opportunity[1]	LTIP as a % of maximum opportunity[2]
2024[3]	**909**	**17.5**	**15**
2023[3]	1,079	41.04	21.25
2022[3]	1,060	53.1	N/A
2021[3]	1,170	74.6	N/A
2020	1,045	nil	nil
2019	1,804	45	15
2018	1,857	50	N/A
2017	1,657	33.3	N/A
2016	5,542	N/A	100
2015	1,459	N/A	N/A
2014	3,671	N/A	100

1. Pre Main Market admission, bonuses were determined by the Committee on a discretionary basis taking into account Group financial and individual performance during the financial year.
2. No LTIP shares were eligible to vest in respect of the years 2015, 2017, 2018, 2021 and 2022.
3. 2021, 2022, 2023 and 2024 reflects David McCreadie as CEO.

Directors' Remuneration Report

Directors' pay increase in relation to all employees

The table below shows the percentage change in remuneration of the Directors and employees of the business between 2020, 2021, 2022, 2023 and 2024 financial years.

	2024 Salary or base fee %	**2024 Benefits %**	**2024 Bonus %**	2023 Salary or base fee %	2023 Benefits %	2023 Bonus %	2022 Salary or base fee %	2022 Benefits %	2022 Bonus %	2021 Salary or base fee %	2021 Benefits %	2021 Bonus %
Employees[1]	**3.2**	**0**	**6.3**	4.9[2]	0	7.6	2.9	0	(3.3)	2.9	0	6.9
Executive Directors:[3]												
D McCreadie[4]	**3.0**	**100**[7]	**(56.1)**	3.0	0	(21.9)	3.0	0	(25.4)	N/A	N/A	N/A
R Lawrence[5]	**14.4**	**4.5**	**(32.4)**	3.0	0	(19.5)	3.0	0	(25.3)	2.0	N/A	N/A
Non-Executive Directors:[3,6]												
J Brown	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M Forsyth	**3.0**	**0**	**N/A**	3.0	50[7]	N/A	2.9	0	N/A	3.0	0	N/A
A Berresford	**3.0**	**100**[7]	**N/A**	3.0	0	N/A	2.9	0	N/A	3.0	0	N/A
V Mitchell	**3.0**	**0**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
P Myers	**3.0**	**0**	**N/A**	3.0	0	N/A	2.9	0	N/A	3.0	0	N/A
V Stewart	**3.0**	**100**[7]	**N/A**	3.0	0	N/A	2.9	0	N/A	3.0	0	N/A
F Williamson	**3.0**	**0**	**N/A**	3.0	0	N/A	2.9	0	N/A	N/A	N/A	N/A
J Hopes	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. The strict legal requirement is only to provide details of employees of Secure Trust Bank PLC, however, we have decided voluntarily to disclose in respect of all Group employees.
2. The calculation is prepared on a full-time equivalent basis.
3. Where figures are shown as N/A it reflects that the individual commenced a role part way through the relevant year or left during the relevant year; and accordingly, there is no comparable previous year figure. In addition, N/A is also stated as Non-Executive Directors are not eligible for bonuses.
4. David McCreadie was appointed as CEO with effect from 5 January 2021, therefore, no increase in salary, benefits or bonus was awarded for 2021.
5. Rachel Lawrence received an increase to salary in line with employees for 2021, adjusted to reflect her joining the Group part way through the year.
6. Each of the Non-Executive Directors received a 3% increase to their base fee with effect from 1 January 2024.
7. Represents an increase in the cost of renewing existing private medical insurance.

Directors' Remuneration Report

2024 CEO pay ratio

Our finalised CEO pay ratio for 2024 is set out in the table below. These figures are on a Group-wide basis, as per the regulations:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	**Option A**	**37:1**	**27:1**	**16:1**
2023	Option A	35:1	26:1	17:1
2022	Option A	40:1	29:1	17:1
2021	Option A	43:1	31:1	17:1
2020	Option A	47:1	36:1	19:1
2019	Option A	96:1	71:1	36:1

Total UK employee pay and benefits figures used to calculate the CEO pay ratio for 2024:

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Salary	26:1	20:1	12:1
Total pay and benefits	37:1	27:1	16:1

The Company has chosen Option A methodology to prepare the CEO pay ratio calculation as this is the most statistically robust method and is in line with the general preference of institutional investors. The value of each employee's total pay and benefits, as at 31 December 2024, was calculated using the single figure methodology consistent with the CEO. No elements of pay have been omitted. Where required, remuneration was approximately adjusted to be full-time and full-year equivalent basis based on the employee's average full-time equivalent hours for the year and the proportion of the year they were employed.

The Committee considers that the median pay ratio for 2024 that is disclosed in the above table is consistent with the pay, reward and progression policies for the Group's UK employees taken as a whole.

Spend on pay

The following table sets out the percentage change (from the financial year ended 31 December 2023) in dividends and the overall expenditure on pay (as a whole across the organisation).

	2024 £million	2023 £million	Change %
Dividends, excluding special dividends, and share buybacks	**4.2**	6.1	(31.1)
Dividends, including special dividends, and share buybacks	**4.2**	6.1	(31.1)
Overall expenditure on pay[1]	**60.2**	56.9	5.8

1. Further information can be found in Note 6 to the Financial Statements.

Directors' Remuneration Report

Service agreements and letters of appointment

Details of the Directors' service agreements, letters of appointment and notice periods are set out below:

Name	Commencement of current service agreement/letter of appointment[1,2,3]	Notice period
D McCreadie	5 January 2021	12 months
R Lawrence	11 May 2020	12 months
J Brown	31 March 2024	6 months
A Berresford	22 November 2016	6 months
P Myers	28 November 2018	6 months
F Williamson	30 June 2021	6 months
V Mitchell	1 November 2023	6 months
J Hopes	24 October 2024	6 months

1. Each of the Non-Executive Directors' letter of appointment was amended in 2024 by a side letter confirming their respective Committee membership and their total fee. No other changes were made to their existing letter of appointment.
2. All Directors are subject to annual re-election by shareholders.
3. Those Non-Executive Directors who are members of the Remuneration Committee are set out on page 68.

Implementation of Directors' Remuneration Policy for the financial year ending 31 December 2025

Details on how Secure Trust Bank intends to implement the 2023 Directors' Remuneration Policy for the financial year ending 31 December 2025 are set out as follows.

Salary

As at the date of this report, David McCreadie receives an annual base salary of £710,273. Rachel Lawrence receives an annual base salary of £495,000. In line with the firm-wide employee salary increases both Executive Directors will receive a salary increase of 3% effective 1 April 2025.

Pensions

David McCreadie and Rachel Lawrence will each receive a 5% of base salary pension contribution, being aligned to the rate of pensions contribution for Group employees.

Fees

The following table sets out the Non-Executive Director fee structure effective from 1 January 2025.

Role	2025 fee **£'000**
Chair[1]	250
Non-Executive Director (basic fee)[2]	79
Senior Independent Director and Committee Chair	20
Member of Audit, Risk or Remuneration Committee	5
Designated Non-Executive Director with responsibility for workforce engagement	5
Consumer Duty Champion	5

1. The Chair does not receive any additional fees for his membership of any of the Board's Committees.
2. With effect from 2020, the base fee payable to the Chair and the Non-Executive Directors increases in line with the average increase of remuneration for employees implemented within the annual review of remuneration in the previous year. The increase takes effect from 1 January each year in respect of the preceding employee level salary increase. However, no increase will apply to the Chair's fee in 2025.

Directors' Remuneration Report

Annual bonus

The proposed maximum annual bonus opportunity for the year ending 31 December 2025 will be equal to 100% of salary.

The bonus will be subject to stretching performance metrics based on a balanced scorecard. The selected balance of performance metrics for 2025 will be substantially similar to the balance of metrics for 2024 (65% financial and risk performance; 35% non-financial) with precise weightings for individual measures reflecting the Company's in-year priorities.

The Committee considers that the targets for annual bonus metrics are commercially sensitive. A description of the performance metrics, their weighting and the related targets will be disclosed in the Annual Report on Remuneration for the year ending 31 December 2025 (or in respect of targets, at such time when the targets are no longer considered commercially sensitive).

50% of any bonus earned will be deferred into shares under the DBP. Deferred shares will vest in equal tranches after one, two and three years following deferral.

The Committee can consider corporate performance on ESG issues when setting Executive Director remuneration and has considered whether the incentive structure for senior management raises ESG risks by inadvertently motivating irresponsible behaviour.

LTIP and DBP

The Company proposes to grant LTIP awards to the Executive Directors in the form of nil-cost share options at the level of up to 100% of salary for the CEO and CFO. Further details for the proposed terms for these awards are summarised in the statement by the Chair of the Remuneration Committee introducing the DRR.

The Company proposes to grant DBP awards to the Executive Directors in the form of nil-cost share options.

Statement of voting at AGM

The Directors' Remuneration Policy was approved by shareholders at the AGM in 2023. The most recent Directors' Remuneration Report was approved at the AGM in 2024; the votes cast were as detailed below.

Resolution	Proxy votes for	% of proxy votes cast	Proxy votes against	% of proxy votes cast	Votes withheld
To approve the Directors' Remuneration Policy (2023 AGM)	15,157,928	95.88	650,863	4.12	1,055
To receive and approve the Directors' Remuneration Report (2024 AGM)	12,469,069	98.85	145,450	1.15	541,531

Approval

This report was approved by the Board on 12 March 2025 and signed on its behalf by:

Julie Hopes
Chair of the Remuneration Committee

Directors' report

The Directors submit their report, the related Strategic Report and Corporate Governance Report, and the audited Financial Statements of Secure Trust Bank PLC and its subsidiaries (the 'Group') for the year ended 31 December 2024.

Business performance

Principal activities	The Company's principal activity is to provide banking services, including deposit taking and secured and unsecured lending. Our business model is based on helping customers fulfil their ambitions and is explained in the Strategic Report. The Group operates in the United Kingdom and the Company is incorporated and domiciled in England and Wales with company number 00541132.
Development and performance	Commentary on the development and performance in the year ended 31 December 2024, and likely future developments in the Group's business, is included in the Strategic Report on pages 01 to 67.
Financial risk	Descriptions of the Group's financial risk management objectives and policies, and its exposure to risks arising from its use of financial instruments, are set out in Note 5 to the Financial Statements on pages 140 to 142.
Directors' remuneration	Information concerning Directors' contractual arrangements and entitlements under share-based remuneration arrangements is given in the Remuneration report on pages 96 to 111.
Environmental performance	The Group's environmental performance data, including the Scope 1, 2 and 3 emissions for 2024 and the Group's TCFD report can be found on pages 54 to 65.
Employees in the business	The Group has processes in place for communicating with its employees. Employee communications include information about the performance of the Group, on major matters affecting their work, employment or workplace and to encourage employees to get involved in social or community events. We have a formal Employee Council to help facilitate engagement and listen to the views of our employees. Further information on how the Group communicates with its employees is set out on pages 43. The Group is an inclusive and equal opportunities employer and opposes all forms of discrimination. Applications from people with disabilities will be considered fairly, and if existing employees become disabled, every effort is made to retain them within the workforce wherever reasonable and practicable. The Group also endeavours to provide equal opportunities in the training, promotion and general career development of disabled employees. Group policies seek to create a workplace that has an open atmosphere of trust, honesty and respect. Harassment or discrimination of any kind is not tolerated. This principle applies to all aspects of employment from recruitment and promotion, through to termination and all other terms and conditions of employment.
Stakeholder interests	How we considered stakeholder interests in key decisions can be found on page 77, and our s.172 statement and our engagement practices can be found on pages 42 to 44.
Important events affecting the Company since the end of the year	There have been no significant events between 31 December 2024 and the date of approval of these financial statements, which would require a change to or additional disclosure in the financial statements.
Political donations	The Group made no political donations and incurred no political expenditure during the year (2023: £nil).

Directors' report

Listing Rules and Disclosure Guidance and Transparency

Rules disclosures

DTR 4.1.5R, DTR 4.1.8R and DTR 4.1.11R	Information, which is the required content of the Management Report, can be found in the Strategic Report and in this Directors' report.	
LR 6.6.1 R	**Information**	**Location**
	Interest capitalised	Not applicable
	Shareholder waiver of dividends	Note 12
	Shareholder waiver of future dividends	Note 12
	Agreements with controlling shareholders	Not applicable
	Provision of services by a controlling shareholder	Not applicable
	Details of long-term incentive schemes	Not applicable
	Waiver of emoluments by a Director	Not applicable
	Waiver of future emoluments by a Director	Not applicable
	Significant contracts	Not applicable
	Non pre-emptive issues of equity for cash	Note 32 and page 114
	Non pre-emptive issues of equity for cash in relation to major subsidiary	Not applicable
	Participation by parent of a placing by a listed subsidiary	Not applicable
	Publication of unaudited financial information	Page 118
Compliance statement – DTR 7.2	This statement can be found in our Governance section on page 68 and is deemed to form part of this Directors' report.	
Internal control and risk management systems – DTR 7.2.5	A description of the Company's financial reporting, internal control and risk management processes can be found on pages 30 to 39 and 89.	
Structure of capital and voting rights – DTR 7.2.6	As at 31 December 2024 and 12 March 2025, there were 19,071,408 fully paid ordinary shares of 40 pence, amounting to £7,628,563.20. Each share in issue is listed on the Official List maintained by the FCA in its capacity as the UK Listing Authority. The Company has one class of ordinary shares, which rank equally in all respects and there are no special rights to dividends or in relation to control of the Company. All shares carry the right to attend, speak and vote at general meetings of the Company and to participate in dividends and other distributions according to their respective rights and interests in the profits of the Company and a return of capital on a winding up of the Company. Full details regarding the exercise of voting rights in respect of the resolutions to be considered at the Annual General Meeting ('AGM') to be held on 15 May 2025 are set out in the Notice of Annual General Meeting. To be valid, the appointment of a proxy to vote at a general meeting must be received not less than 48 hours before the time appointed for holding the meeting. Full details on how to submit the proxy can be found in the AGM Notice.	

Directors' report

Shares and shareholders

Powers to issue shares	The Directors were granted authority at the 2024 AGM to allot shares in the Company and to grant rights to subscribe for, or convert, any securities into shares in the Company up to an aggregate nominal amount of £2,538,674 in any circumstances. This amount represented approximately one-third of the Company's issued share capital prior to that meeting. The Directors were also authorised to allot shares and to grant rights up to an aggregate nominal amount of £5,077,348 in connection with a fully pre-emptive offer (but such amount to be reduced by any allotments made under the first limb of the authority). This amount represented approximately two-thirds of the Company's issued share capital prior to the meeting. At the same time, the Directors were also granted authority to allot shares in the Company and to grant rights to subscribe for or convert any securities into shares up to an aggregate nominal amount of £2,538,674 in relation to any issue of Additional Tier 1 Securities. This amount represented approximately one-third of the Company's issued share capital prior to that meeting. The Directors were also empowered at the 2024 AGM to allot shares for cash on a non-pre-emptive basis, both in connection with a rights issue or similar pre-emptive issue and, otherwise than in connection with any such issue, up to a maximum aggregate nominal amount of £761,602 of the Company's issued share capital (representing approximately 10% of the Company's issued share capital prior to the meeting). The Directors were further empowered to allot shares for cash on a non-pre-emptive basis representing approximately 2% of issued ordinary share capital, to be used only for the purposes of a follow-on offer as prescribed by the most recent version of the Pre-Emption Group's Statement of Principles. As permitted by those Principles, the Directors were also empowered to allot shares for cash on a non-pre-emptive basis up to the same amount for use only in connection with an acquisition or specified capital investment. The Directors were also empowered to allot shares for cash on a non-pre-emptive basis specifically in relation to the issue of Additional Tier 1 Securities. These share capital authorities and powers are due to lapse from the conclusion of the 2025 AGM, and the Board intends to seek approval to renew these authorities and powers at the 2025 AGM.
Share issuances	An additional 53,613 ordinary shares of 40 pence each were issued during 2024 (2023: 326,361) subsequent to requests to exercise under the Group's employee share schemes and as authorised by shareholders at the 2024 Annual General Meeting. Since 1 January 2025 and until the date of the report, no further ordinary shares of 40 pence each were issued in the Company.
Powers to buy back shares	The Directors were also authorised at the 2024 AGM to repurchase shares in the capital of the Company up to a maximum aggregate number of 1,904,005 shares. This represented approximately 10% of the Company's issued share capital prior to the meeting. No shares have been repurchased under this authority during the year-ended 31 December 2024, nor since this date up to the 12 March 2025. The authority to repurchase shares is due to lapse from the conclusion of the 2025 AGM, and the Board intends to seek approval to renew this authority at the 2025 AGM.
Restrictions on transfer of shares	Shareholders may transfer all or any of their certificated or uncertificated shares in the Company. All such rights are subject to certain exceptions and restrictions provided in the Company's Articles and in any applicable legislation. These include where rights are suspended for non-disclosure of an interest in shares, where share transfers do not comply with specific requirements, and where any amounts on shares owing by a shareholder to the Company remain unpaid. The rights and obligations of shareholders, and restrictions on transfer, are set out in full in the Articles. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.
CREST	The Company's ordinary shares are in CREST, the settlement system for stocks and shares traded on the London Stock Exchange.

Directors' report

Shares held in Employee Benefit Trusts	Ocorian Limited (the 'EBT Trustee'), as trustee of the Secure Trust Bank PLC Employee Benefit Trust (the 'EBT'), holds ordinary shares in trust for the benefit of the Group's employees. The purchase of shares by the EBT is funded by way of a loan from the Company. Where the EBT Trustee has allocated shares held in the trust in respect of specific awards granted under the Company's share plans, the holders of such awards may recommend to the EBT Trustee how it should exercise voting rights relating to such shares. To the extent that a participant does not make such recommendations, no vote is registered. In addition, the EBT Trustee does not vote on any unallocated shares held in the trust. As at 12 March 2025, the EBT Trustee held 2.3% of the Company's issued share capital. Full details of the EBT's holdings are outlined in Note 33.1.
Annual General Meeting	The AGM will take place on 15 May 2025. The Notice of the AGM will be circulated to all shareholders at least 20 working days before the meeting and the details of the resolutions to be proposed will be set out in that Notice. This document will be available on the Company's website at www.securetrustbank.com/agm.
Dividends and dividend policy	The Board recommends the payment of a final dividend of 22.5 pence per share, which represents total dividends for the year of 33.8 pence per share (2023: 32.2 pence per share). The final dividend, if approved by shareholders at the AGM, will be paid on 22 May 2025 to shareholders on the register at the close of business on 25 April 2025. The Board adopted a new progressive dividend policy, which means dividends will not reduce from the previous year and was effective from the 2024 Annual General Meeting. Under the new dividend policy, the Directors will have regard to current and projected capital, liquidity, earnings and market expectations in determining the amount of the dividend. On occasion, the Company may declare and pay a special dividend resulting from special circumstances, however, no such special dividend is currently envisaged.
Substantial share interests	As at 31 December 2024, the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with DTR 5 of the FCA's Disclosure Guidance and Transparency Rules. It should be noted that these holdings may have changed since notified to the Company Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the movement triggering the notification.

Substantial shareholders	No. of shares	%
Wellington Management	1,808,374	9.48
Mr Steven Cohen	1,510,412	7.94
Ennismore Fund Management Ltd	1,191,222	6.26
Invesco Ltd	1,802,696	9.67
IG Markets Limited	580,773	3.04

Between 1 January 2025 to 12 March 2025 the following notifications have been received by the Company:

- IG Markets Limited reduced their holding to 562,506 (2.95%)
- Premier Miton Group plc increased their holding to1,138,991 (5.97%)
- The Diverse Income Trust PLC increased their holding to 757,759 (3.97%)
- Invesco Ltd reduced their holding to 832,247 (4.36%)

Articles of Association	Changes to the Company's Articles of Association must be approved by shareholders by way of a special resolution and must comply with the Companies Act 2006 and other regulatory requirements, as applicable.

Directors' report

Directors

Board of Directors	The Directors of the Company who served during the year, and up to the date of signing the Financial Statements were: • Ann Berresford • Jim Brown (from 31 March 2024) • Lord Forsyth (until 16 May 2024) • Julie Hopes (from 23 October 2024) • Rachel Lawrence • David McCreadie • Victoria Mitchell • Paul Myers • Finlay Williamson • Victoria Stewart (until 31 December 2024)
Directors' interests	The Directors' interests in the Company's shares are set out in the Directors' Remuneration report on page 105. No Director had a material interest in any significant contract (other than a service contract or contract for services) with the Company at any time during the year. The Directors are advised of their statutory duty to avoid conflicts of interest with the interests of the Company. All actual and potential conflicts are brought to the attention of the Board. The operation of the Company's policy on conflicts of interest is described in the Governance section on page 82.
Appointment and replacement of Directors	The Company's Articles of Association empower the Board to appoint as a Director any person who is willing to act as such. Such person shall hold office only until the next AGM, but shall then be eligible for reappointment by the shareholders. The Articles also provide that the Company may fill any vacancies on the Board. The Articles provide that the Company may by ordinary resolution of which special notice is given, remove any Director from office and elect another person in their place. The Articles also set out the specific circumstances in which a Director shall vacate office. The Articles require that at each AGM one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation. Notwithstanding the provisions of the Articles, it is the Company's practice that all Directors retire and stand for reappointment in accordance with the recommendations of the UK Corporate Governance Code.
Powers of the Directors	The Directors' powers are conferred on them by UK legislation and the Company's Articles of Association and include the ability to issue or buy back shares (as detailed in the Shares and Shareholder section on page 114).

Directors' report

Change of control	With reference to Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (paragraph 13(2)(k)), the Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control following a takeover bid, except that provisions of the Company's share schemes may cause options and awards granted under such schemes to vest in those circumstances. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control following a takeover bid for the Company.
Directors' indemnities	The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, any Director or Officer of the Company, or any associated company, shall be identified by the Company against any liability. This indemnity, which applies to all Directors, has been in force throughout the year up to and including the date of signing this report. The Group has also maintained Directors' and Officers' liability insurance throughout 2024.
Directors' service agreements	Each Executive Director, at the time of this report, has a written service agreement, which may be terminated by either party on not less than 12 months' notice.
Non-Executive Directors' letters of appointment	The letters of appointment of the Non-Executive Directors are issued for an initial period of three years, which may be renewed for further terms as appropriate. All appointments are subject to a review by the Nomination Committee upon the third anniversary and on extension a further review is undertaken at the sixth anniversary at which the Board's succession plans and the need to refresh the Board's skills and experiences are carefully considered. The role and responsibilities of each Director are clearly set out and include the duties of a Director as provided in the Companies Act 2006. It is made clear that these duties do not include any management function but an indication that the Director is expected to support and challenge management and help in the development of the Group's strategy. Six months' notice is required to be served by either party to terminate the appointment. The Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to, and during, the Meeting).
Related party transactions	Note 42, page 174.

Auditors and Audit

Independent Auditors and audit information	Deloitte LLP was reappointed as Auditor at the Annual General Meeting held in 2024. As detailed in the Audit Committee report on page 88, the Board is recommending the reappointment of Deloitte LLP as Auditor at the 2025 Annual General Meeting. Each Director in office at the date of this Directors' report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all reasonable steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Directors' report

Statements

Directors' responsibility statements	The statement of Directors' responsibility for preparing the Annual Report and Accounts is set out on page 119 and is deemed to form part of the Directors' report. Within this, the Directors have included a statement that the Annual Report and Accounts presents a fair, balanced and understandable assessment of the Group's position and prospects. To help the Board discharge its responsibilities in this area, the Board consulted the Audit Committee and following the Committee's advice, the Board considered and concluded that: • the business model and strategy were clearly described; • the assessment of performance was balanced; • KPIs were used consistently; • the language used was concise, with good linkages to different parts of the document; and • an appropriate forward-looking orientation had been adopted.
Internal control and risk management	The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board considers that the information it receives enables it to review the effectiveness of the Group's internal controls in accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Areas where financial control can be improved are identified and appropriate actions agreed as part of our internal control systems. Senior management, the Board and the Risk Committee regularly monitor progress towards completion of these actions. The Board considers that none of the identified areas for improvement constitute a significant failing or weakness.
Going concern	The Strategic Report discusses the Group's business activities, together with the factors likely to affect its future development, performance and position. In addition, it sets out the Group's financial position, cash flows, liquidity position and borrowing facilities. The financial risk management note to the Financial Statements sets out the Group's objectives, policies and processes for managing capital and its financial risk management objectives, together with details of financial instruments and exposure to credit and liquidity risk. The Group has access to the financial resources required to run the business efficiently and has a strong gross cash position. The Group's forecasts and projections, including rigorous stress testing, show that the Group will be able to operate within its available resources for at least 12 months from the date of this report. This has included a detailed focus on the wider macroeconomic and geopolitical environment, legal and regulatory risks and the potential for multiple risks to occur simultaneously. As a consequence, the Directors consider it appropriate to prepare the annual Financial Statements on a going concern basis of accounting. For further information, please see page 40.
Statement of viability	In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months as required by the Going Concern provision. Details of the assessment can be found on pages 40 and 41.
Publication of unaudited financial information	On 1 November 2024 the Company published a trading statement which contained the following profit forecast: "As a result, the Board now expects the Group's underlying, continuing profit before tax for FY24 to fall materially below market expectations by between £10m and £15m." This provided a forecast for underlying, continuing profit before tax of between £36.6 million to £41.6 million. The audited underlying, continuing profit before tax for 2024 was £39.1 million.

The Directors' Report was approved by the Board of Directors on 12 March 2025 and is signed on its behalf by:

Lisa Daniels
Company Secretary

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards. The Financial Statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the IASB. The Directors have also chosen to prepare the Parent Company Financial Statements under UK-adopted international accounting standards. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the Directors who are in office at the date of this report and whose names and roles are listed on pages 71 to 73 of this Annual Report confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 12 March and is signed on its behalf by:

Jim Brown
Chair

David McCreadie
Chief Executive Officer

Independent Auditor's report to the members of Secure Trust Bank PLC

Report on the audit of the Financial Statements

1. Opinion

In our opinion:

- the Financial Statements of Secure Trust Bank PLC (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB');
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated statement of comprehensive income;
- the Statement of financial position for Group and Company;
- the Statement of changes in equity for Group and Company;
- the Consolidated and Company statements of cash flows; and
- the related Notes 1 to 45 (excluding Note 40).

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in Note 6 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report to the members of Secure Trust Bank PLC

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • impairment of loans and advances to customers; and • regulatory and litigation matters. Within this report, key audit matters are identified as follows: Increased level of risk
Materiality	The materiality that we used for the Group Financial Statements was £2.7 million. This was determined on the basis of 0.75% of net assets.
Scoping	We have audited the entire financial information of the Parent Company. For the remaining entities, we have performed specified audit procedures on specific account balances and class of transactions.
Significant changes in our approach	There has been no significant change in our audit approach in the current year.

4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls around the going concern assessment including Board approval;
- with the involvement of prudential regulation specialists, we read the most recent Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process documents, assessed the capital and liquidity projections, assessed the results of the capital and liquidity stress testing, evaluating key assumptions and methods used in the capital and liquidity stress testing models, and tested the mechanical accuracy of the forecasts;
- inspecting correspondence with regulators to assess the capital and liquidity requirements imposed by the Group's regulators during the year;
- obtaining the capital and liquidity forecasts and assessing key assumptions and their projected impact on capital and liquidity ratios, particularly with respect to loan book growth and potential credit losses;
- evaluating the impact of the regulatory matters outlined in section 5.2 on the Group's capital and liquidity positions over the planning horizon as part of our stress testing;
- assessing the historical accuracy of forecasts; and
- assessing the appropriateness of the disclosures made in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor’s report to the members of Secure Trust Bank PLC

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of loans and advances to customers

Key audit matter description	The Group held allowances for impairment of loans and advances to customers of £111.8 million (2023: £88.1 million) against loans and advances to customers of £3,720.3 million (2023: £3,403.4 million). For financial assets measured at amortised cost, IFRS 9 Financial Instruments requires the carrying value to be assessed for impairment using unbiased forward-looking information. The measurement of expected credit losses (‘ECL’) is complex and involves judgements and estimates relating to probability of default (‘PD’), exposure at default (‘EAD’), loss given default (‘LGD’) collateral valuations, significant increases in credit risk (‘SICR’) and macroeconomic scenario modelling. Where model or other limitations exist, Expert Credit Judgements (‘ECJs’) are applied to the model output. These assumptions are prepared using historical behaviour and the Directors’ judgement, in particular with respect to the incorporation of forward-looking information and identifying significant increases in credit risk. We identified three specific areas in relation to the ECL that require significant judgement or relate to assumptions to which the overall ECL provision is particularly sensitive: • the accuracy of the LGD on the Vehicle Finance portfolio, including the impact of the Financial Conduct Authority’s (‘FCA’) review on Borrowers in Financial Difficulty (‘BiFD’); • the appropriateness of the PD rates applied to the Retail Finance portfolio; and • the appropriateness of the approach and assumptions used in calculating the Real Estate Finance Stage 3 ECL allowance for the largest and most complex stage 3 exposure. Given the material effect of the significant judgements taken in deriving the above, we also considered that there is a potential for fraud through possible manipulation of this balance. There is an increased level of risk this year mainly due to the implementation of the new PD model for Retail Finance and increased subjectivity in the components of the LGD assumptions for Vehicle Finance given the impact of the FCA’s review on BiFD. Impairment of loans and advances to customers, including associated accounting policies is included in Note 16 of the Financial Statements. The corresponding area in the Audit Committee report is on page 86.

Independent Auditor’s report to the members of Secure Trust Bank PLC

<table>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>
Our audit procedures included obtaining an understanding of the relevant controls over the impairment provision with particular focus on controls over significant assumptions and judgements used in the calculation of ECL. To challenge the accuracy of the LGD on the Vehicle Finance portfolio, with the involvement of credit risk specialists, we:

assessed historical and external market data used to determine the LGD assumptions used within the ECL model, and assessed how the historical data may be impacted by both internal and external factors; and
assessed the adjustments made to the LGD assumptions to reflect the impact that the FCA’s discussions on BiFD has had on historical LGD data and will have on future collection projections.

To assess the appropriateness of the PD rates applied to the Retail Finance portfolio, with the involvement of credit risk specialists, we:

performed a full methodology review and independent re-code of the new Retail Finance PD model;
evaluated whether there are any limitations in the new model which require an ECJ; and
assessed whether the SICR quantitative thresholds remain appropriate as a result of new model implementation.

To challenge the appropriateness of the approach and assumptions used in calculating the Real Estate Finance Stage 3 ECL allowance for the largest and most complex stage 3 exposure, we:

inquired with Management and others within the Group to understand the latest status of the exposure;
inspected minutes of the Impairment Decision Committee and other risk related minutes to corroborate the inquiries performed;
assessed the appropriateness of the assumptions used in the discounted cash flow computation and whether they are reasonable considering the latest economic environment and the appropriateness of the relevant cash flows used specific to the latest development;
assessed the reasonableness of the discounted cash flow computations, specifically the scenarios and their assigned weightings. Our assessment involved corroborating these inputs with other audit evidence obtained during the course of our audit; and
engaged our real estate valuation specialists to undertake an independent assessment of the value of the collateral used in the cash flow computations.

As part of our wider assessment of impairment of loans and advances to customers we:

assessed the accuracy and completeness of source data and report logic used to extract source data from the underlying lending systems for input into the impairment models;
with support from our real estate valuation specialists, assessed a sample of collateral valuations used in the LGD calculation for the Real Estate Finance portfolio;
reconciled the impairment models to the general ledger and tested a sample of loans to assess whether the data used in the provision calculation was complete and accurate;
with support from our economic specialists we have independently assessed the economic forecasts by benchmarking to the alternate forecasts and scenarios weightings used by Management in their ECL models;
assessed the quantitative and qualitative factors used in the SICR assessment by reference to standard validation metrics including the proportion of transfers to stage 2 driven solely by being 30 days past due, the volatility of loans in stage 2 and the proportion of loans that spend little or no time in stage 2 before moving to stage 3;
evaluated the Group’s SICR policy including the curing criteria and assessed whether it complies with IFRS 9;
tested the completeness and accuracy of data used in applying the quantitative and qualitative criteria in the SICR assessment on whether loans are assigned to the correct stage; and
as a stand back test, considered potential contradictory evidence, assessed changes in the overall coverage ratios and the completeness of key judgements and ECJs adopted by the Directors through comparison to industry peers.

</td></tr>
<tr><td>Key observations</td><td>Based on the evidence obtained, we found that the judgements and assumptions underpinning the allowances for impairment of loans and advances to customers are determined and applied appropriately, and therefore that the recognised provision is reasonable.</td></tr>
</table>

Independent Auditor's report to the members of Secure Trust Bank PLC

5.2. Regulatory and litigation matters

Key audit matter description	The Group is exposed to regulatory and litigation matters in relation to historical motor commission arrangements. As reported in Note 29, the Group's provision for these matters is £6.4 million at 31 December 2024 (2023: £nil). Significant judgement is required by the Group in determining whether, taking account of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the amount recorded is representative of the Group's best estimate to settle the probable obligation based on the information available to the Group, where there is significant uncertainty around the final outcome as a result of the recent Court of Appeal decisions, appeal to the Supreme Court and other related legal developments and the impact of the ongoing review by the FCA. This has also resulted in an increased level of risk this year. Details of the provision and accounting estimate is included in Note 29. The corresponding area in the Audit Committee report is on page 86.
How the scope of our audit responded to the key audit matter	Our audit procedures included obtaining an understanding of the relevant controls around determining an appropriate provision. With the involvement of regulatory specialists we have performed the following procedures: • evaluated the assessment of the provision, associated probabilities, and potential outcomes in accordance with IAS 37; • tested the mathematical accuracy of the provision including the completeness and accuracy of data used in the provision; • assessed the methodology and assumptions applied to determine the provision; • inspected correspondence with the Group's regulators to challenge the completeness of the provisions; • evaluated whether the disclosures made in the Financial Statements appropriately reflect the facts and key sources of estimation uncertainty; and • performed the stand back assessment on the appropriateness of the provision recognised with reference to the conclusions reached across the industry.
Key observations	Based on the evidence obtained, we found that the judgements and assumptions underpinning the conclusions in relation to regulatory and litigation matters and related disclosures were appropriate.

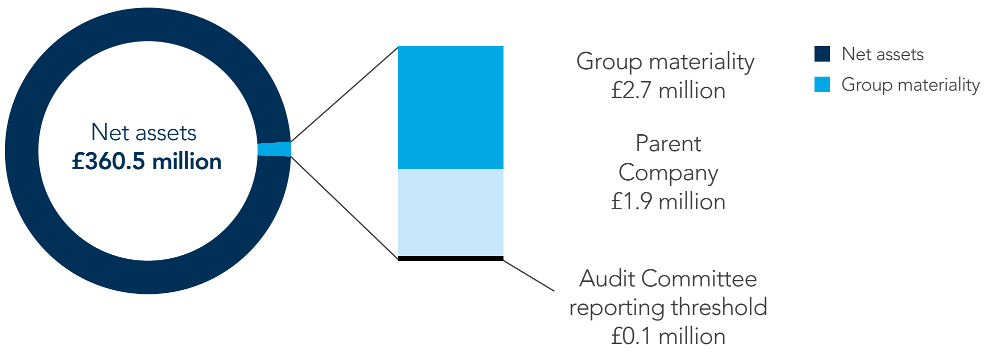
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Materiality	£2.7 million (2023: £2.6 million)	£2.7 million (2023: £2.4 million)
Basis for determining materiality	0.75% of net assets (2023: 0.75% of net assets)	0.75% of net assets (2023: 0.75% of net assets)
Rationale for the benchmark applied	Net assets have been used as the basis for determining materiality as it is considered a key metric for users of the Financial Statements given the capital requirements which arise from being a regulated bank. As most of the Group's operations are carried out by the Parent Company, the same materiality basis was used for both.	



Independent Auditor's report to the members of Secure Trust Bank PLC

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
Performance materiality	70% (2023: 70%) of Group materiality	70% (2023: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered a number of factors, including: • our overall risk assessment, including our assessment of the Group's overall control environment and whether we were able to rely on controls; • our understanding of the business; and • the number of corrected and uncorrected misstatements identified in the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.1 million (2023: £0.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group–wide controls, and assessing the risks of material misstatement at the Group level. Our Group audit was mainly focused on audit of the Parent Company which represents 99% of the Group's revenue; 100% of the Group's profit before tax, and 98% of the Group's net assets. We have audited the entire financial information of the Parent Company, for which we applied a component performance materiality equal to £1.9 million. For the remaining entities, we have performed specified audit procedures of the specific account balances and class of transactions.

Audit testing to respond to the risks of material misstatement was performed directly by the Group audit engagement team. We have also performed testing over the consolidation process of Group entities.

7.2. Our consideration of the control environment

We identified relevant IT systems for the Group in respect of the financial reporting system, lending systems for Vehicle Finance, Real Estate Finance, Commercial Finance, Retail Finance, and the deposits system. With involvement of our IT specialists, we performed testing of the general IT controls associated with these systems and relied upon IT controls in respect of these systems.

In the current year, we relied on controls in relation to both the lending and deposits business cycles. We obtained an understanding of the relevant controls related to the financial reporting process that address the risk of material misstatement. We tested relevant automated and manual controls for these business cycles and were able to adopt a controls reliance approach. We did not rely on controls for impairment of loans and advances with customers or regulatory and litigation matters.

7.3. Our consideration of climate-related risks

We have obtained an understanding of the process for considering the impact of climate-related risks and controls and assessed whether the risks identified are complete and consistent with our understanding of the entity as part of our own risk assessment procedures. These risks and Task Force on Climate-Related Financial Disclosures are contained within pages 54 to 65 of the Annual Report and Accounts.

In conjunction with our climate risk specialists, we have held discussions with the Group to understand the process for identifying affected operations, including the governance and controls over this process, and the subsequent effect on the financial reporting for the Group and the long-term strategy to respond to climate change risks as they evolve.

Independent Auditor's report to the members of Secure Trust Bank PLC

Our audit work has involved reviewing Management's assessment of the physical and transition risks identified and considered in the Group's climate risk assessment.

As set out in Note 16 to the Financial Statements, the Directors do not consider that climate change risk is currently a key source of estimation uncertainty nor that it presents a material impact to the judgements made in the Financial Statements.

We performed our own risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions and did not identify any additional risks of material misstatement. We also read the Annual report to consider whether the climate related disclosures are materially consistent with the Financial Statements and our knowledge obtained in the audit and also evaluated the appropriateness of disclosures included in the Financial Statements in Note 16.

8. Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Independent Auditor's report to the members of Secure Trust Bank PLC

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined section 10, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risk that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, Internal Audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud, including the Group's internal fraud risk assessment for the current financial period;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, real estate valuation, financial instruments, economic advisory, climate risk, regulatory risk, share based payments, data analytics, IT, prudential regulatory and credit risk specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: impairment of loans and advances to customers. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulation set by the FCA and Prudential Regulation Authority ('PRA') relating to regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of loans and advances to customers as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Directors, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, FCA and PRA as well as holding discussions with the PRA; and

Independent Auditor's report to the members of Secure Trust Bank PLC

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in Note 44 to the Financial Statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 40 and 41;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 40 and 41;
- the Directors' statement on fair, balanced and understandable set out on page 119;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 30 to 39;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 89; and
- the section describing the work of the Audit Committee set out on pages 83 to 89.

Independent Auditor's report to the members of Secure Trust Bank PLC

15. Matters on which we are required to report by exception

15.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

16. Other matters which we are required to address

16.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 16 May 2018 to audit the Financial Statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 December 2018 to 31 December 2024.

16.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

17. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the FCA Disclosure Guidance and Transparency Rule ('DTR') 4.1.15R – DTR 4.1.18R, these Financial Statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This Auditor's Report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Neil Reed FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

Birmingham, United Kingdom

12 March 2025

Consolidated statement of comprehensive income
For the year ended 31 December 2024

	Note	2024 £million	2023 £million
Income statement			
Continuing operations			
Interest income and similar income	4.1	366.0	304.0
Interest expense and similar charges	4.1	(181.1)	(136.5)
Net interest income	4.1	**184.9**	**167.5**
Fee and commission income	4.2	19.2	17.3
Fee and commission expense	4.2	(0.2)	(0.1)
Net fee and commission income	4.2	**19.0**	**17.2**
Operating income		**203.9**	**184.7**
Net impairment charge on loans and advances to customers	16	(61.9)	(43.2)
Other (losses)/gains		(0.3)	0.3
Fair value and other gains on financial instruments	5	1.2	0.5
Operating expenses	6	(103.8)	(99.7)
Profit before income tax from continuing operations before exceptional items		**39.1**	**42.6**
Exceptional items	8	(9.9)	(6.5)
Profit before income tax from continuing operations		**29.2**	**36.1**
Income tax expense	9	(9.5)	(9.7)
Profit for the year from continuing operations		**19.7**	**26.4**
Discontinued operations			
Loss before income tax from discontinued operations	10	**–**	**(2.7)**
Income tax credit	10	–	0.6
Loss for the year from discontinued operations	10	**–**	**(2.1)**
Profit for the year		**19.7**	**24.3**

	Note	2024 £million	2023 £million
Other comprehensive income			
Items that may be reclassified to the income statement			
Cash flow hedge reserve movements		(0.8)	–
Reclassification to the income statement		1.3	0.6
Taxation		(0.2)	(0.1)
Other comprehensive income for the year, net of income tax		**0.3**	**0.5**
Total other comprehensive income		**20.0**	**24.8**
Profit attributable to equity holders of the Company		**19.7**	**24.3**
Total comprehensive income attributable to equity holders of the Company		**20.0**	**24.8**
Earnings per share for profit attributable to the equity holders of the Company during the year (pence per share)			
Basic earnings per ordinary share	11.1	**103.4**	**129.6**
Diluted earnings per ordinary share	11.2	**101.4**	**126.1**
Basic earnings per ordinary share – continuing operations		**103.4**	**140.8**
Diluted earnings per ordinary share – continuing operations		**101.4**	**137.0**

The Notes on pages 135 to 174 are an integral part of these Consolidated Financial Statements.

Consolidated and Company statement of financial position

As at 31 December 2024

		Group		Company	
	Note	**2024 £million**	2023 £million	**2024 £million**	2023 £million
ASSETS					
Cash and Bank of England reserve account		445.0	351.6	445.0	351.6
Loans and advances to banks	13	24.0	53.7	23.6	53.0
Loans and advances to customers	14, 15	3,608.5	3,315.3	3,608.5	3,315.3
Fair value adjustment for portfolio hedged risk	17	(6.8)	(3.9)	(6.8)	(3.9)
Derivative financial instruments	17	14.3	25.5	14.3	25.5
Investment property	18	–	–	0.9	0.9
Property, plant and equipment	19	9.9	10.8	6.0	6.3
Right-of-use assets	20	1.6	1.8	1.4	1.6
Intangible assets	21	5.0	5.9	2.9	3.5
Investments in group undertakings	22	–	–	6.1	5.9
Current tax assets		0.2	0.1	1.0	–
Deferred tax assets	23	3.3	4.3	3.3	4.3
Other assets	24	11.7	12.9	13.0	14.4
Total assets		**4,116.7**	**3,778.0**	**4,119.2**	**3,778.4**
LIABILITIES AND EQUITY					
Liabilities					
Due to banks	25	365.8	402.0	365.8	402.0
Deposits from customers	26	3,244.9	2,871.8	3,244.9	2,871.8
Fair value adjustment for portfolio hedged risk	17	(3.4)	(1.4)	(3.4)	(1.4)
Derivative financial instruments	17	10.0	22.0	10.0	22.0
Current tax liabilities		–	–	–	0.3
Lease liabilities	27	1.8	2.3	1.6	2.1
Other liabilities	28	32.5	37.7	41.1	44.7
Provisions for liabilities and charges	29	11.3	6.0	11.3	5.6
Subordinated liabilities	30	93.3	93.1	93.3	93.1
Total liabilities		**3,756.2**	**3,433.5**	**3,764.6**	**3,440.2**
Equity attributable to owners of the parent					
Share capital		7.6	7.6	7.6	7.6
Share premium		84.0	83.8	84.0	83.8
Other reserves		(2.2)	(1.7)	(2.2)	(1.7)
Retained earnings		271.1	254.8	265.2	248.5
Total equity		**360.5**	**344.5**	**354.6**	**338.2**
Total liabilities and equity		**4,116.7**	**3,778.0**	**4,119.2**	**3,778.4**

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement. The profit for the parent company for the year of £20.1 million is presented in the Company statement of changes in equity.

The consolidated and company financial statements on pages 130 to 174 were approved by the Board of Directors on 12 March 2025 and were signed on its behalf by:

Jim Brown
Chair

David McCreadie
Chief Executive Officer

The Notes on pages 135 to 174 are an integral part of these consolidated financial statements.

Consolidated and Company statement of changes in equity

	Group						Company					
	Equity attributable to equity holders of the parent						Equity attributable to equity holders of the parent					
			Other reserves						Other reserves			
	Share capital £million	Share premium £million	Cash flow hedge reserve £million	Own shares £million	Retained earnings £million	Total £million	Share capital £million	Share premium £million	Cash flow hedge reserve £million	Own shares £million	Retained earnings £million	Total £million
Balance at 1 January 2024	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**254.8**	**344.5**	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**248.5**	**338.2**
Profit for 2024	–	–	–	–	19.7	19.7	–	–	–	–	20.1	20.1
Other comprehensive income for the year, net of income tax	–	–	0.3	–	–	0.3	–	–	0.3	–	–	0.3
Total comprehensive income for the year	**–**	**–**	**0.3**	**–**	**19.7**	**20.0**	**–**	**–**	**0.3**	**–**	**20.1**	**20.4**
Purchase of own shares	–	–	–	(1.4)	–	(1.4)	–	–	–	(1.4)	–	(1.4)
Sale of own shares	–	–	–	0.6	–	0.6	–	–	–	0.6	–	0.6
Loss on sale of own shares	–	–	–	–	(0.5)	(0.5)	–	–	–	–	(0.5)	(0.5)
Issue of shares	–	0.2	–	–	–	0.2	–	0.2	–	–	–	0.2
Dividends paid	–	–	–	–	(5.2)	(5.2)	–	–	–	–	(5.2)	(5.2)
Share-based payments	–	–	–	–	2.3	2.3	–	–	–	–	2.3	2.3
Balance at 31 December 2024	**7.6**	**84.0**	**–**	**(2.2)**	**271.1**	**360.5**	**7.6**	**84.0**	**–**	**(2.2)**	**265.2**	**354.6**
Balance at 1 January 2023	**7.5**	**82.2**	**(0.8)**	**(0.3)**	**237.8**	**326.4**	**7.5**	**82.2**	**(0.8)**	**(0.3)**	**230.2**	**318.8**
Profit for 2023	–	–	–	–	24.3	24.3	–	–	–	–	25.6	25.6
Other comprehensive income for the year, net of income tax	–	–	0.5	–	–	0.5	–	–	0.5	–	–	0.5
Total comprehensive income for the year	**–**	**–**	**0.5**	**–**	**24.3**	**24.8**	**–**	**–**	**0.5**	**–**	**25.6**	**26.1**
Purchase of own shares	–	–	–	(1.2)	–	(1.2)	–	–	–	(1.2)	–	(1.2)
Sale of own shares	–	–	–	0.1	–	0.1	–	–	–	0.1	–	0.1
Issue of shares	0.1	1.6	–	–	–	1.7	0.1	1.6	–	–	–	1.7
Dividends paid	–	–	–	–	(8.4)	(8.4)	–	–	–	–	(8.4)	(8.4)
Share-based payments	–	–	–	–	1.1	1.1	–	–	–	–	1.1	1.1
Balance at 31 December 2023	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**254.8**	**344.5**	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**248.5**	**338.2**

The Notes on pages 135 to 174 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2024

	Note	2024 £million	2023 £million
Cash flows from operating activities			
Profit for the year		19.7	24.3
Adjustments for:			
Income tax expense	9	9.5	9.1
Depreciation of property, plant and equipment	19	1.0	0.9
Depreciation of right-of-use assets	20	1.0	0.7
Amortisation of intangible assets	21	1.4	1.2
Loss on disposal of property, plant and equipment, right-of-use assets and intangible assets		–	0.2
Impairment charge on loans and advances to customers		61.9	43.2
Share-based compensation	34	2.3	1.1
Provisions for liabilities and charges	29	9.8	8.5
Other non-cash items included in profit before tax		(0.6)	(0.8)
Cash flows from operating profits before changes in operating assets and liabilities		106.0	88.4
Changes in operating assets and liabilities:			
Loans and advances to customers		(354.8)	(439.0)
Loans and advances to banks		5.0	(1.3)
Other assets		1.4	0.4
Deposits from customers		373.1	357.2
Provisions for liabilities and charges utilisation		(4.7)	(4.7)
Other liabilities		(5.5)	(37.8)
Income tax paid		(8.8)	(8.6)
Net cash inflow/(outflow) from operating activities		**111.7**	**(45.4)**

	Note	2024 £million	2023 £million
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	19,21	(1.0)	(2.7)
Net cash outflow from investing activities		**(1.0)**	**(2.7)**
Cash flows from financing activities			
Issue of subordinated debt	30	–	70.0
Redemption of subordinated debt	30	–	(28.8)
Drawdown/(repayment) of amounts due to banks		0.8	(0.9)
Drawdown of Index Long-Term Repos		125.0	–
Repayment of Term Funding Scheme with additional incentives for SMEs		(160.0)	–
Purchase of own shares		(1.4)	(1.2)
Issue of shares		0.2	1.7
Dividends paid	12	(5.2)	(8.4)
Repayment of lease liabilities	27	(1.4)	(0.9)
Net cash (outflow)/inflow from financing activities		**(42.0)**	**31.5**
Net increase/(decrease) in cash and cash equivalents		**68.7**	**(16.6)**
Cash and cash equivalents at 1 January		400.3	416.9
Cash and cash equivalents at 31 December	35	**469.0**	**400.3**

The Notes on pages 135 to 174 are an integral part of these consolidated financial statements.

Company statement of cash flows

For the year ended 31 December 2024

	Note	2024 £million	2023 £million
Cash flows from operating activities			
Profit for the year		20.1	25.6
Adjustments for:			
Income tax expense	9	6.2	6.7
Depreciation of property, plant and equipment	19	0.6	0.6
Depreciation of right-of-use assets	20	0.8	0.6
Amortisation of intangible assets	21	1.1	1.0
Loss on disposal of property, plant and equipment		–	0.1
Impairment charge on loans and advances to customers		62.0	43.2
Share-based compensation	34	2.1	0.9
Dividends received from subsidiaries		(9.5)	(10.2)
Provisions for liabilities and charges	29	10.1	7.2
Other non-cash items included in profit before tax		(1.2)	1.4
Cash flows from operating profits before changes in operating assets and liabilities		92.3	77.1
Changes in operating assets and liabilities:			
Loans and advances to customers		(354.9)	(439.0)
Loans and advances to banks		5.0	(1.3)
Other assets		11.3	8.7
Deposits from customers		373.1	357.2
Provisions for liabilities and charges utilisation		(4.6)	(3.3)
Other liabilities		(3.9)	(38.6)
Income tax paid		(6.7)	(5.9)
Net cash inflow/(outflow) from operating activities		**111.6**	**(45.1)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	19, 21	(0.8)	(2.2)
Net cash outflow from investing activities		**(0.8)**	**(2.2)**

	Note	2024 £million	2023 £million
Cash flows from financing activities			
Issue of subordinated debt	30	–	70.0
Redemption of subordinated debt	30	–	(28.8)
Drawdown/(repayment) of amounts due to banks		0.8	(0.9)
Drawdown of Index Long-Term Repos		125.0	–
Repayment of Term Funding Scheme with additional incentives for SMEs		(160.0)	–
Purchase of own shares		(1.4)	(1.2)
Issue of shares		0.2	1.7
Dividends paid	12	(5.2)	(8.4)
Repayment of lease liabilities	27	(1.2)	(0.8)
Net cash (outflow)/inflow from financing activities		**(41.8)**	**31.6**
Net increase/(decrease) in cash and cash equivalents		**69.0**	**(15.7)**
Cash and cash equivalents at 1 January		399.6	415.3
Cash and cash equivalents at 31 December	35	**468.6**	**399.6**

The Notes on pages 135 to 174 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below, and if applicable, directly under the relevant note to the consolidated financial statements. These policies have been consistently applied to all of the years presented, unless otherwise stated.

1.1. Reporting entity

Secure Trust Bank PLC is a public limited company incorporated in England and Wales in the United Kingdom (referred to as the 'Company') and is limited by shares. The Company is registered in England and Wales and has the registered number 00541132. The registered address of the Company is Yorke House, Arleston Way, Solihull B90 4LH. The consolidated financial statements of the Company as at, and for, the year ended 31 December 2024 comprise Secure Trust Bank PLC and its subsidiaries (together referred to as the 'Group' and individually as 'subsidiaries'). The Group is primarily involved in the provision of banking and financial services.

1.2. Basis of presentation

The Group's consolidated financial statements and the Company's financial statements have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Financial Reporting Standards. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the IASB, including interpretations issued by the IFRS Interpretations Committee. They have been prepared under the historical cost convention, as modified by the valuation of derivative financial instruments and investment properties. The consolidated financial statements are presented in pounds Sterling, which is the functional and presentational currency of the entities within the Group.

There are no IFRSs that are issued but not yet effective that will have a material impact on the Group.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

The Directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The Directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts, as set out in the Viability and going concern section of the Strategic Report, starting on page 40.

The consolidated financial statements were authorised for issue by the Board of Directors on 12 March 2025.

1.3. Consolidation

Subsidiaries

Subsidiaries are all investees controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition, excluding directly attributable costs, over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The parent company's investments in subsidiaries are recorded at cost less, where appropriate, provision for impairment. The fair value of the underlying business of the Company's only material investment was significantly higher than carrying value, and, therefore, no impairment was required.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Subsidiaries are de-consolidated from the date that control ceases.

Discontinued operations

Discontinued operations are a component of an entity that has been disposed of and represents a major line of business and/or is part of a single co-ordinated disposal plan.

1.4. Financial assets and financial liabilities accounting policy

Financial assets (with the exception of derivative financial instruments) accounting policy

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'Fair Value Through Other Comprehensive Income' ('FVOCI') and 'Fair Value Through Profit or Loss' ('FVTPL'). A financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are Solely Payments of Principal and Interest ('SPPI').

Notes to the consolidated financial statements

1. Accounting policies continued

1.4. Financial assets and financial liabilities accounting policy continued

The Group's current business model for all financial assets, with the exception of derivative financial instruments, is to hold to collect contractual cash flows, and all assets held give rise to cash flows on specified dates that represent SPPI on the outstanding principal amount. All of the Group's financial assets are, therefore, currently classified as amortised cost, except for derivative financial instruments. Loans are recognised when funds are advanced to customers and are carried at amortised cost using the Effective Interest Rate ('EIR') method.

A debt instrument would be measured at FVOCI only if both the below conditions are met and it has not been designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting its contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that represent SPPI on the outstanding principal amount.

The Group currently has no financial instruments classified as FVOCI.

See below for further details of the business model assessment and the SPPI test.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election would be made on an investment-by-investment basis. The Group currently holds no such investments.

All other assets are classified as FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group has not reclassified any financial assets during the reporting period.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the cost of funds and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- prepayments and extension terms;
- terms that limit the Group's claim to cash flows from specific assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rate).

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on managing the portfolio in order to collect contractual cash flows or whether it is managed in order to trade to realise fair value changes;
- how the performance of the portfolio is evaluated and reports to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are classified as FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Group currently has no financial instruments classified as FVTPL.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, plus or minus the cumulative amortisation using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, minus any reduction for impairment.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all of the risks and rewards of ownership or in the event of a substantial modification. There have not been any instances where assets have only been partially derecognised.

Notes to the consolidated financial statements

1. Accounting policies continued

1.4. Financial assets and financial liabilities accounting policy continued

Modification of loans

A customer's account may be modified to assist customers who are in, or have recently overcome, financial difficulties and have demonstrated both the ability and willingness to meet the current or modified loan contractual payments. Substantial loan modifications result in the derecognition of the existing loan, and the recognition of a new loan at the new origination EIR based on the expected future cash flows at origination. Determination of the origination Probability of Default ('PD') for the new loan is required, based on the PD as at the date of the modification, which is used for the calculation of the impairment provision against the new loan. Any deferred fees or deferred interest, and any difference between the carrying value of the derecognised loan and the new loan, is written-off to the income statement on recognition of the new loan.

Where the modification is not considered to be substantial, neither the origination EIR nor the origination probability of default for the modified loan changes. The net present value of changes to the future contractual cash flows adjusts the carrying amount of the original asset with the difference immediately being recognised in profit or loss. The adjusted carrying amount is then amortised over the remaining term of the modified loan using the original EIR.

Financial liabilities (with the exception of derivative financial instruments)

The Group classifies its financial liabilities as measured at amortised cost. Such financial liabilities are recognised when cash is received from depositors and carried at amortised cost using the EIR method. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset.

1.5. Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the consolidated statement of financial position date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

2. Critical accounting judgements and key sources of estimation uncertainty

2.1. Judgements

No critical judgements have been identified.

2.2. Key sources of estimation uncertainty

Estimations that could have a material impact on the Group's financial results, and, are therefore, considered to be key sources of estimation uncertainty. Key sources of estimation can be found in:

- Note 16. Allowances for impairment of loans and advances to customers;
- Note 29. Provisions for liabilities and charges.

3. Operating segments

The Group is organised into four operating segments, which consist of the different products available, as disclosed below.

Consumer Finance

- Retail Finance: a market-leading online e-commerce service to retailers, providing unsecured lending products to prime UK customers to facilitate the purchase of a wide range of consumer products, including bicycles, musical instruments and equipment, furniture, outdoor/leisure, electronics, dental, jewellery, home improvements and football season tickets.
- Vehicle Finance: hire purchase lending for used cars to prime and near-prime customers and Personal Contract Purchase lending into the consumer prime credit market, both secured against the vehicle financed. In addition, a Stocking Funding product is also offered, whereby funds are advanced and secured against dealer forecourt used car stock, sourced from auctions, part exchanges or trade sources.

Business Finance

- Real Estate Finance: lending secured against property assets to a maximum 70% loan-to-value ratio, on fixed or variable rates over a term of up to five years.
- Commercial Finance: lending is predominantly against receivables, typically releasing 90% of qualifying invoices under invoice discounting facilities. Other assets can also be funded either long or short term and for a range of loan-to-value ratios alongside these services.

Other

This principally includes interest receivable from central banks, interest receivable and payable on derivatives and interest payable on deposits from customers, amounts due to banks and subordinated liabilities, and operating expenses, which are not recharged to the operating segments.

The Group's chief operating decision maker, the Executive Committee, regularly reviews these segments by looking at the operating income, size of the loan books and impairments.

Interest expense is charged to the operating segments in accordance with the Group's internal funds transfer pricing policy. Operating expenses reflect costs incurred directly, and costs incurred centrally that are reallocated to the operating segment to which they can be directly attributed.

Notes to the consolidated financial statements

3. Operating segments continued

Additionally, no balance sheet items are allocated to segments other than loans and advances to customers.

All of the Group's operations are conducted wholly within the United Kingdom and geographical information is, therefore, not presented.

	Retail Finance £million	Vehicle Finance £million	Real Estate Finance £million	Commercial Finance £million	Other £million	Group £million
31 December 2024						
Interest income and similar income	140.7	69.2	87.1	29.8	39.2	366.0
Interest expense and similar charges	(53.9)	(21.6)	(54.5)	(17.6)	(33.5)	(181.1)
Net interest income	**86.8**	**47.6**	**32.6**	**12.2**	**5.7**	**184.9**
Fee and commission income	3.2	0.9	0.4	14.6	0.1	19.2
Fee and commission expense	–	(0.1)	–	(0.1)	–	(0.2)
Net fee and commission income	**3.2**	**0.8**	**0.4**	**14.5**	**0.1**	**19.0**
Operating income	**90.0**	**48.4**	**33.0**	**26.7**	**5.8**	**203.9**
Net impairment charge on loans and advances to customers	(13.3)	(38.7)	(4.0)	(5.9)	–	(61.9)
Other gains/(losses)	–	0.1	–	–	(0.4)	(0.3)
Fair value gains on financial instruments	–	–	–	–	1.2	1.2
Operating expenses	(26.1)	(31.6)	(10.0)	(8.1)	(28.0)	(103.8)
Profit/(loss) before income tax before exceptional items	**50.6**	**(21.8)**	**19.0**	**12.7**	**(21.4)**	**39.1**
Exceptional items	–	–	–	–	(9.9)	(9.9)
Profit/(loss) before income tax	**50.6**	**(21.8)**	**19.0**	**12.7**	**(31.3)**	**29.2**
Loans and advances to customers	**1,357.8**	**558.3**	**1,341.4**	**351.0**	**–**	**3,608.5**

A new presentation layout for operating segments has been adopted in the current year to provide information in a format aligned to the layout of the primary financial statements.

Prior year data is also presented using the same format to aid comparability. This is intended to provide more clear analysis of how each segment contributes to the Group's performance.

	Retail Finance £million	Vehicle Finance £million	Real Estate Finance £million	Commercial Finance £million	Other £million	Group £million
31 December 2023						
Interest income and similar income	106.5	59.1	74.4	27.2	36.8	304.0
Interest expense and similar charges	(33.4)	(15.0)	(44.7)	(14.0)	(29.4)	(136.5)
Net interest income	**73.1**	**44.1**	**29.7**	**13.2**	**7.4**	**167.5**
Fee and commission income	3.2	1.8	0.9	11.4	–	17.3
Fee and commission expense	–	–	–	(0.1)	–	(0.1)
Net fee and commission income	**3.2**	**1.8**	**0.9**	**11.3**	**–**	**17.2**
Operating income	**76.3**	**45.9**	**30.6**	**24.5**	**7.4**	**184.7**
Net impairment charge on loans and advances to customers	(15.9)	(14.8)	(4.5)	(8.0)	–	(43.2)
Other gains	–	0.3	–	–	–	0.3
Fair value gains on financial instruments	–	–	–	–	0.5	0.5
Operating expenses	(26.7)	(28.2)	(10.2)	(7.7)	(26.9)	(99.7)
Profit/(loss) before income tax before exceptional items	**33.7**	**3.2**	**15.9**	**8.8**	**(19.0)**	**42.6**
Exceptional items	–	–	–	–	(6.5)	(6.5)
Profit/(loss) before income tax	**33.7**	**3.2**	**15.9**	**8.8**	**(25.5)**	**36.1**
Loans and advances to customers	**1,223.2**	**467.2**	**1,243.8**	**381.1**	**–**	**3,315.3**

Notes to the consolidated financial statements

4. Operating income

All items below arise from financial instruments measured at amortised cost unless otherwise stated.

4.1. Net interest income

	2024 £million	2023 £million
Loans and advances to customers	326.7	267.0
Cash and Bank of England reserve account	22.5	17.5
	349.2	284.5
Income on financial instruments hedging assets	16.8	19.5
Interest income and similar income	**366.0**	**304.0**
Deposits from customers	(136.0)	(88.2)
Due to banks	(18.5)	(18.7)
Subordinated liabilities	(11.9)	(10.7)
Other	(0.1)	(0.1)
	(166.5)	(117.7)
Expense on financial instruments hedging liabilities	(14.6)	(18.8)
Interest expense and similar charges	**(181.1)**	**(136.5)**

Interest income and expense accounting policy

For all financial instruments measured at amortised cost, the EIR method is used to measure the carrying value and allocate interest income or expense. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating the EIR for financial instruments, other than assets that were credit impaired on initial recognition, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges and broker commissions) and anticipated customer behaviour but does not consider future credit losses.

The calculation of the EIR includes all fees received and paid that are an integral part of the loan, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial instrument.

For financial assets that are not considered to be credit-impaired ('Stage 1' and 'Stage 2' assets), interest income is recognised by applying the EIR to the gross carrying amount of the financial asset. For financial assets that become credit-impaired subsequent to initial recognition ('Stage 3' assets), from the next reporting period onwards interest income is recognised by applying the EIR to the amortised cost of the financial asset. The credit risk of financial assets that become credit-impaired are not expected to improve such that they are no longer considered credit-impaired, however, if this were to occur, the calculation of interest income would revert back to the gross basis. The Group's definition of Stage 1, Stage 2 and Stage 3 assets is set out in Note 16.

For financial assets that were credit-impaired on initial recognition ('POCI' assets), income is calculated by applying the credit adjusted EIR to the amortised cost of the asset. Collection activity costs are not included in the amortised cost of the assets, but are included in operating expenses in the income statement, and are recognised as incurred, in common with other businesses in the sector. For such financial assets the calculation of interest income will never revert to a gross basis, even if the credit risk of the asset improves.

Further details regarding when an asset becomes credit-impaired subsequent to initial recognition is provided within Note 16.

Notes to the consolidated financial statements

4. Operating income continued

4.2. Net fee and commission income

	2024 £million	2023 £million
Fee and disbursement income	18.1	16.4
Commission income	1.1	0.9
Fee and commission income	**19.2**	**17.3**
Other expenses	(0.2)	(0.1)
Fee and commission expense	**(0.2)**	**(0.1)**

Fees and commission income is all recognised under IFRS 15 Revenue from contracts to customers and consists principally of the following:

- Commercial Finance – discounting, service and arrangement fees.
- Retail Finance – principally comprises of account management fees received from customers and referral fees received from third parties.
- Vehicle Finance – primarily relates to vehicle collection and damage charges made to customers and loan administration fees charged to dealers in respect of the Stock Funding product.

Fee and commission accounting policy

Fees and commission income that is not considered an integral part of the EIR of a financial instrument are recognised under IFRS 15 when the Group satisfies performance obligations by transferring promised services to customers and presented in the income statement as fee and commission income. All of the Group's fees and commissions relate to performance obligations that are recognised at a point in time.

Fees and commission income and expenses that are an integral part of the EIR of a financial instrument are included in the EIR and presented in the income statement as interest income or expense.

No significant judgements are made in evaluating when a customer obtains control of promised goods or services.

5. Fair value and other gains on financial instruments

	2024 £million	2023 £million
Fair value movement during the year – Interest rate derivatives	1.6	(6.1)
Fair value movement during the year – Hedged items	(1.5)	6.2
Hedge ineffectiveness recognised in the income statement	0.1	0.1
Inception and amortisation adjustment[1]	0.6	–
Gains/(losses) recognised on derivatives not in hedge relationships	0.5	(0.8)
Extinguishment gain on redemption of subordinated debt	–	1.2
	1.2	**0.5**

1. The inception and amortisation adjustment relates to amortisation of macro fair value hedge accounting relationships derecognised and the amortisation of the fair value adjustment of underlying hedged items at the time hedge accounting relationships commenced or were redesignated. Over the life of the hedged items these adjustments are expected to off-set gains/losses on derivatives taken for hedging purposes before and after they are designated in hedge relationships.

The extinguishment gain on redemption of subordinated debt relates to the redemption during 2023 at a discount to par of the £50 million 6.75% Fixed Rate Reset Callable Subordinated Notes due in 2028.

As a part of its risk management strategy, the Group uses derivatives to economically hedge financial assets and liabilities. For further information on the Group's risk management strategy for market risk see page 35 of the Group's Strategic Report.

Hedge accounting is employed by the Group to minimise the accounting volatility associated with the change in fair value of derivative financial instruments. This volatility does not reflect the economic reality of the Group's hedging strategy, the Group only uses derivatives for the hedging of risks.

Notes to the consolidated financial statements

5. Fair value and other gains on financial instruments continued

5.1. Fair value gain recognised in other comprehensive income

	2024 £million	2023 £million
Cash flow hedges		
Fair value movement in year – Interest rate derivatives	(0.8)	–
Interest reclassified to the income statement during the year	1.3	0.6
Fair value gain recognised in other comprehensive income	**0.5**	**0.6**

Although the Group uses interest rate derivatives exclusively to hedge interest rate risk exposures, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is not achievable. Where such volatility arises, it will net to zero over the life of the hedging relationship. All derivatives held by the Group have been highly effective in the year, resulting in minimal hedge accounting ineffectiveness recognised in the income statement. Future ineffectiveness may arise as a result of:

- differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience; or
- differences in the timing of cash flows for the hedged item and the hedging instrument.

How fair value and cash flow hedge accounting affect the consolidated financial statements and the main sources of the residual hedge ineffectiveness remaining in the income statement are set out below. Further information on the current derivative portfolio and the allocation to hedge accounting types is included in Note 17.

Derivative financial instruments accounting policy

The Group enters into derivatives to manage exposures to fluctuations in interest rates. Derivatives are not used for speculative purposes. Derivatives are carried at fair value, with movements in fair value recognised in the income statement or other comprehensive income. Derivatives are valued by discounted cash flow models using yield curves based on Overnight Indexed Swap ('OIS') rates. All derivatives are carried as assets where fair value is positive and as liabilities when fair value is negative. Derivatives are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. The Group does not hold contracts containing embedded derivatives.

Where cash collateral is received, to mitigate the risk inherent in the amounts due to the Group, it is included as a liability within the due to banks line within the statement of financial position. Where cash collateral is given, to mitigate the risk inherent in amounts due from the Group, it is included as an asset in the loans and advances to banks line within the statement of financial position.

Hedge accounting

Following the implementation of IFRS 9, the Group elected to apply IAS 39 for all of its hedge accounting requirements. When transactions meet specified criteria the Group can apply two types of hedge accounting:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges); and
- hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges).

The Group does not have hedges of net investments.

At inception of a hedge, the Group formally documents the relationship between the hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items (i.e. the fair value offset between the hedged item and hedging instrument is within the 80%–125% range).

When the European Union adopted IAS 39 in 2004, it removed certain hedge accounting requirements, commonly referred to as the EU carve-out. The relaxed requirements under the carve-out allow the Group to apply the 'bottom up' method when calculating macro-hedge ineffectiveness. This option is not allowed under full IFRS. The Group has applied the EU carve-out accordingly.

Notes to the consolidated financial statements

5. Fair value and other gains on financial instruments continued

Fair value hedge accounting

Fair value hedge accounting results in the carrying value of the hedged item being adjusted to reflect changes in fair value attributable to the hedged risk, thereby offsetting the effect of the related movement in the fair value of the derivative. Changes in the fair value of derivatives and hedged items that are designated and qualify as fair value hedges are recorded in the income statement.

In a one-to-one hedging relationship, in which a single derivative hedges a single hedged item, the carrying value of the underlying asset or liability (the hedged item) is adjusted for the hedged risk to offset the fair value movement of the related derivative. In the case of a portfolio hedge, an adjustment is included in the fair value adjustments for portfolio hedged risk line in the statement of financial position to offset the fair value movements in the related derivative. The Group currently only designates portfolio hedges.

If the hedge no longer meets the criteria for hedge accounting, expires or is terminated, the cumulative fair value adjustment to the carrying amount of a hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship and recorded as net interest income. If the underlying item is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement.

Cash flow hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. Amounts recognised in the cash flow hedge reserve are subsequently reclassified to the income statement when the underlying asset or liability being hedged impacts the income statement, for example, when interest payments are recognised, and are recorded in the same income statement line in which the income or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects the income statement. When a forecast transaction is no longer expected to occur (for example, the recognised hedged item is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

6. Operating expenses

	2024 £million	2023 £million
Employee costs, including those of Directors:		
Wages and salaries	52.5	49.5
Social security costs	5.7	5.6
Pension costs	2.0	1.8
Share-based payment transactions	2.3	1.1
Depreciation of property, plant and equipment (Note 19)	1.0	0.9
Depreciation of lease right-of-use assets (Note 20)	1.0	0.7
Amortisation of intangible assets (Note 21)	1.4	1.2
Operating lease rentals	0.8	0.7
Other administrative expenses	37.1	40.9
Total operating expenses	**103.8**	**102.4**
Of which:		
Continuing	**103.8**	**99.7**
Discontinued (Note 10)	**–**	**2.7**

Post-retirement obligations accounting policy

The Group contributes to defined contribution schemes for the benefit of certain employees. The schemes are funded through payments to insurance companies or trustee-administered funds at the contribution rates agreed with individual employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. There are no post-retirement benefits other than pensions.

Remuneration of the Auditor and its associates, excluding VAT, was as follows:

	2024 £million	2023 £million
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	1.3	1.0
Fees payable to the Company's Auditor for other services:		
Other assurance services	0.1	0.2
	1.4	**1.2**

Other assurance services related to the interim independent review report and profit certification (2023: interim independent review report, profit certification and a comfort letter in relation to the Tier 2 capital issuance).

Notes to the consolidated financial statements

7. Average number of employees

	2024 Number	2023 Number
Directors	2	2
Other senior management	23	23
Other employees	890	849
	915	**874**

8. Exceptional items

	2024 £million	2023 £million
Motor finance commissions		
Redress	5.2	–
Costs	1.7	–
	6.9	**–**
BiFD Vehicle Finance collections review		
Redress	0.2	2.0
Costs	1.3	2.7
	1.5	**4.7**
Organisational redesign	**1.5**	**–**
Corporate activity	**–**	**1.8**
Total exceptional items	**9.9**	**6.5**

Costs associated with these activities are outside the normal course of business and are treated as exceptional.

Motor finance commissions

During 2024, the Group recognised costs of £6.9 million (2023: £nil), of which £6.4 million was recognised as a provision. Further details about the provision can be found in Note 29.

Organisational redesign

During 2024, the Group undertook an organisational redesign where product-specific teams were amalgamated under a single management structure. In addition, there were changes within Finance and the Risk functions to ensure they were configured to support the business in the most effective way. As a consequence, the Group incurred redundancy costs of £1.5 million (2023: £nil).

Borrowers in Financial Difficulty ('BiFD') Vehicle Finance collections review

Following the Financial Conduct Authority's review of BiFD across the industry, and in response to the specific feedback we received on our own collection activities, in 2023, we engaged external support to assist us and, where necessary, enhanced our approach, which included offering a wider range of forbearance options to our customers. In 2023, we incurred or provided for costs of £4.7 million relating to processes, procedures and policies in our Vehicle Finance collections operations. In 2024, a further £1.5 million was incurred or provided.

Income tax on exceptional items

Income tax on exceptional items amount to £1.0 million credit (2023: £0.6 million credit).

Exceptional items accounting policy

Exceptional items are expenses that do not relate to the Group's core activities, which are material in the context of the Group's performance.

9. Income tax expense

	2024 £million	2023 £million
Current taxation		
Corporation tax charge – current year	8.4	8.0
Corporation tax charge/(credit) – prior year adjustments	0.3	(0.1)
	8.7	7.9
Deferred taxation		
Deferred tax charge – current year	1.2	1.3
Deferred tax credit – prior year adjustments	(0.4)	(0.1)
	0.8	1.2
Income tax expense	**9.5**	**9.1**
Of which:		
Continuing	**9.5**	**9.7**
Discontinued (Note 10)	**–**	**(0.6)**

	2024 £million	2023 £million
Tax reconciliation		
Profit before tax	29.2	33.4
Tax at 25.00% (2023: 23.50%)	7.3	7.8
Permanent differences on exceptional items	1.5	0.9
Other permanent differences	0.1	0.3
Rate change on deferred tax assets	0.5	0.1
Other adjustments including prior year adjustments	0.1	–
Income tax expense for the year	**9.5**	**9.1**

The tax has been calculated at the current statutory rate, which is 25.0% for the year ended 31 December 2024 (2023: 23.5%). For the year ended 31 December 2023, the Corporation Tax rate increased from 19% to 25%, with effect from 1 April 2023. At the same time, the banking surcharge reduced from 8% to 3% and the surcharge allowance available to a banking group increased from £25 million to £100 million. These changes were enacted prior to the start of 2023, and so opening and closing deferred asset values were calculated from expected future tax relief based on these enacted rates.

Notes to the consolidated financial statements

9. Income tax expense continued

Income tax accounting policy

Current income tax, which is payable on taxable profits, is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

10. Discontinued operations

The Group sold Debt Managers (Services) Limited's portfolio of loans during 2022. As the Group has exited this market, the results of the Debt Management business have been presented as discontinued operations.

Income statement	2024 £million	2023 £million
Operating expenses	–	(2.7)
Loss before income tax from discontinued operations	**–**	**(2.7)**
Income tax credit	–	0.6
Loss for the year from discontinued operations	**–**	**(2.1)**
Basic earnings per ordinary share – discontinued operations	**–**	**(11.2)**
Diluted earnings per ordinary share – discontinued operations	**–**	**(10.9)**

Operating expenses above relate to the costs of winding down the business.

Net cash flows	2024 £million	2023 £million
Operating	–	(2.7)
Net cash outflow	**–**	**(2.7)**

11. Earnings per ordinary share

11.1. Basic

Basic earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares as follows:

	2024	2023
Profit attributable to equity holders of the parent (£million)	19.7	24.3
Weighted average number of ordinary shares (number)	19,057,161	18,751,059
Earnings per share (pence)	**103.4**	**129.6**

11.2. Diluted

Diluted earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, as noted above, as well as the number of dilutive share options in issue during the year, as follows:

	2024	2023
Weighted average number of ordinary shares	19,057,161	18,751,059
Number of dilutive shares in issue at the year-end	363,751	515,782
Fully diluted weighted average number of ordinary shares	**19,420,912**	**19,266,841**
Dilutive shares being based on:		
Number of options outstanding at the year-end	1,395,045	1,210,544
Weighted average exercise price (pence)	215	225
Average share price during the year (pence)	525	719
Diluted earnings per share (pence)	**101.4**	**126.1**

Notes to the consolidated financial statements

12. Dividends

	Paid	2024 £million	2023 £million
2024 interim dividend – 11.3 pence per share	Sep-24	2.1	–
2023 final dividend – 16.2 pence per share	May-24	3.1	–
2023 interim dividend – 16.0 pence per share	Sep-23	–	3.0
2022 final dividend – 29.1 pence per share	May-23	–	5.4
		5.2	**8.4**

The Directors recommend the payment of a final dividend of 22.5 pence per share (2023: 16.2 pence per share). The final dividend, if approved by members at the Annual General Meeting, will be paid on 22 May 2025, with an associated record date of 25 April 2025.

The EBT has waived its right to receive future dividends on shares held in the trust. Dividends waived on shares held in the EBT in 2024 were £0.1 million (2023: £nil).

Dividends accounting policy

Final dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Interim dividends on ordinary shares are recognised in equity in the period in which they are paid.

13. Loans and advances to banks

Moody's long-term ratings are as follows:

	Group 2024 £million	Group 2023 £million	Company 2024 £million	Company 2023 £million
Aaa–Aa3	–	4.8	–	4.8
A1	24.0	48.9	23.6	48.2
	24.0	**53.7**	**23.6**	**53.0**

None of the loans and advances to banks are either past due or impaired.

Loans and advances to banks includes £nil (2023: £5.0 million), which the Group and Company does not have access to.

Where the Group and Company does not have access to cash, it is excluded from cash and cash equivalents. See Note 35.1 for a reconciliation to cash and cash equivalents.

14. Loans and advances to customers

Group and Company

	2024 £million	2023 £million
Gross loans and advances	3,720.3	3,403.4
Less: allowances for impairment of loans and advances (Note 16)	(111.8)	(88.1)
	3,608.5	**3,315.3**

The fair value of loans and advances to customers is shown in Note 41. Loans and advances to customers includes finance lease receivables of £548.4 million (2023: £450.3 million). See Note 15 for further details.

Retail Finance assets of £1,088.2 million (2023: £1,004.9 million) were pre-positioned under the Bank of England's liquidity support operations and Term Funding Scheme with additional incentives for SMEs and are available for use as collateral within the schemes.

The Real Estate Finance loan book of £1,341.4 million (2023: £1,243.8 million) is secured upon real estate, which had a loan-to-value of 56% at 31 December 2024 (2023: 57%).

Under its credit policy, the Real Estate Finance business lends to a maximum loan-to-value of:

- 70% for investment loans;
- 60% for residential development loans[1];
- 65% for certain residential higher leveraged development loans[1], which is subject to an overall cap on such lending agreed by management according to risk appetite; and
- 65% for commercial development loans[1].

All property valuations at loan inception, and the majority of development stage valuations, are performed by independent Chartered Surveyors, who perform their work in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards.

Of cash collateral, £0.3 million has been received as at 31 December 2024 in respect of certain loans and advances (2023: £1.7 million).

The accounting policy for loans and advances to customers is included in Note 1.4 Financial assets and financial liabilities accounting policy.

1. Based on gross development value.

Notes to the consolidated financial statements

15. Finance lease receivables

Group and Company

Loans and advances to customers include finance lease receivables as follows:

	2024 £million	2023 £million
Gross investment in finance lease receivables:		
Not more than one year	228.1	186.2
Later than one year but no later than five years	535.4	446.1
	763.5	632.3
Unearned future finance income on finance leases	(215.1)	(182.0)
Net investment in finance leases	**548.4**	**450.3**
The net investment in finance leases may be analysed as follows:		
Not more than one year	135.3	113.3
Later than one year but no later than five years	413.1	337.0
	548.4	**450.3**

Finance lease receivables include Vehicle Finance loans to consumers.

Lessor accounting policy

The present value of the lease payments on assets leased to customers under agreements that transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

16. Allowances for impairment of loans and advances

Group and Company

	Not credit-impaired		Credit-impaired			
	Stage 1: Subject to 12-month ECL £million	Stage 2: Subject to lifetime ECL £million	Stage 3: Subject to lifetime ECL £million	Total provision £million	Gross loans and advances to customers £million	Provision coverage %
31 December 2024						
Consumer Finance:						
Retail Finance	13.5	6.5	10.1	30.1	1,387.9	2.2%
Vehicle Finance:						
Voluntary termination provision	5.4	1.5	–	6.9		
Other impairment	9.8	7.4	44.3	61.5		
	15.2	8.9	44.3	68.4	626.7	10.9%
Business Finance:						
Real Estate Finance	0.4	0.3	11.8	12.5	1,353.9	0.9%
Commercial Finance	0.5	0.2	0.1	0.8	351.8	0.2%
	29.6	**15.9**	**66.3**	**111.8**	**3,720.3**	**3.0%**

	Not credit-impaired		Credit-impaired			
	Stage 1: Subject to 12-month ECL £million	Stage 2: Subject to lifetime ECL £million	Stage 3: Subject to lifetime ECL £million	Total provision £million	Gross loans and advances to customers £million	Provision coverage %
31 December 2023						
Consumer Finance:						
Retail Finance	12.0	11.8	8.3	32.1	1,255.3	2.6%
Vehicle Finance:						
Voluntary termination provision	6.7	–	–	6.7		
Other impairment	10.0	5.6	23.6	39.2		
	16.7	5.6	23.6	45.9	513.1	8.9%
Business Finance:						
Real Estate Finance	0.3	0.7	7.0	8.0	1,251.8	0.6%
Commercial Finance	0.5	0.1	1.5	2.1	383.2	0.5%
	29.5	**18.2**	**40.4**	**88.1**	**3,403.4**	**2.6%**

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

The impairment charge disclosed in the income statement can be analysed as follows:

	2024 £million	2023 £million
Expected credit losses ('ECL'): impairment charge	61.9	37.3
Charge/(credit) for off-balance sheet loan commitments (Note 29)	0.1	(0.3)
Loans written-off directly to the income statement[1]	0.7	6.2
Unwind of discount	(0.8)	–
	61.9	**43.2**

1. The impairment charge for 2023 included a £7.2 million charge relating to a single long-running debt case, of which £6.3 million was written off directly to the income statement.

Total provisions above include expert credit judgements as follows:

	2024 £million	2023 £million
Specific underlays held against credit-impaired secured assets held within the Business Finance portfolio	(0.7)	(1.0)
Management judgement in respect of:		
Vehicle Finance LGD	(4.5)	(2.1)
Other	(0.5)	1.9
Expert credit judgements over the IFRS 9 model results	**(5.7)**	**(1.2)**

The specific underlays for Business Finance have been estimated on an individual basis by assessing the recoverability and condition of the secured asset, along with any other recoveries that may be made.

Reconciliations of the opening to closing allowance for impairment of loans and advances are presented below:

	Not credit-impaired		Credit-impaired	
	Stage 1: Subject to 12-month ECL £million	Stage 2: Subject to lifetime ECL £million	Stage 3: Subject to lifetime ECL £million	Total £million
At 1 January 2024	29.5	18.2	40.4	88.1
(Decrease)/increase due to change in credit risk				
Transfer to Stage 2	(11.7)	38.6	(1.4)	25.5
Transfer to Stage 3	(0.2)	(24.1)	48.8	24.5
Transfer to Stage 1	7.8	(20.8)	–	(13.0)
Passage of time	(6.3)	4.6	14.8	13.1
New loans originated	16.2	–	–	16.2
Matured and derecognised loans	(2.1)	(1.6)	(0.5)	(4.2)
Changes to credit risk parameters	(2.3)	(0.5)	(2.9)	(5.7)
Other adjustments	4.0	1.5	–	5.5
Charge/(credit) to income statement	5.4	(2.3)	58.8	61.9
Allowance utilised in respect of write-offs	(5.3)	–	(32.9)	(38.2)
31 December 2024	**29.6**	**15.9**	**66.3**	**111.8**

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

	Not credit-impaired		Credit-impaired	
	Stage 1: Subject to 12-month ECL £million	Stage 2: Subject to lifetime ECL £million	Stage 3: Subject to lifetime ECL £million	Total £million
At 1 January 2023	24.3	28.6	25.1	78.0
(Decrease)/increase due to change in credit risk				
Transfer to Stage 2	(10.4)	56.1	–	45.7
Transfer to Stage 3	(0.1)	(30.6)	41.9	11.2
Transfer to Stage 1	10.2	(35.3)	–	(25.1)
Passage of time	(9.1)	3.5	3.7	(1.9)
New loans originated	20.5	–	–	20.5
Matured and derecognised loans	(2.3)	(4.6)	(4.7)	(11.6)
Changes to credit risk parameters	(5.3)	0.5	0.3	(4.5)
Other adjustments	3.0	–	–	3.0
Charge/(credit) to income statement	6.5	(10.4)	41.2	37.3
Allowance utilised in respect of write-offs	(1.3)	–	(25.9)	(27.2)
31 December 2023	**29.5**	**18.2**	**40.4**	**88.1**

These tables have been prepared based on monthly movements in the ECL.

Passage of time represents the impact of accounts maturing through their contractual life, the associated reduction in PDs and the unwind of the discount applied in calculating the ECL.

Changes to credit risk parameters represent movements that have occurred due to the Group updating model inputs. This would include the impact of, for example, updating the macroeconomic scenarios applied to the models.

Other adjustments represents the movement in the Vehicle Finance voluntary termination provision.

Stage 1 write-offs arise on Vehicle Finance accounts where borrowers have exercised their right to voluntarily terminate their agreements.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2024			
	Stage 1 £million	**Stage 2 £million**	**Stage 3 £million**	**Total £million**
Business Finance:				
Strong	29.6	–	–	29.6
Good	1,051.5	54.2	1.4	1,107.1
Satisfactory	298.6	141.5	25.8	465.9
Weak	–	20.1	83.0	103.1
	1,379.7	**215.8**	**110.2**	**1,705.7**

	2023			
	Stage 1 £million	Stage 2 £million	Stage 3 £million	Total £million
Business Finance:				
Strong	57.9	–	–	57.9
Good	1,087.8	4.5	–	1,092.3
Satisfactory	236.5	82.0	28.8	347.3
Weak	–	59.3	78.2	137.5
	1,382.2	**145.8**	**107.0**	**1,635.0**

	2024			
	Stage 1 £million	**Stage 2 £million**	**Stage 3 £million**	**Total £million**
Consumer Finance:				
Good	921.6	4.9	–	926.5
Satisfactory	768.1	32.4	–	800.5
Weak	135.2	75.9	76.5	287.6
	1,824.9	**113.2**	**76.5**	**2,014.6**

	2023			
	Stage 1 £million	Stage 2 £million	Stage 3 £million	Total £million
Consumer Finance:				
Good	706.0	58.9	10.1	775.0
Satisfactory	596.5	54.4	18.4	669.3
Weak	266.8	38.7	18.6	324.1
	1,569.3	**152.0**	**47.1**	**1,768.4**

Internal credit risk rating is based on the most recent credit risk score of a customer.

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

Impairment of financial assets and loan commitments accounting policy

The Group recognises loss allowances for Expected Credit Losses ('ECL') on all financial assets carried at amortised cost, including lease receivables and loan commitments. Credit loss allowances on Stage 1 assets are measured as an amount equal to 12-month ECL and credit loss allowances on Stage 2, and Stage 3 assets are measured as an amount equal to lifetime ECL.

Stage 1 assets

Stage 1 assets comprise of the following.

- Financial assets determined to have low credit risk at the reporting date.
- Financial assets that have not experienced a significant increase in credit risk since their initial recognition.
- Financial assets that have experienced a significant increase in credit risk since their initial recognition, but have subsequently met the Group's cure policy, as set out on the following page.

A low credit risk asset is considered to have low credit risk when its credit risk rating is equivalent to the widely understood definition of 'investment grade' assets. This is not applicable to loans and advances to customers, but the Group has assessed all its debt securities, which represents UK Treasury bills, to be low credit risk.

Stage 2 assets

Loans and advances to customers that have experienced a significant increase in credit risk since their initial recognition and have not subsequently met the Group's cure policy are classified as Stage 2 assets.

The Group's definitions of a significant increase in credit risk and default are set out on the following page.

For Consumer Finance, the credit risk of a financial asset is considered to have experienced a significant increase in credit risk since initial recognition where there has been a significant increase in the remaining lifetime probability of default of the asset. The Group may also use its expert credit judgement, and where possible, relevant historical and current performance data, including bureau data, to determine that an exposure has undergone a significant increase in credit risk.

For Business Finance, the credit risk of a financial asset is considered to have experienced a significant increase in credit risk where certain early warning indicators apply. These indicators may include notification of county court judgements or, specifically for the Real Estate Finance portfolio, cost over-runs and timing delays experienced by borrowers.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for all portfolios.

Stage 3 assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired or defaulted (Stage 3). A financial asset is considered to be credit-impaired when an event or events that have a detrimental impact on estimated future cash flows have occurred, or have other specific unlikeliness to pay indicators. Evidence that a financial asset is credit-impaired includes the following observable data.

- Initiation of bankruptcy proceedings.
- Notification of bereavement.
- Identification of loan meeting debt sale criteria.
- Initiation of repossession proceedings.
- Customer on an Individual Voluntary Arrangement or Debt Management Plan.
- A material covenant breach that has remained unremedied for more than 90 days.

In addition, a loan that is 90 days or more past due is considered credit-impaired for all portfolios. The credit risk of financial assets that become credit-impaired will be monitored in-line with the curing policy.

For Commercial Finance facilities that do not have a fixed-term or repayment structure, evidence that a financial asset is credit-impaired includes:

- the client ceasing to trade; or
- unpaid debtor balances that are dated at least six months past their normal recourse period.

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

Cure policy

The credit risk of a financial asset may improve such that it is no longer considered to have experienced a significant increase in credit risk if it meets the Group's cure policy. The Group's cure policy from stage 2 to stage 1 for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due and such payments need to be maintained for six consecutive months in Vehicle Finance and three months in Retail Finance. In addition, an account can cure from stage 2 to stage 1 if the significant increase in credit risk since their initial recognition is not triggered anymore due to improvement in their credit quality (e.g. loan credit bureau score).

The Group's cure policy from stage 3 to 2 for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due. For Vehicle Finance and Retail Finance such non-defaulted status need to be maintained for three consecutive months. For Real Estate Finance such payments need to be maintained for 12 consecutive months.

Calculation of expected credit loss ('ECL')

ECL are probability weighted estimates of credit losses that are measured as the present value of all cash shortfalls. Specifically, this is the difference between the contractual cash flows due and the cash flows expected to be received, discounted at the original effective interest rate. For undrawn loan commitments, ECL is measured as the difference between the contractual cash flows due if the commitment is drawn and the cash flows expected to be received.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial asset.

12-month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date.

ECL are calculated by multiplying three main components: the Probability of Default ('PD'), Exposure At Default ('EAD') and Loss Given Default ('LGD') discounted at the original effective interest rate of an asset. These variables are derived from internally developed statistical models and historical data, adjusted to reflect forward-looking information and are discussed in turn further below. Management adjustments are made to modelled output to account for situations, where known, or expected risk factors that have not been reflected in the modelled outcome.

Probability of Default ('PD') and credit risk grades

Credit risk grades are a primary input into the determination of the PD for exposures. The Group allocates each exposure to a credit risk grade at origination and at each reporting period to predict the risk of default. Credit risk grades are determined using qualitative and quantitative factors that are indicative of the risk of default e.g. arrears status and loan credit bureau score. These factors vary for each loan portfolio. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

In monitoring exposures information, such as payment records and forecast changes in economic conditions are considered for Consumer Finance. Additionally, for Business Finance portfolios information obtained during periodic client reviews, for example, audited financial statements, management accounts, budgets and projections are considered, with particular focus on key ratios, compliance with covenants and changes in senior management teams.

Emergence curves modelling is used in the production of forward-looking lifetime PDs. This method defines the way that debt emerges for differing quality accounts and their time on the books creating a clean relationship to best demonstrate the movement in default rates as macroeconomic variables are changed. These models are extrapolated to provide PD estimates for the future, based on forecasted economic scenarios.

Exposure at Default ('EAD')

EAD represents the expected exposure in the event of a default. EAD is derived from the current exposure and potential changes to the current amount allowed under the terms of the contract, including amortisation overpayments and early terminations. The EAD of a financial asset is its gross carrying amount. For loan commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the terms of the contract, estimated based on historical observations and forward-looking forecasts.

For Commercial Finance facilities that have no specific term, an assumption is made that accounts close 36 months after the reporting date for the purposes of measuring lifetime ECL. This assumption is based on industry experience of average client life. These facilities do not have a fixed-term or repayment structure, but are revolving and increase or decrease to reflect the value of the collateral i.e. receivables or inventory. The Group can cancel the facilities with immediate effect, although this contractual right is not enforced in the normal day-to-day management of the facility. Typically, demand would only be made on the failure of a client business or in the event of a material event of default, such as a fraud. In the normal course of events, the Group's exposure is recovered through receipt of remittances from the client's debtors rather than from the client itself.

The ECL for such facilities is estimated taking into account the credit risk management actions that the Group expects to take to mitigate against losses. These include a reduction in advance rate and facility limits or application of reserves against a facility to improve the likelihood of full recovery of exposure from the debtors.

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

Alternative recovery routes mitigating ECL would include refinancing by another funding provider, taking security over other asset classes or secured personal guarantees from the client's principals.

Loss Given Default ('LGD')

LGD is the magnitude of the likely loss in the event of default. This takes into account recoveries either through curing or, where applicable, through the auction sale of repossessed collateral and debt sale of the residual shortfall amount. For loans secured by real estate property, loan-to-value ratios are key parameters in determining LGD. LGDs are calculated on a discounted cash flow basis using the financial instrument's origination effective interest rate as the discount factor.

Incorporation of forward-looking data

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. This is achieved by developing a number of potential economic scenarios and modelling ECLs for each scenario. To ensure material non-linear relationships between economic factors and credit losses are reflected in the calculation of ECL, a severe stress scenario is used as one of these scenarios. The outputs from each scenario are combined using the estimated likelihood of each scenario occurring to derive a probability weighted expected credit loss. The four scenarios adopted and probability weighting applied are set out on page 152.

The Group considers that the key drivers of credit risk and credit losses included in the macroeconomic scenarios are annual unemployment rate growth, annual house price index growth, consumer price index ('CPI'), Bank of England Base Rate, and debt service ratio. Base case assumptions applied for each of these variables have been sourced from external consensus or Bank of England forecasts. Further details of the assumptions applied to other scenarios are presented on page 152.

Expert credit judgements

The impairment charge comprises modelled ECLs and expert credit judgements. Where the ECL modelled output does not reflect the level of credit risk, judgement is used to calculate expert credit judgements, which are overlaid on to the output from the models.

Presentation of loss allowance

Loss allowances for ECLs and expert credit judgements are presented in the statement of financial position as follows with the loss recognised in the income statement:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Other loan commitments: generally, as a provision.

For the Real Estate Finance and Commercial Finance portfolios, where a loan facility is agreed that includes both drawn and undrawn elements and the Group cannot identify the ECL on the loan commitment separately, a combined loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross carrying amount of the drawn component, with any excess of the loss allowance over the gross drawn amount presented as a provision.

When a loan is uncollectible, it is written off against the related ECL allowance. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined.

Vehicle Finance voluntary termination provision

In addition to recognising allowances for ECLs, the Group holds a provision for Voluntary Terminations ('VT') for all Vehicle Finance financial assets. VT is a legal right provided to customers who take out hire purchase agreements. The provision is calculated by multiplying the probability of VT of an asset by the expected shortfall on VT discounted back at the original effective interest rate of the asset. VT allowances are not held against loans in default (Stage 3 loans).

The VT provision is presented in the statement of financial position as a deduction from the gross carrying amount of Vehicle Finance assets with the loss recognised in the income statement.

Write off

Loans and advances to customers are written off partially or in full when the Group has exhausted all viable recovery options. The majority of write-offs arise from Debt Relief Orders, insolvencies, Individual Voluntary Arrangements, deceased customers where there is no estate and vulnerable customers in certain circumstances. Amounts subsequently recovered on assets previously written off are recognised in the impairment charge in the income statement.

Intercompany receivables

The parent company's expected credit loss on amounts due from related companies is calculated by applying probability of default and loss given default to the amount outstanding at the year-end. See Note 24 for further details.

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

16.1. Key sources of estimation uncertainty

Estimations that could have a material impact on the Group's financial results and are, therefore, considered to be key sources of estimation uncertainty all relate to the impairment charge on loans and advances to customers and are, therefore, set out below. The potential impact of the current macroeconomic environment has been considered in determining reasonably possible changes in key sources of estimation uncertainty that may occur in the next 12 months. The determination of both the PD and LGD require estimation, which is discussed further below.

16.1.1. Incorporation of forward-looking data

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of expected credit loss by developing a number of potential economic scenarios and modelling expected credit losses for each scenario. Further detail on this process is provided on page 151. The macroeconomic scenarios used were provided by external economic advisers. The scenarios and weightings applied are summarised below:

December 2024

		UK unemployment rate – Annual Average			
Scenario	Weightings	2025 %	2026 %	2027 %	5-Yr Average %
Upside	20%	4.0	3.6	3.6	3.7
Base	50%	4.4	4.3	4.2	4.2
Downside	25%	5.1	6.0	6.7	6.2
Severe	5%	5.5	6.7	7.4	6.8

		UK HPI – movement from December 2024			
Scenario	Weightings	2025 %	2026 %	2027 %	5-Yr Average %
Upside	20%	3.7	7.8	13.4	4.2
Base	50%	1.7	3.4	6.2	2.9
Downside	25%	(6.6)	(9.6)	(11.7)	(0.5)
Severe	5%	(12.3)	(18.9)	(24.7)	(3.4)

		UK CPI – movement from December 2024			
Scenario	Weightings	2025 %	2026 %	2027 %	5-Yr Average %
Upside	20%	3.8	7.3	10.1	2.8
Base	50%	3.0	5.4	7.6	2.3
Downside	25%	1.9	2.9	4.6	1.7
Severe	5%	1.0	1.1	2.6	1.2

December 2024 (continued)

		UK Base Rate – Annual Average			
Scenario	Weightings	2025 %	2026 %	2027 %	5-Yr Average %
Upside	20%	5.4	4.4	3.4	3.8
Base	50%	3.8	3.1	2.6	2.9
Downside	25%	3.0	1.8	1.8	2.0
Severe	5%	2.0	0.8	0.8	1.0

		UK debt service ratio – Annual Average			
Scenario	Weightings	2025 %	2026 %	2027 %	5-Yr Average %
Upside	20%	5.6	5.3	4.8	4.9
Base	50%	4.9	4.6	4.5	4.5
Downside	25%	4.6	4.3	4.5	4.3
Severe	5%	4.6	3.6	3.8	3.8

December 2023

		UK unemployment rate – Annual Average			
Scenario	Weightings	2024 %	2025 %	2026 %	5-Yr Average %
Upside	20%	4.2	3.9	3.8	3.9
Base	50%	4.5	4.4	4.1	4.1
Downside	25%	5.4	6.5	7.1	6.5
Severe	5%	5.7	7.0	7.6	7.0

		UK HPI – movement from December 2023			
Scenario	Weightings	2024 %	2025 %	2026 %	5-Yr Average %
Upside	20%	(0.7)	2.4	9.4	3.7
Base	50%	(4.3)	(3.3)	0.9	2.1
Downside	25%	(10.4)	(13.8)	(14.3)	(0.9)
Severe	5%	(15.1)	(21.8)	(26.0)	(3.5)

		UK CPI – movement from December 2023			
Scenario	Weightings	2024 %	2025 %	2026 %	5-Yr Average %
Upside	20%	4.0	6.8	8.9	2.5
Base	50%	3.2	4.9	6.6	2.0
Downside	25%	2.0	2.2	3.5	1.4
Severe	5%	1.0	0.6	1.8	1.0

Notes to the consolidated financial statements

16. Allowances for impairment of loans and advances continued

16.1.1. Incorporation of forward-looking data continued

UK Bank of England Base Rate and debt service ratio were implemented into the ECL allowance modelling during the year ended 31 December 2024 and, therefore, do not have comparatives for the year ended 31 December 2023.

The sensitivity of the ECL allowance to reasonably possible changes in scenario weighting (an increase in downside case weighting from the upside case and an increase in severe stress case weighting from the base case) has been assessed by the Group and computed as not material.

The Group recognised a total impairment charge of £61.9 million (2023: £43.2 million). Were each of the scenarios to be applied at 100%, rather than using the weightings set out above, the increase/(decrease) in ECL provisions would be as follows:

	2024			
Scenario	**Vehicle Finance £million**	**Retail Finance £million**	**Business Finance £million**	**Total Group £million**
Upside	**(0.6)**	**(0.3)**	**(1.3)**	**(2.2)**
Base	**(0.2)**	**(0.1)**	**(0.8)**	**(1.1)**
Downside	**0.6**	**0.4**	**1.8**	**2.8**
Severe	**1.2**	**0.8**	**4.1**	**6.1**

	2023			
Scenario	Vehicle Finance £million	Retail Finance £million	Business Finance £million	Total Group £million
Upside	(0.4)	(1.2)	(0.3)	(1.9)
Base	(0.2)	(0.5)	(0.2)	(0.9)
Downside	0.5	1.5	0.4	2.4
Severe	0.6	2.2	1.1	3.9

16.1.2. ECL modelled output: Estimation of PDs

Sensitivity to reasonably possible changes in PD could potentially result in material changes in the ECL allowance for Vehicle Finance and Retail Finance.

A 15% change in the PD for Vehicle Finance would immediately impact the ECL allowance by £4.0 million (2023: a 15% change impacted the ECL allowance by £2.5 million).

A 15% change in the PD for Retail Finance would immediately impact the ECL allowance by £3.4 million (2023: a 15% change impacted the ECL allowance by £4.4 million).

The above sensitivities reflect the levels of defaults observed during the year.

Due to the relatively low levels of provisions on the Business Finance books, sensitivity to reasonably possible changes in PD are not considered material.

16.1.3. ECL modelled output: Vehicle Finance recovery rates

With the exception of the Vehicle Finance portfolio, the sensitivity of the ECL allowance to reasonably possible changes in the LGD is not considered material. The Vehicle Finance portfolio is particularly sensitive to changes in LGD due to the range of outcomes that could crystallise, depending on whether the Group is able to recover the vehicle as security. For the Vehicle Finance portfolio, a 20% (2023: 20%) change in the recovery rate assumption in the LGD is considered reasonably possible due to delays in the vehicle collection process. A 20% (2023: 20%) reduction in the vehicle recovery rate assumption element of the LGD for Vehicle Finance would increase the ECL by £1.7 million (2023: £0.9 million). There has been no change in the vehicle recovery rate assumption in the ECL model in either the current or prior year.

16.1.4. Climate-risk impact

The Group considers the impact of climate-related risks on the financial statements on an annual basis, in particular, climate change negatively impacting the value of the Group's Real Estate Finance business' security due to the increased risk of flooding associated with climate change.

While the effects of climate change represent a source of uncertainty (in respect of potential transitional risks, such as those that may arise from changes in future government policy), the impact of all of the climate change risks is considered to be low. Accordingly, the Group does not consider there to be a material impact on its judgements and estimates from the physical, transitional and other climate-related risks in the short term.

Notes to the consolidated financial statements

17. Derivative financial instruments

Group and Company

Interest rate derivatives are held for risk mitigation purposes. The table below provides an analysis of the notional amount and fair value of derivatives by hedge accounting relationship. The amount of ineffectiveness recognised for each hedge type is shown in Note 5. Notional amount is the amount on which payment flows are derived and does not represent amounts at risk.

	Notional 2024 £million	Assets 2024 £million	Liabilities 2024 £million	Notional 2023 £million	Assets 2023 £million	Liabilities 2023 £million
Interest rate derivatives designated in fair value hedges						
In less than one year	965.5	3.1	(2.5)	783.7	6.9	(3.0)
More than one year but less than three years	941.4	10.1	(3.9)	859.4	13.2	(9.0)
More than three years but less than five years	432.9	1.1	(3.3)	494.0	5.3	(9.3)
	2,339.8	**14.3**	**(9.7)**	**2,137.1**	**25.4**	**(21.3)**
Interest rate derivatives designated in cash flow hedges						
In less than one year	9.4	–	(0.1)	4.7	–	(0.2)
More than one year but less than three years	2.4	–	–	9.4	–	(0.4)
More than three years but less than five years	–	–	–	2.4	0.1	–
	11.8	**–**	**(0.1)**	**16.5**	**0.1**	**(0.6)**
Interest rate derivatives – not hedged[1]						
In less than one year	15.0	–	–	–	–	–
More than one year but less than three years	42.5	–	–	–	–	–
	57.5	**–**	**–**	**–**	**–**	**–**
Foreign exchange derivatives						
In less than one year	25.7	–	(0.2)	28.0	–	(0.1)
	2,434.8	**14.3**	**(10.0)**	**2,181.6**	**25.5**	**(22.0)**

1. Derivatives not in hedge relationships at the end of the reporting period are will either enter a hedge relationship in the following month, or be in the final month of maturity.

In order to manage interest rate risk arising from fixed-rate financial instruments, the Group monitors its interest rate mismatch regularly throughout each month, seeking to 'match' assets and liabilities in the first instance and hedging residual risk using interest rate derivatives to maintain adherence to risk appetites. Some residual risk remains due to timing differences. The exposure from the portfolio frequently changes due to the origination of new instruments, contractual repayments and early prepayments made in each period. As a result, the Group adopts a dynamic hedging strategy (sometimes referred to as 'macro' or 'portfolio' hedge) to hedge its exposure profile by closing and entering into new interest rate derivative agreements. The Group establishes the hedging ratio by matching the derivatives with the principal of the portfolio being hedged.

The following table sets out details of the hedged exposures covered by the Group's hedging strategies:

	Carry amount of hedged item asset/(liability) 2024 £million	Accumulated amount of fair value adjustments in the hedged items (liability)/asset 2024 £million	Carry amount of hedged item asset/(liability) 2023 £million	Accumulated amount of fair value adjustments in the hedged items (liability)/asset 2023 £million
ASSETS				
Interest rate fair value hedges				
Loans and advances to customers				
Fixed-rate Real Estate Finance loans	519.6	(5.2)	565.5	(3.5)
Fixed-rate Consumer Finance loans	723.4	(1.6)	523.5	(0.4)
	1,243.0	(6.8)	1,089.0	(3.9)
Interest rate cash flow hedges				
Cash and Bank of England reserve account				
Bank of England reserve	11.8	N/A	16.5	N/A
	1,254.8	**(6.8)**	**1,105.5**	**(3.9)**
LIABILITIES				
Interest rate fair value hedges				
Deposits from customers				
Fixed-rate customer deposits	(1,006.5)	3.1	(957.6)	3.6
Subordinated liabilities				
Fixed-rate Tier 2 regulatory capital	(90.0)	0.3	(90.0)	(2.2)
	(1,096.5)	**3.4**	**(1,047.6)**	**1.4**

Notes to the consolidated financial statements

17. Derivative financial instruments continued

The following table shows the impact of financial assets and financial liabilities relating to transactions where:

- there is an enforceable master netting agreement in place, but the offset criteria are not otherwise satisfied; and
- financial collateral is paid and received.

	Gross amount reported on balance sheet £million	Master netting arrangements £million	Financial collateral £million	Net amounts after offsetting £million
31 December 2024				
Derivative financial assets				
Interest rate derivatives	14.3	(9.8)	(4.1)	0.4
	14.3	**(9.8)**	**(4.1)**	**0.4**
Derivative financial liabilities				
Interest rate derivatives	(9.8)	9.8	–	–
Foreign exchange derivatives	(0.2)	–	–	(0.2)
	(10.0)	**9.8**	**–**	**(0.2)**

	Gross amount reported on balance sheet £million	Master netting arrangements £million	Financial collateral £million	Net amounts after offsetting £million
31 December 2023				
Derivative financial assets				
Interest rate derivatives	25.5	(21.9)	(3.5)	0.1
	25.5	**(21.9)**	**(3.5)**	**0.1**
Derivative financial liabilities				
Interest rate derivatives	(21.9)	21.9	–	–
Foreign exchange derivatives	(0.1)	–	0.2	0.1
	(22.0)	**21.9**	**0.2**	**0.1**

Master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because the arrangement creates an agreement for a right of set-off of recognised amounts, which is enforceable only following an event of default, insolvency or bankruptcy of the Group or counterparties. Furthermore, the Group and its counterparties do not intend to settle on a net basis or realise the assets and settle the liabilities simultaneously.

Financial collateral consists of cash settled, typically daily or weekly, to mitigate the credit risk on the fair value of derivatives.

18. Investment property

	Company £million
1 January 2023	1.0
Revaluation	(0.1)
At 31 December 2023	**0.9**
Revaluation	–
At 31 December 2024	**0.9**

The Company's investment property comprises 25 and 26 Neptune Court, Vanguard Way, Cardiff CF24 5PJ, which is occupied by one of the Company's subsidiaries.

The Company's investment property was stated at fair value as at 31 December 2024, based on external valuations performed by professionally qualified valuers Knight Frank LLP. These valuations have been undertaken in accordance with the current editions of RICS Valuation – Global Standards, which incorporate the International Valuations Standards, and the RICS UK National Supplement. The valuations were carried out using the comparative and investment methods, and were arrived at by reference to market evidence of the transaction prices paid for similar properties, together with evidence of demand within the vicinity of the subject properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. Knight Frank LLP were paid a fixed fee for the valuations. Knight Frank LLP also undertakes some professional work in respect of the Group's Real Estate Finance business, although this is limited in relation to the activities of the Group as a whole.

Investment property accounting policy

Investment property, which is property held to earn rentals and for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. External valuations are performed on a triennial basis. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the property is derecognised.

Notes to the consolidated financial statements

19. Property, plant and equipment

	Group			Company		
	Freehold land and buildings £million	Computer and other equipment £million	Total £million	Freehold land and buildings £million	Computer and other equipment £million	Total £million
Cost or valuation						
At 1 January 2023	10.1	6.9	17.0	3.8	6.2	10.0
Additions	–	2.2	2.2	–	2.1	2.1
Disposals	–	(1.4)	(1.4)	–	(1.2)	(1.2)
At 31 December 2023	**10.1**	**7.7**	**17.8**	**3.8**	**7.1**	**10.9**
Additions	–	0.5	0.5	–	0.3	0.3
Impairment	(0.4)	–	(0.4)	–	–	–
At 31 December 2024	**9.7**	**8.2**	**17.9**	**3.8**	**7.4**	**11.2**
Accumulated depreciation						
At 1 January 2023	(2.4)	(4.9)	(7.3)	(0.1)	(5.0)	(5.1)
Depreciation charge	(0.1)	(0.8)	(0.9)	(0.1)	(0.5)	(0.6)
Disposals	–	1.2	1.2	–	1.1	1.1
At 31 December 2023	**(2.5)**	**(4.5)**	**(7.0)**	**(0.2)**	**(4.4)**	**(4.6)**
Depreciation charge	(0.2)	(0.8)	(1.0)	(0.1)	(0.5)	(0.6)
At 31 December 2024	**(2.7)**	**(5.3)**	**(8.0)**	**(0.3)**	**(4.9)**	**(5.2)**
Net book amount						
At 31 December 2023	**7.6**	**3.2**	**10.8**	**3.6**	**2.7**	**6.3**
At 31 December 2024	**7.0**	**2.9**	**9.9**	**3.5**	**2.5**	**6.0**

The Group's freehold properties, which are occupied by the Group, comprise:

- the Registered Office of the Company;
- One Arleston Way, Solihull B90 4LH; and
- 25 and 26 Neptune Court, Vanguard Way, Cardiff CF24 5PJ.

One Arleston Way was subject to an impairment in the year, which was recognised within other (losses)/gains in the income statement.

The Company's freehold property comprises the Registered Office of the Company.

The carrying value of freehold land, which is included in the total carrying value of freehold land and buildings, and which is not depreciated at 31 December 2024 and 31 December 2023, was £1.5 million for the Group and £0.8 million for the Company.

Property, plant and equipment accounting policy

Property, plant and equipment is stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Pre-installed computer software licences are capitalised as part of the computer hardware it is installed on. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are subject to regular review:

Land	not depreciated
Freehold buildings	50 years
Leasehold improvements	shorter of life of lease or seven years
Computer equipment	three to five years
Other equipment	five to ten years

The above useful economic lives have not changed since the prior year.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

The Group applies IAS 36 to determine whether property, plant and equipment is impaired.

Notes to the consolidated financial statements

20. Right-of-use assets

	Group			Company		
	Leasehold property £million	Leased motor vehicles £million	Total £million	Leasehold property £million	Leased motor vehicles £million	Total £million
Cost						
At 1 January 2023	3.1	0.6	3.7	3.1	0.2	3.3
Additions	0.8	0.2	1.0	0.8	0.1	0.9
At 31 December 2023	**3.9**	**0.8**	**4.7**	**3.9**	**0.3**	**4.2**
Additions	–	0.8	0.8	–	0.6	0.6
At 31 December 2024	**3.9**	**1.6**	**5.5**	**3.9**	**0.9**	**4.8**
Accumulated depreciation						
At 1 January 2023	(2.0)	(0.2)	(2.2)	(2.0)	–	(2.0)
Depreciation charge	(0.5)	(0.2)	(0.7)	(0.5)	(0.1)	(0.6)
At 31 December 2023	**(2.5)**	**(0.4)**	**(2.9)**	**(2.5)**	**(0.1)**	**(2.6)**
Depreciation charge	(0.5)	(0.5)	(1.0)	(0.5)	(0.3)	(0.8)
At 31 December 2024	**(3.0)**	**(0.9)**	**(3.9)**	**(3.0)**	**(0.4)**	**(3.4)**
Net book amount						
At 31 December 2023	**1.4**	**0.4**	**1.8**	**1.4**	**0.2**	**1.6**
At 31 December 2024	**0.9**	**0.7**	**1.6**	**0.9**	**0.5**	**1.4**

Lessee accounting policy

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made, and is presented as a separate line in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment charges and are depreciated over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Rentals made under operating leases for less than 12 months in duration, and operating leases on low-value items, are recognised in the income statement on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements

21. Intangible assets

Group

	Goodwill £million	Computer software £million	Other intangible assets £million	Total £million
Cost or valuation				
At 1 January 2023	1.0	17.2	2.2	20.4
Additions	–	0.5	–	0.5
At 31 December 2023	**1.0**	**17.7**	**2.2**	**20.9**
Additions	–	0.5	–	0.5
Disposals	–	(0.1)	–	(0.1)
At 31 December 2024	**1.0**	**18.1**	**2.2**	**21.3**
Accumulated amortisation				
At 1 January 2023	–	(11.6)	(2.2)	(13.8)
Amortisation charge	–	(1.2)	–	(1.2)
At 31 December 2023	**–**	**(12.8)**	**(2.2)**	**(15.0)**
Amortisation charge	–	(1.4)	–	(1.4)
Disposals	–	0.1	–	0.1
At 31 December 2024	**–**	**(14.1)**	**(2.2)**	**(16.3)**
Net book amount				
At 31 December 2023	**1.0**	**4.9**	**–**	**5.9**
At 31 December 2024	**1.0**	**4.0**	**–**	**5.0**

Goodwill above relates to the V12 cash-generating unit, which is part of the Retail Finance operating segment.

The recoverable amount of these cash-generating units are determined on a value-in-use calculation, which uses cash flow projections based on financial forecasts covering a three-year period, and a discount rate of 8% (2023: 8%). Cash flow projections during the forecast period are based on the expected rate of new business. A zero growth-based scenario is also considered. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Hence no impairment has been recognised.

Other intangible assets were recognised as part of the V12 Finance Group acquisition, which are now fully amortised.

Company

	Goodwill £million	Computer software £million	Total £million
Cost or valuation			
At 1 January 2023	0.3	12.5	12.8
Additions	–	0.1	0.1
At 31 December 2023	**0.3**	**12.6**	**12.9**
Additions	–	0.5	0.5
At 31 December 2024	**0.3**	**13.1**	**13.4**
Accumulated amortisation			
At 1 January 2023	–	(8.4)	(8.4)
Amortisation charge	–	(1.0)	(1.0)
At 31 December 2023	**–**	**(9.4)**	**(9.4)**
Amortisation charge	–	(1.1)	(1.1)
At 31 December 2024	**–**	**(10.5)**	**(10.5)**
Net book amount			
At 31 December 2023	**0.3**	**3.2**	**3.5**
At 31 December 2024	**0.3**	**2.6**	**2.9**

Goodwill above relates to the Retail Finance operating segment. The recoverable amount is determined on the same basis as for the Group.

Notes to the consolidated financial statements

21. Intangible assets continued

Intangible assets accounting policy

(a) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is held at cost less accumulated impairment charge and is deemed to have an infinite life.

The Group reviews the goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. An impairment charge is recognised in the income statement if the carrying amount exceeds the recoverable amounts.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred unless the technical feasibility of the development has been demonstrated, and it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance, in which case they are capitalised.

These costs are amortised on a straight-line basis over their expected useful lives, which are between three to 10 years.

(c) Other intangible assets

The acquisition of subsidiaries has been accounted for in accordance with IFRS 3 'Business Combinations', which requires the recognition of the identifiable assets acquired and liabilities assumed at their acquisition date fair values. As part of this process, it was necessary to recognise certain intangible assets that are separately identifiable and are not included on the acquiree's balance sheet, which are amortised over their expected useful lives, as set out above.

The Group applies IAS 36 to determine whether an intangible asset is impaired.

22. Investments in Group undertakings

Company

Cost and net book value	2024 £million	2023 £million
At 1 January	5.9	5.7
Equity contributions to subsidiaries in respect of share options	0.2	0.2
At 31 December	**6.1**	**5.9**

Shares in subsidiary undertakings of Secure Trust Bank PLC are stated at cost less any provision for impairment. All subsidiary undertakings are unlisted and none are banking institutions. The share capital of the subsidiary undertakings comprises solely of ordinary shares and all are 100% owned by the Company. The subsidiary undertakings were all incorporated in the UK and wholly owned via ordinary shares. All subsidiary undertakings are included in the consolidated financial statements and have an accounting reference date of 31 December.

Details are as follows:

	Company number	Principal activity
Owned directly		
AppToPay Ltd	11204449	Non-trading
Debt Managers (Services) Limited	08092808	Debt management
Secure Homes Services Limited	01404439	Property rental
STB Leasing Limited	01648384	Non-trading
V12 Finance Group Limited	07498951	Holding company
Owned indirectly via an intermediate holding company		
V12 Personal Finance Limited	05418233	Dormant
V12 Retail Finance Limited	04585692	Sourcing and servicing of unsecured loans

The registered office of the Company, and all subsidiary undertakings, is Yorke House, Arleston Way, Solihull B90 4LH.

AppToPay Ltd, Debt Managers (Services) Limited, Secure Homes Services Limited, STB Leasing Limited, V12 Finance Group Limited and V12 Personal Finance Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A, and the Company has given guarantees accordingly under s479C in respect of the year ended 31 December 2024.

Notes to the consolidated financial statements

23. Deferred taxation

	Group 2024 £million	Group 2023 £million	Company 2024 £million	Company 2023 £million
Deferred tax assets:				
Other short-term timing differences	3.3	4.3	3.3	4.3
At 31 December	**3.3**	**4.3**	**3.3**	**4.3**
Deferred tax assets:				
At 1 January	4.3	5.6	4.3	5.3
Income statement	(0.8)	(1.2)	(0.8)	(0.9)
Other comprehensive income	(0.2)	(0.1)	(0.2)	(0.1)
At 31 December	**3.3**	**4.3**	**3.3**	**4.3**

Deferred tax accounting policy
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, when they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised where it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

24. Other assets

	Group 2024 £million	Group 2023 £million	Company 2024 £million	Company 2023 £million
Gross amounts due from related companies	–	–	4.2	4.8
Less: allowances for impairment of amounts due from related companies	–	–	(1.9)	(2.1)
Amounts due from related companies	–	–	2.3	2.7
Other receivables	2.0	2.4	1.7	2.3
Cloud software development prepayment	3.6	4.4	3.6	4.4
Other prepayments and accrued income	6.1	6.1	5.4	5.0
	11.7	**12.9**	**13.0**	**14.4**

Cloud software development costs, principally relating to the Group's Motor Transformation Programme, do not meet the intangible asset recognition criteria and are, therefore, classified as a prepayment, which is expensed to the income statement over the useful economic life of the software.

25. Due to banks

Group and Company

	2024 £million	2023 £million
Amounts due under the Bank of England's liquidity support operations		
Term Funding Scheme with additional incentives for SMEs ('TFSME')	230.0	390.0
Index Long-Term Repos ('ILTR')	125.0	–
Amounts due to other credit institutions	6.9	6.8
TFSME accrued interest	3.2	5.2
ILTR accrued interest	0.7	–
	365.8	**402.0**

Amounts due under TFSME bear interest at the Bank of England base rate and are due for repayment during 2025.

The accounting policy for amounts due to banks is included in Note 1.4 Financial assets and financial liabilities accounting policy.

26. Deposits from customers

Group and Company

	2024 £million	2023 £million
Access accounts	805.2	521.3
Fixed term bonds	1,510.0	1,546.6
Notice accounts	72.4	174.3
ISAs	857.3	629.6
	3,244.9	**2,871.8**

The accounting policy for deposits from customers is included in Note 1.4 Financial assets and financial liabilities accounting policy.

Notes to the consolidated financial statements

27. Lease liabilities

	Group 2024 £million	Group 2023 £million	Company 2024 £million	Company 2023 £million
At 1 January	2.3	2.1	2.1	1.9
New leases	0.8	1.0	0.6	0.9
Lease termination	–	–	–	–
Payments	(1.4)	(0.9)	(1.2)	(0.8)
Interest expense	0.1	0.1	0.1	0.1
At 31 December	**1.8**	**2.3**	**1.6**	**2.1**
Lease liabilities – Gross				
– No later than one year	1.1	0.9	1.0	0.9
– Later than one year but no later than five years	0.8	1.5	0.7	1.3
	1.9	2.4	1.7	2.2
Less: Future finance expense	(0.1)	(0.1)	(0.1)	(0.1)
Lease liabilities – Net	**1.8**	**2.3**	**1.6**	**2.1**
Lease liabilities – Gross				
– No later than one year	1.1	0.9	0.9	0.9
– Later than one year but no later than five years	0.7	1.4	0.7	1.2
	1.8	**2.3**	**1.6**	**2.1**

The accounting policy for lease liabilities is included in Note 20 Lessee accounting policy.

28. Other liabilities

	Group 2024 £million	Group 2023 £million	Company 2024 £million	Company 2023 £million
Other payables	23.1	25.9	21.1	23.7
Amounts due to related companies	–	–	12.5	10.5
Accruals and deferred income	9.4	11.8	7.5	10.5
	32.5	**37.7**	**41.1**	**44.7**

29. Provisions for liabilities and charges

Group

	Group		
	ECL allowance on loan commitments £million	Other £million	Total £million
Balance at 1 January 2023	1.1	1.4	2.5
(Credit)/charge to income statement	(0.3)	8.5	8.2
Utilised	–	(4.7)	(4.7)
Balance at 31 December 2023	**0.8**	**5.2**	**6.0**
Charge to income statement	0.1	9.8	9.9
Utilised	–	(4.6)	(4.6)
Balance at 31 December 2024	**0.9**	**10.4**	**11.3**

Company

	Company		
	ECL allowance on loan commitments £million	Other £million	Total £million
Balance at 1 January 2023	1.1	0.9	2.0
(Credit)/charge to income statement	(0.3)	7.2	6.9
Utilised	–	(3.3)	(3.3)
Balance at 31 December 2023	**0.8**	**4.8**	**5.6**
Charge to income statement	0.1	10.1	10.2
Utilised	–	(4.5)	(4.5)
Balance at 31 December 2024	**0.9**	**10.4**	**11.3**

ECL allowance on loan commitments

In accordance with the requirements of IFRS 9, the Group holds an ECL allowance against loans it has committed to lend, but have not yet been drawn. For the Real Estate Finance and Commercial Finance portfolios, where a loan facility is agreed that includes both drawn and undrawn elements and the Group cannot identify the ECL on the loan commitment separately, a combined loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross carrying amount of the drawn component, with any excess of the loss allowance over the gross drawn amount presented as a provision. At 31 December 2024 and 31 December 2023, no provision was held for losses in excess of drawn amounts.

Notes to the consolidated financial statements

29. Provisions for liabilities and charges continued

Other

Other includes:

- provision for fraud, which relates to cases where the Group has reasonable evidence of suspected fraud, but further investigation is required before the cases can be dealt with appropriately;
- s75 Consumer Credit Act 1974 provision;
- provision for redundancy;
- costs and redress relating to the BiFD Vehicle Finance collections review (see Note 8 for further details and historical motor commissions, see below for further details); and
- costs and redress relating to further customer redress initiatives.

The Directors expect these provisions to be fully utilised within the next one to two years.

Provisions for liabilities and charges accounting policy

A provision is recognised where there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated.

29.1. Key sources of estimation uncertainty

In January 2024, the FCA launched a review of the historical use of discretionary commission arrangements ('DCAs') in the motor finance industry. The Vehicle Finance business sometimes operated these arrangements until June 2017, but stopped doing so well ahead of the FCA banning their use in January 2021. Only 4% (by value) of our historical motor commissions paid[1] involved these arrangements. The FCA will update firms on its next steps after the Supreme Court decision (see below).

The October 2024, the Court of Appeal gave judgment in the cases of Hopcraft, Wrench and Johnson which had wider implications for the legality of both fixed and DCA historical motor commissions. These cases are now being appealed to the Supreme Court and one or more could be overturned, partially upheld or fully upheld. Not all of the fact pattern of these cases is the same as how the Group has operated.

A key feature of the fact pattern in these cases was the linked sale by a dealer of the vehicle and the direct introduction of the finance by that same dealer. Commission payments to dealers make up only 20% of our historical motor commission payments[2], with the remainder involving brokers and various other introducers, independent of the vehicle dealer, and with different sales distribution arrangements and customer journeys. In the two relevant cases considered by the Court of Appeal we did not, unlike that lender in those cases, have a contractual right of first refusal to provide the lending. We consider that we complied with the applicable law and regulation at the time. Unless it is overturned, the Court of Appeal's judgment gives rise to a disconnect between law and regulation at the time. The FCA has been given permission to intervene in the Supreme Court appeal and we expect the FCA to submit that the law should appropriately take into account regulation and together they should be coherent.

These events could lead to redress being payable to customers and associated operational costs. Due to the uncertain outcomes (including the nature, extent and timing) of the FCA review, the Supreme Court appeal and related legal developments, we have undertaken scenario analysis using different assumptions, which have been probability weighted to estimate a potential exposure. As a result, the Group has recognised a provision of £6.4 million. This comprises potential goodwill/redress payments of £5.2 million, and £1.2 million of associated costs. As and when new information becomes available, our scenarios and assumptions will be revised and so the provision could be materially higher or lower.

This provision of £6.4 million has been recognised in addition to £0.5 million costs, totalling £6.9 million which are treated as exceptional items (see Note 8 for further information).

1. From February 2009 (when we began our Vehicle Finance business) to June 2017 (when we ceased DCAs).
2. From February 2009 (when we began our Vehicle Finance business) to October 2024 (until we restarted lending after a short pause after the Court of Appeal's judgment).

Notes to the consolidated financial statements

30. Subordinated liabilities

Group and Company

	2024 £million	2023 £million
Notes at par value	90.0	90.0
Unamortised issue costs	(0.7)	(0.9)
Accrued interest	4.0	4.0
	93.3	**93.1**

The Fixed Rate Reset Callable Subordinated Notes due August 2033 are listed on the International Securities Market of the London Stock Exchange. This issuance is in line with the Group's funding strategy and supports the Group's stated medium-term growth ambitions.

- The notes are redeemable for cash at their principal amount on fixed dates.
- The Company has a call option to redeem the notes early in the event of a 'tax event' or a 'capital disqualification event', which is at the full discretion of the Company.
- Interest payments are paid at six-monthly intervals and are mandatory.
- The notes give the holders' rights to the principal amount on the notes, plus any unpaid interest, on liquidation. Any such claims are subordinated to senior creditors, but rank pari passu with holders of other subordinated obligations and in priority to holders of share capital.

The above features provide the issuer with a contractual obligation to deliver cash or another financial asset to the holders, and, therefore, the notes are classified as financial liabilities.

Transaction costs that are directly attributable to the issue of the notes and are deducted from the financial liability and expensed to the income statement on an effective interest rate basis over the expected life of the notes.

The notes are treated as Tier 2 regulatory capital, which is used to support the continuing growth of the business taking into account increases in regulatory capital buffers. The issue of the notes is part of an ongoing programme to diversify and expand the capital base of the Group.

The Group paid interest of £11.7 million on subordinated liabilities during the period (2023: £6.7 million), which is included in net cash inflow/(outflow) from operating activities in the consolidated and company statement of cash flows.

The accounting policy for subordinated liabilities is included in Note 1.4 – Financial assets and financial liabilities accounting policy.

31. Contingent liabilities and commitments

31.1. Contingent liabilities

31.1.1. Laws and regulations

As a financial services business, the Group must comply with numerous laws and regulations that significantly affect the way it does business. Whilst the Group believes there are no material unidentified areas of failure to comply with these laws and regulations, there can be no guarantee that all issues have been identified.

31.2. Capital commitments

At 31 December 2024, the Group and Company had no capital commitments (2023: £nil).

31.3. Credit commitments

Group and Company

Commitments to extend credit to customers were as follows:

	2024 £million	2023 £million
Consumer Finance		
Retail Finance	112.2	91.6
Vehicle Finance	1.2	1.3
Business Finance		
Real Estate Finance	39.5	58.9
Commercial Finance	110.3	149.5
	263.2	**301.3**

Notes to the consolidated financial statements

32. Share capital

	Number	£million
At 1 January 2023	18,691,434	7.5
Issued during 2023	326,361	0.1
At 31 December 2023	**19,017,795**	**7.6**
Issued during 2024	53,613	–
At 31 December 2024	**19,071,408**	**7.6**

Share capital comprises ordinary shares with a par value of 40 pence each.

Equity instruments accounting policy

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Any amounts received over nominal value are recorded in the share premium account, net of direct issuance costs. Costs associated with the listing of shares are expensed immediately.

33. Other reserves

	Group 2024 £million	Group 2023 £million	Company 2024 £million	Company 2023 £million
Cash flow hedge reserve	–	(0.3)	–	(0.3)
Own shares	(2.2)	(1.4)	(2.2)	(1.4)
	(2.2)	**(1.7)**	**(2.2)**	**(1.7)**

33.1. Own shares

Employee Benefit Trust ('EBT')	2024 Number	Nominal value 2024 £million	2023 Number	Nominal value 2023 £million
At 1 January	216,472	0.1	37,501	–
Shares acquired	312,718	0.1	188,835	0.1
Shares disposed	(94,381)	–	(9,864)	–
At 31 December	**434,809**	**0.2**	**216,472**	**0.1**
Market value (£million)	**1.6**		**1.5**	
Accounting value (£million)	**2.2**		**1.4**	
Percentage of called up share capital	**2.3%**		**1.1%**	

These shares are held in trust for the benefit of employees, who will be exercising their options under the Group's share options schemes. The trustee's expenses are included in the operating expenses of the Group. The maximum number of shares held by the EBT during the year was 434,809 (2023: 226,336), which had a nominal value of £174,000 (2023: £91,000). Shares were disposed of during the year for consideration of £37,000 (2023: £4,000).

Own shares accounting policy

The EBT qualifies for 'look-through' accounting, under which the EBT is treated as, in substance, an extension of the sponsoring entity, which is Secure Trust Bank PLC. Own shares represent the shares of the parent Company, Secure Trust Bank PLC, that are held by the EBT. Own shares are recorded at cost and deducted from equity.

34. Share-based payments

At 31 December 2024 and 31 December 2023, the Group had four share-based payment schemes in operation:

- 2017 Long-Term Incentive Plan;
- 2017 Sharesave Plan;
- 2017 Deferred Bonus Plan; and
- 'Phantom' Share Option Scheme.

Notes to the consolidated financial statements

34. Share-based payments continued

A summary of the movements in share options during the year is set out below:

	Outstanding at 1 January 2024 Number	Granted during the year Number	Forfeited, lapsed and cancelled during the year Number	Exercised during the year Number	Outstanding at 31 December 2024 Number	Vested and exercisable at 31 December 2024 Number	Vesting dates	Weighted average remaining contractual life of options outstanding at 31 December 2024 Years	Weighted average exercise price of options outstanding at 31 December 2024 £	Weighted average exercise price of options outstanding at 31 December 2023 £
Equity settled										
2017 Long-Term Incentive Plan	718,098	423,111	(189,815)	(58,773)	**892,621**	**10,922**	2025–2029	**2.3**	**0.40**	0.40
2017 Sharesave Plan	403,913	143,596	(87,559)	(43,450)	**416,500**	**–**	2025–2027	**1.9**	**6.27**	5.93
2017 Deferred Bonus Plan	88,533	43,162	–	(45,771)	**85,924**	**3,338**	2025–2027	**1.6**	**0.40**	0.40
	1,210,544	**609,869**	**(277,374)**	**(147,994)**	**1,395,045**	**14,260**		**2.1**	**2.14**	**2.25**
Weighted average exercise price	**2.25**	**1.95**	**2.28**	**1.84**	**2.15**	**0.40**				
Cash settled										
'Phantom' share option scheme	38,000	–	–	–	**38,000**	38,000	2019	–	**25.00**	25.00

	Group 2024 £million	Group 2023 £million	**Company 2024 £million**	Company 2023 £million
Expense incurred in relation to share-based payments	**2.3**	1.1	**2.3**	0.9

34.1. Long-Term Incentive Plan ('LTIP')

The LTIP was established on 3 May 2017. Two separate awards to a number of participants were made under this plan during the year, as set out below.

34.1.1. LTIP Restricted share award

During the year, 114,281 (2023: 63,975) options were awarded that were not subject to any performance conditions. The awards will vest three years from the date of grant. The original grant date valuation was determined using a Black–Scholes model. Measurement inputs and assumptions used for the grant date valuation were as follows:

	Awarded during 2024	Awarded during 2023
Share price at grant date	£6.90	£6.70
Exercise price	£0.40	£0.40
Expected dividend yield	5.10%	5.20%
Expected stock price volatility	36.72%	42.93%
Risk free interest rate	4.35%	3.44%
Average expected life (years)	3.00	3.00
Original grant date valuation	**£5.57**	**£5.37**

34.1.2. LTIP

During the year, 308,830 (2023: 217,307) options were awarded that are subject to four performance conditions. Details of the performance conditions can be found on page 104.

The awards have a performance term of three years. The awards will vest on the date on which the Board determines that these conditions have been met.

Notes to the consolidated financial statements

34. Share-based payments continued

The original grant date valuation was determined using a Black-Scholes model for the return on average equity, earnings per share and risk management tranches (modified for probability of outturn), and a Monte Carlo model for the total shareholder return tranche. Measurement inputs and assumptions used for the grant date valuation were as follows:

	Awarded during 2024 No holding period	Awarded during 2024 Two year holding period	Awarded during 2023 No holding period	Awarded during 2023 Two year holding period
Number of shares	136,895	171,935	109,382	107,925
Share price at grant date	£6.90	£6.90	£6.70	£6.70
Exercise price	£0.40	£0.40	£0.40	£0.40
Expected dividend yield	5.10%	5.10%	5.20%	5.20%
Expected stock price volatility	35.00%	35.00%	40.00%	40.00%
Risk free interest rate	4.51%	4.19%	3.49%	3.42%
Average expected life (years)	3.00	5.00	3.00	5.00
Original grant date valuation	**£4.40**	**£3.95**	**£2.98**	**£2.69**

34.2. Sharesave Plan

The Sharesave Plan was established on 3 May 2017. This plan allows all employees to save for three years, subject to a maximum monthly amount of £250 (2023: £250), with the option to buy shares in Secure Trust Bank PLC when the plan matures. Participants cannot change the amount that they have agreed to save each month, but they can suspend payments for up to twelve months. Participants can withdraw their savings at any time but, if they do this before the completion date, they lose the option to buy shares at the Option Price, and in most circumstances if participants cease to hold plan-related employment before the third anniversary of the grant date, then the options are also lost. The options ordinarily vest approximately three years after grant date and are exercisable for a period of six months following vesting.

The original grant date valuation was determined using a Black–Scholes model. Measurement inputs and assumptions used were as follows:

	Awarded during 2024	Awarded during 2023
Share price at grant date	£8.14	£6.30
Exercise price	£6.99	£5.43
Expected stock price volatility	37.22%	37.25%
Expected dividend yield	5.10%	5.20%
Risk free interest rate	3.75%	4.52%
Average expected life (years)	3.00	3.00
Original grant date valuation	**£2.07**	**£1.63**

34.3. Deferred Bonus Plan

The Deferred Bonus Plan was established on 3 May 2017. In 2024 and 2023, awards were granted to certain senior managers of the Group. The awards vest in three equal tranches after one, two and three years following deferral. Accordingly, the following awards remain outstanding under the plan, entitling the members of the scheme to purchase shares in the Company:

	Awards granted Vesting after one year Number	Awards granted Vesting after two years Number	Awards granted Vesting after three years Number	Awards granted Total
At 1 January 2023	12,779	17,119	19,909	49,807
Granted	13,315	13,315	13,323	39,953
Exercised	(401)	–	(826)	(1,227)
At 31 December 2023	**25,693**	**30,434**	**32,406**	**88,533**
Granted	14,385	14,385	14,392	43,162
Exercised	(23,295)	(16,179)	(6,297)	(45,771)
At 31 December 2024	**16,783**	**28,640**	**40,501**	**85,924**
Vested and exercisable	2,398	940	–	3,338

The original grant date valuation was determined using a Black–Scholes model. Measurement inputs and assumptions used were as follows:

	Granted in 2024 Awards vesting after one year	Granted in 2024 Awards vesting after two years	Granted in 2024 Awards vesting after three years
Share price at grant date	£6.90	£6.90	£6.90
Exercise price	£0.40	£0.40	£0.40
Expected dividend yield	5.10%	5.10%	5.10%
Expected stock price volatility	32.51%	38.89%	36.72%
Risk free interest rate	4.78%	4.52%	4.35%
Average expected life (years)	1.00	2.00	3.00
Original grant date valuation	**£6.18**	**£5.87**	**£5.57**

	Granted in 2023 Awards vesting after one years	Granted in 2023 Awards vesting after two years	Granted in 2023 Awards vesting after three years
Share price at grant date	£6.70	£6.70	£6.70
Exercise price	£0.40	£0.40	£0.40
Expected dividend yield	5.20%	5.20%	5.20%
Expected stock price volatility	44.41%	38.77%	42.93%
Risk free interest rate	3.97%	3.40%	3.44%
Average expected life (years)	1.00	2.00	3.00
Original grant date valuation	**£5.98**	**£5.66**	**£5.37**

Notes to the consolidated financial statements

34. Share-based payments continued

34.4. Cash settled share-based payments

On 16 March 2015, a four-year 'phantom' share option scheme was established in order to provide effective long-term incentive to senior management of the Group. Under the scheme, no actual shares would be issued by the Company, but those granted awards under the scheme would be entitled to a cash payment. The amount of the award is calculated by reference to the increase in the value of an ordinary share in the Company over an initial value set at £25 per ordinary share, being the price at which the shares resulting from the exercise of the first tranche of share options under the share option scheme were sold in the market in November 2014. The options vested during 2019 and are exercisable for a period of 10 years after grant date.

As at 31 December 2024, using any reasonable range of inputs and assumptions, the fair value of the 'phantom' options is £nil (2023: £nil). Accordingly, no liability was recognised in the consolidated financial statements at 31 December 2024 or 31 December 2023.

For each award granted during the year, expected volatility was determined by calculating the historical volatility of the Group's share price over the period equivalent to the expected term of the options being granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share-based compensation accounting policy

The fair value of equity settled share-based payment awards are calculated at grant date and recognised over the period in which the employees become unconditionally entitled to the awards (the vesting period). The amount is recognised in operating expenses in the income statement, with a corresponding increase in equity. Further details of the valuation methodology are set out above.

The fair value of cash settled share-based payments is recognised in operating expenses in the income statement with a corresponding increase in liabilities over the vesting period. The liability is remeasured at each reporting date and at the settlement date based on the fair value of the options granted, with a corresponding adjustment to operating expenses.

35. Cash flow statement

35.1. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months' maturity from the date of acquisition.

	Group 2024 £million	Group 2023 £million	**Company 2024 £million**	Company 2023 £million
Cash and Bank of England reserve account	445.0	351.6	445.0	351.6
Loans and advances to banks (Note 13)	24.0	53.7	23.6	53.0
Less:				
Cash ratio deposit	–	(4.8)	–	(4.8)
Collateral margin account	–	(0.2)	–	(0.2)
	–	(5.0)	–	(5.0)
Cash and cash equivalents	**469.0**	**400.3**	**468.6**	**399.6**

The Group and Company has no access to the cash ratio deposit or the collateral margin accounts, so these amounts do not meet the definition of cash and cash equivalents, and accordingly, they are excluded from cash and cash equivalents.

35.2. Changes in liabilities arising from financing activities

All changes in liabilities arising from financing activities arise from changes in cash flows, apart from £0.1 million (2023: £0.1 million) of lease liabilities interest expense, as shown in Note 27, and £0.2 million (2023: £0.2 million) amortisation of issue costs on subordinated liabilities, as shown in Note 30.

Cash and cash equivalents accounting policy

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and cash equivalents, being highly liquid investments, which are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including certain loans and advances to banks and short-term highly liquid debt securities.

Notes to the consolidated financial statements

36. Financial risk management strategy

By their nature, the Group's activities are principally related to the use of financial instruments. The Directors and senior management of the Group have formally adopted a Group risk appetite statement that sets out the Board's attitude to risk and internal controls. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board. In addition, key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures, such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

A more detailed description of the risk governance structure is contained in the Principal risks and uncertainties section beginning on page 30.

Included within the principal financial risks inherent in the Group's business are credit risk (Note 37), market risk (Note 38), liquidity risk (Note 39), and capital risk (Note 40).

37. Credit risk

The Company and Group take on exposure to credit risk, which is the risk that a counterparty will be unable to satisfy their debt servicing commitments when due. Counterparties include the consumers to whom the Group lends on a secured and unsecured basis and Small and Medium size Enterprises ('SMEs') to whom the Group primarily lends on a secured basis, as well as the market counterparties with whom the Group deals.

Impairment provisions are provided for expected credit losses at the statement of financial position date. Significant changes in the economy could result in losses that are different from those provided for at the statement of financial position date. Management, therefore, carefully manages the Group's exposures to credit risk as it considers this to be the most significant risk to the business. Disclosures relating to collateral on loans and advances to customers are disclosed in Note 14.

The Board monitors the ratings of the counterparties in relation to the Group's loans and advances to banks. Disclosures of these at the year-end are contained in Note 13. There is no direct exposure to the Eurozone and peripheral Eurozone countries.

See page 32 for further details on the mitigation and change during the year of credit risk.

Group and Company

With the exception of loans and advances to customers, the carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk for loans and advances to customers by portfolio and IFRS 9 stage without taking account of any collateral held or other credit enhancements attached was as follows:

	Stage 1	Stage 2			Stage 3	Total gross loans and advances to customers
	£million	<= 30 days past due £million	> 30 days past due £million	Total £million	£million	£million
31 December 2024						
Consumer Finance						
Retail Finance	1,324.1	48.1	4.1	52.2	11.6	1,387.9
Vehicle Finance	500.7	40.0	21.0	61.0	65.0	626.7
Business Finance						
Real Estate Finance	1,046.9	209.0	0.1	209.1	97.9	1,353.9
Commercial Finance	332.9	6.7	–	6.7	12.2	351.8
Total drawn exposure	**3,204.6**	**303.8**	**25.2**	**329.0**	**186.7**	**3,720.3**
Off balance sheet						
Loan commitments	262.4	0.8	–	0.8	–	263.2
Total gross exposure	**3,467.0**	**304.6**	**25.2**	**329.8**	**186.7**	**3,983.5**
Less:						
Impairment allowance	(29.6)	(8.6)	(7.3)	(15.9)	(66.3)	(111.8)
Provision for loan commitments	(0.9)	–	–	–	–	(0.9)
Total net exposure	**3,436.5**	**296.0**	**17.9**	**313.9**	**120.4**	**3,870.8**

Of collateral in the form of property, £110.1 million (2023: £117.8 million) has been pledged as security for Real Estate Finance Stage 3 balances of £86.1 million (2023: £84.0 million). Of collateral in the form of vehicles, £37.4 million (2023: £21.0 million) has been pledged as security for Vehicle Finance Stage 3 balances of £20.7 million (2023: £14.7 million).

Notes to the consolidated financial statements

37. Credit risk continued

	Stage 1 £million	Stage 2 <= 30 days past due £million	Stage 2 > 30 days past due £million	Stage 2 Total £million	Stage 3 Total £million	Total gross loans and advances to customers £million
31 December 2023						
Consumer Finance						
Retail Finance	1,149.2	92.9	4.4	97.3	8.8	1,255.3
Vehicle Finance	420.1	34.3	20.4	54.7	38.3	513.1
Business Finance						
Real Estate Finance	1,024.9	134.4	1.5	135.9	91.0	1,251.8
Commercial Finance	357.3	9.9	–	9.9	16.0	383.2
Total drawn exposure	**2,951.5**	**271.5**	**26.3**	**297.8**	**154.1**	**3,403.4**
Off balance sheet						
Loan commitments	299.1	2.2	–	2.2	–	301.3
Total gross exposure	**3,250.6**	**273.7**	**26.3**	**300.0**	**154.1**	**3,704.7**
Less:						
Impairment allowance	(29.5)	(10.5)	(7.7)	(18.2)	(40.4)	(88.1)
Provision for loan commitments	(0.8)	–	–	–	–	(0.8)
Total net exposure	**3,220.3**	**263.2**	**18.6**	**281.8**	**113.7**	**3,615.8**

A reconciliation of opening to closing allowance for impairment of loans and advances to customers is presented in Note 16.

Company

In addition to the above, counterparties to the Company include subsidiary undertakings. For the ECL on amounts due from related companies, see Note 24.

37.1. Concentration risk

Management assesses the potential concentration risk from geographic, product and individual loan concentration. Due to the nature of the Group's lending operations, the Directors consider the lending operations of the Group as a whole to be well diversified. Details of the Group's loans and advances to customers and loan commitments by product is provided in Notes 3 and 31, respectively.

Geographical concentration

The Group's Real Estate Finance loan book is secured against UK property only. The geographical concentration of these business loans and advances to customers, by location of the security, is as follows:

Group and Company

	2024 £million	2023 £million
Central England	113.2	99.5
Greater London	691.5	709.5
Northern England	124.8	89.2
South East England (excl. Greater London)	273.5	233.3
South West England	54.4	40.7
Scotland, Wales and Northern Ireland	96.5	79.6
Gross loans and receivables	1,353.9	1,251.8
Allowance for impairment	(12.5)	(8.0)
Total	**1,341.4**	**1,243.8**

Notes to the consolidated financial statements

37. Credit risk continued

37.2. Forbearance

Consumer Finance

Throughout the year, the Group did not routinely reschedule contractual arrangements where customers default on their repayments. In cases where it offered the customer the option to reduce or defer payments for a short period, in line with our responsibilities from a conduct perspective, the loans retained the normal contractual payment due dates and were treated the same as any other defaulting cases for impairment purposes. Arrears tracking would continue on the account, with any impairment charge being based on the original contractual due dates for all products.

All forbearance arrangements are formally discussed and agreed with the customer in accordance with regulatory guidance on the support of customers. By offering customers in financial difficulty the option of forbearance, the Group potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment. All forbearance arrangements are reviewed and monitored regularly to assess the ongoing potential risk, suitability and sustainability to the Group. As at the year end, the Consumer Finance business approximately had the following cases (by volume) in forbearance:

- Retail Finance 0.14% (2023: 0.15%); and
- Vehicle Finance: 0.59% (2023: 0.11%).

In respect of Vehicle Finance, where forbearance measures are not possible or are considered not to be in the customer's best interests, or where such measures have been tried and the customer has not adhered to the forbearance terms that have been agreed, the Group will consider realising its security and taking possession of the vehicle in order to sell it and clear the outstanding debt. Where the sale of the vehicle does not cover all of the remaining loan, normal credit collection procedures may be carried out in order to recover the outstanding debt, or the debt may be sold to a third party debt recovery agent, or in certain circumstances, the debt may be written off.

Real Estate Finance

Where clients provided evidence of payment difficulties, they were supported by the provision of extensions to loan maturity dates. A small number of clients, who experienced difficulties in meeting their financial commitments, were offered concessions (facility restructures or amendments) that Real Estate Finance would not have provided under normal circumstances. As at 31 December 2024, 4.9% of accounts were classed as forborne (2023: 9.6%). Where forbearance measures are not possible, or are considered not to be in the client's best interests, or where such measures have been tried and the customer has not adhered to the forbearance terms that have been agreed, the Group will consider realising its security.

38. Market risk

The Group's market risk is primarily linked to interest rate risk. Interest rate risk refers to the exposure of the Group's financial position to adverse movements in interest rates.

When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Group's assets, liabilities and off-balance sheet instruments, and hence, its economic value. Changes in interest rates also affect the Group's earnings by altering interest-sensitive income and expenses, affecting its net interest income.

The principal currency in which the Group operates is Sterling, although a small number of transactions are completed in US dollars, Euros and other currencies in the Commercial Finance business. The Group has no significant exposures to foreign currencies and hedges any residual currency risks to Sterling. The Group does not operate a trading book.

See page 35 for further details on the mitigation and change during the year of market risk.

Interest rate risk

Group and Company

The Group seeks to 'match' interest rate risk between its assets and liabilities in the first instance and hedges any material residual risks using interest rate derivatives in accordance with the Group's risk appetite.

The Group monitors its exposure to interest rate risk on at least a weekly basis, using market value sensitivity and earnings at risk, which were as follows at 31 December:

	2024 £million	2023 £million
Market value sensitivity		
+200bp parallel shift in yield curve	1.5	2.5
-200bp parallel shift in yield curve	(1.6)	(2.7)
Earnings at risk sensitivity		
+100bp parallel shift in yield curve	1.5	1.2
-100bp parallel shift in yield curve	(1.5)	(1.2)

The Directors consider that 200bps in the case of market value sensitivity and 100bps in the case of earnings at risk are a reasonable approximation of possible changes.

Notes to the consolidated financial statements

39. Liquidity and funding risk

Liquidity and funding risk is the risk that the Group is unable to meet its obligations as they fall due or can only do so at excessive cost. The Group maintains adequate liquidity resources and a prudent, stable funding profile at all times to cover liabilities as they fall due in normal and stressed conditions.

The Group manages its liquidity in line with internal and regulatory requirements, and at least annually assesses the robustness of the liquidity requirements as part of the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP').

See page 33 for further details on the mitigation and change during the year of liquidity and funding risk.

The tables below analyse the contractual undiscounted cash flows for financial liabilities into relevant maturity groupings:

	Carrying amount £million	Gross nominal outflow £million	Not more than three months £million	More than three months but less than one year £million	More than one year but less than five years £million	More than five years £million
At 31 December 2024						
Due to banks	365.8	374.1	52.6	321.5	–	–
Deposits from customers	3,244.9	3,336.5	2,058.0	674.8	601.0	2.7
Subordinated liabilities	93.3	136.8	–	11.7	125.1	–
Lease liabilities	1.8	1.9	0.3	0.8	0.8	–
Other financial liabilities	23.1	23.1	23.1	–	–	–
	3,728.9	**3,872.4**	**2,134.0**	**1,008.8**	**726.9**	**2.7**
Derivative financial liabilities	10.0	10.2	2.0	3.4	4.8	–
	3,738.9	**3,882.6**	**2,136.0**	**1,012.2**	**731.7**	**2.7**

	Carrying amount £million	Gross nominal outflow £million	Not more than three months £million	More than three months but less than one year £million	More than one year but less than five years £million	More than five years £million
At 31 December 2023						
Due to banks	402.0	435.9	12.1	15.4	408.4	–
Deposits from customers	2,871.8	2,949.5	1,532.0	806.7	608.9	1.9
Subordinated liabilities	93.1	148.5	5.9	5.9	136.7	–
Lease liabilities	2.3	2.4	0.2	0.7	1.5	–
Other financial liabilities	25.9	25.9	25.9	–	–	–
	3,395.1	**3,562.2**	**1,576.1**	**828.7**	**1,155.5**	**1.9**
Derivative financial liabilities	22.0	23.4	2.8	5.6	15.0	–
	3,417.1	**3,585.6**	**1,578.9**	**834.3**	**1,170.5**	**1.9**

Company

The contractual undiscounted cash flows for financial liabilities of the Company are the same as above except for the following:

	Carrying amount £million	Gross nominal outflow £million	Not more than three months £million	More than three months but less than one year £million	More than one year but less than five years £million	More than five years £million
At 31 December 2024						
Lease liabilities	1.6	1.7	0.3	0.7	0.7	–
Other financial liabilities	33.6	33.6	33.6	–	–	–
Non-derivative financial liabilities	**3,739.2**	**3,882.7**	**2,144.5**	**1,008.7**	**726.8**	**2.7**
Total	**3,749.2**	**3,892.9**	**2,146.5**	**1,012.1**	**731.6**	**2.7**

	Carrying amount £million	Gross nominal outflow £million	Not more than three months £million	More than three months but less than one year £million	More than one year but less than five years £million	More than five years £million
At 31 December 2023						
Lease liabilities	2.1	2.1	0.2	0.7	1.2	–
Other financial liabilities	34.2	34.2	34.2	–	–	–
Non-derivative financial liabilities	**3,403.2**	**3,570.2**	**1,584.4**	**828.7**	**1,155.2**	**1.9**
Total	**3,425.2**	**3,593.6**	**1,587.2**	**834.3**	**1,170.2**	**1.9**

40. Capital risk (unaudited)

Capital risk is the risk that the Group will have insufficient capital resources to absorb potential losses. The Group adopts a conservative approach to managing its capital and at least annually assesses the robustness of the capital requirements as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP'). The Group has Tier 1 and Tier 2 capital resources, noting the regulatory adjustments required in the table on the next page.

The following table, which is unaudited and, therefore, not in scope of the Independent Auditor's Report, shows the regulatory capital resources for the Group.

Notes to the consolidated financial statements

40. Capital risk (unaudited) continued

	2024 £million (unaudited)	2023 £million (unaudited)
Common Equity Tier 1 ('CET 1')		
Share capital	7.6	7.6
Share premium	84.0	83.8
Retained earnings	271.1	254.8
Own shares	(2.2)	(1.4)
IFRS 9 transition adjustment (See below for further details)	0.1	2.1
Goodwill	(1.0)	(1.0)
Intangible assets net of attributable deferred tax	(4.0)	(4.9)
CET 1 capital before foreseeable dividend	**355.6**	**341.0**
Foreseeable dividend	(4.2)	(3.1)
CET 1 and Tier 1 capital	**351.4**	**337.9**
Tier 2		
Subordinated liabilities	89.3	89.1
Less ineligible portion	(25.0)	(29.4)
Total Tier 2 capital[1]	**64.3**	**59.7**
Own funds	**415.7**	**397.6**
Reconciliation to total equity:		
IFRS 9 transition adjustment	(0.1)	(2.1)
Eligible subordinated liabilities	(64.3)	(59.7)
Cash flow hedge reserve	–	(0.3)
Goodwill and other intangible assets net of attributable deferred tax	5.0	5.9
Foreseeable dividend	4.2	3.1
Total equity	**360.5**	**344.5**

1. Tier 2 capital comprises solely subordinated debt, excluding accrued interest, capped at 25% of the Pillar 1 and 2A requirements as set by the PRA.

The Group has elected to adopt the IFRS 9 transitional rules. In 2024, this allowed for 25% (2023: 50%) of increases from 1 January 2020 in provisions on non-defaulted accounts net of attributable deferred tax, to be added back to eligible capital. This relief ends on 1 January 2025.

The Group's regulatory capital is divided into:

- CET 1 capital, which comprises shareholders' funds (excluding employee benefit trust own shares), after adding back the IFRS 9 transition adjustment and deducting qualifying intangible assets and prudent valuation adjustments. IFRS 9 transition adjustment and intangible assets are both net of attributable deferred tax; and
- Tier 2 capital, which is solely subordinated debt net of unamortised issue costs, capped at 25% of the capital requirement.

The Group operates the standardised approach to credit risk, whereby risk weightings are applied to the Group's on and off balance sheet exposures. The weightings applied are those stipulated in the UK Capital Requirements Regulation.

Further information on capital is included within our Pillar 3 disclosures, which can be found on the Group's website (www.securetrustbank.com/pillar3). See page 34 for further details on the mitigation and change during the year of capital risk.

The Group is subject to capital requirements imposed by the PRA on all financial services firms. During the year, the Group complied with these requirements.

41. Classification of financial assets and liabilities

Group

	Total carrying amount £million 2024	Fair value £million 2024	Fair value hierarchy level 2024	Total carrying amount £million 2023	Fair value £million 2023	Fair value hierarchy level 2023
Cash and Bank of England reserve account	445.0	445.0	Level 1	351.6	351.6	Level 1
Loans and advances to banks	24.0	24.0	Level 2	53.7	53.7	Level 2
Loans and advances to customers	3,608.5	3,612.3	Level 3	3,315.3	3,279.7	Level 3
Derivative financial instruments	14.3	14.3	Level 2	25.5	25.5	Level 2
Other financial assets	2.0	2.0	Level 3	2.4	2.4	Level 3
	4,093.8	**4,097.6**		**3,748.5**	**3,712.9**	
Due to banks	365.8	365.8	Level 2	402.0	402.0	Level 2
Deposits from customers	3,244.9	3,254.0	Level 3	2,871.8	2,850.1	Level 3
Derivative financial instruments	10.0	10.0	Level 2	22.0	22.0	Level 2
Lease liabilities	1.8	1.8	Level 3	2.3	2.3	Level 3
Other financial liabilities	23.1	23.1	Level 3	25.9	25.9	Level 3
Subordinated liabilities	93.3	90.2	Level 2	93.1	94.8	Level 3
	3,738.9	**3,744.9**		**3,417.1**	**3,397.1**	

All financial assets and liabilities at 31 December 2024 and 31 December 2023 were carried at amortised cost, except for derivative financial instruments that are at fair value through profit and loss. Therefore, for these assets and liabilities, the fair value hierarchy noted above relates to the disclosure in this note only.

Notes to the consolidated financial statements

41. Classification of financial assets and liabilities continued

Company

	Total carrying amount £million 2024	Fair value £million 2024	Fair value hierarchy level 2024	Total carrying amount £million 2023	Fair value £million 2023	Fair value hierarchy level 2023
At 31 December 2024						
Cash and Bank of England reserve account	445.0	445.0	Level 1	351.6	351.6	Level 1
Loans and advances to banks	23.6	23.6	Level 2	53.0	53.0	Level 2
Loans and advances to customers	3,608.5	3,612.3	Level 3	3,315.3	3,279.7	Level 3
Derivative financial instruments	14.3	14.3	Level 2	25.5	25.5	Level 2
Other financial assets	4.0	4.0	Level 3	5.0	5.0	Level 3
	4,095.4	**4,099.2**		**3,750.4**	**3,714.8**	
Due to banks	365.8	365.8	Level 2	402.0	402.0	Level 2
Deposits from customers	3,244.9	3,254.0	Level 3	2,871.8	2,850.1	Level 3
Derivative financial instruments	10.0	10.0	Level 2	22.0	22.0	Level 2
Lease liabilities	1.6	1.6	Level 3	2.1	2.1	Level 3
Other financial liabilities	33.6	33.6	Level 3	34.2	34.2	Level 3
Subordinated liabilities	93.3	90.2	Level 2	93.1	94.8	Level 3
	3,749.2	**3,755.2**		**3,425.2**	**3,405.2**	

All financial assets and liabilities at 31 December 2024 and 31 December 2023 were carried at amortised cost except for derivative financial instruments that are valued at fair value through profit and loss. Therefore, for these assets, the fair value hierarchy noted above relates to the disclosure in this note only.

Fair value classification

The tables above include the fair values and fair value hierarchies of the Group and Company's financial assets and liabilities. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Loans and advances to customers and Deposits from customers

The fair value of the financial assets and liabilities is calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was a market rate of interest at the balance sheet date. For loans and advances to customers, the same assumptions regarding the risk of default were applied as those used to derive the carrying value.

Derivative financial instruments

The fair value of derivative financial instruments is calculated based on the present value of the expected future cash flows of the instruments. The rate used to discount the cash flows was the SONIA forward curve at the balance sheet date.

Subordinated liabilities

The fair value of subordinated liabilities is calculated based on quoted market prices where available, or where an active market quote is not available, it is calculated based on the present value of the expected future cash flows of the instruments. The rate used to discount the cash flows was the UK Government five year bond plus the initial spread on the instruments.

For all remaining financial assets and liabilities, the fair value of financial assets and liabilities is calculated to be equivalent to their carrying value due to their short maturity dates.

Notes to the consolidated financial statements

42. Related party transactions

Related parties of the Company and Group include subsidiaries, key management personnel, close family members of key management personnel and entities that are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members.

No transactions greater than £0.1 million were entered into with key management personnel or their close family members during the current or prior year.

The Company undertook the following transactions with other companies in the Secure Trust Bank Group:

	2024 £million	2023 £million
Interest income and similar income	(30.3)	(28.8)
Operating expenses	(0.4)	(0.4)
Allowances for impairment of amounts due from related companies	0.2	(2.1)
Investment income	9.5	10.2
	(21.0)	**(21.1)**
Equity contribution to subsidiaries re. share-based payments	**0.2**	**0.2**

The loans and advances with, and amounts receivable and payable to, related companies are noted below:

	Company 2024 £million	Company 2023 £million
Amounts receivable from subsidiary undertakings	2.3	2.7
Amounts due to subsidiary undertakings	(12.5)	(10.5)
	(10.2)	**(7.8)**

All amounts above are repayable on demand and the Company charged interest at a variable rate on amounts outstanding.

Directors' remuneration

The Directors' emoluments (including pension contributions and benefits in kind) for the year are disclosed in the Directors' Remuneration Report on page 101.

At the year-end the ordinary shares held by the Directors, holdings of share options, as well as details of those share options exercised during the year are disclosed in the Directors' Remuneration Report on page 105.

43. Immediate parent company and ultimate controlling party

The Company has no immediate parent company or ultimate controlling party.

44. Country-by-Country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduced reporting obligations for institutions within the scope of CRD V. The requirements aim to give increased transparency regarding the activities of institutions. The Country-by-Country information is set out below:

	Name	Nature of activity	Location	Turnover £million	Average number of FTE employees	Profit before tax £million	Tax paid on profit £million
31 December 2024	Secure Trust Bank PLC	Banking services	UK	385.2	915	29.2	8.8
31 December 2023	Secure Trust Bank PLC	Banking services	UK	321.3	874	33.4	8.6

45. Post balance sheet events

There have been no significant events between 31 December 2024 and the date of approval of these financial statements, which would require a change to or additional disclosure in the financial statements.

Five-year summary (unaudited)

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Profit for the year					
Continuing operations					
Interest and similar income	366.0	304.0	203.0	163.9	173.1
Interest expense and similar charges	(181.1)	(136.5)	(50.4)	(27.7)	(39.4)
Net interest income	**184.9**	**167.5**	**152.6**	**136.2**	**133.7**
Net fee and commission income	19.0	17.2	17.0	12.7	10.8
Operating income	**203.9**	**184.7**	**169.6**	**148.9**	**144.5**
Net impairment charge on loans and advances to customers	(61.9)	(43.2)	(38.2)	(5.0)	(41.4)
Other (losses)/gains	(0.3)	0.3	1.1	1.5	(3.1)
Fair value and other gains/(losses) on financial instruments	1.2	0.5	(0.3)	(0.1)	–
Operating expenses	(103.8)	(99.7)	(93.2)	(89.4)	(81.8)
Profit before income tax before exceptional items	**39.1**	**42.6**	**39.0**	**55.9**	**18.2**
Exceptional items	(9.9)	(6.5)	–	–	–
Profit before income tax	**29.2**	**36.1**	**39.0**	**55.9**	**18.2**
Discontinued operations					
(Loss)/profit before income tax	–	(2.7)	5.0	0.1	0.9
Total profit before income tax	**29.2**	**33.4**	**44.0**	**56.0**	**19.1**

	Continuing 2024 £million	Continuing 2023 £million	Continuing 2022 £million	Continuing 2021 £million	Continuing 2020 £million
Earnings per share for profit attributable to the equity holders of the Company during the year (pence per share)					
Basic earnings per ordinary share	103.4	140.8	158.5	244.1	82.7

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Financial position					
Cash and Bank of England reserve account	445.0	351.6	370.1	234.0	181.5
Loans and advances to banks	24.0	53.7	50.5	52.0	63.3
Debt securities	–	–	–	25.0	–
Loans and advances to customers	3,608.5	3,315.3	2,919.5	2,530.6	2,358.9
Fair value adjustment for portfolio hedged risk	(6.8)	(3.9)	(32.0)	(3.5)	5.7
Derivative financial instruments	14.3	25.5	34.9	3.8	4.8
Other assets	31.7	35.8	36.6	44.0	47.0
Total assets	**4,116.7**	**3,778.0**	**3,379.6**	**2,885.9**	**2,661.2**
Due to banks	365.8	402.0	400.5	390.8	276.4
Deposits from customers	3,244.9	2,871.8	2,514.6	2,103.2	1,992.5
Fair value adjustment for portfolio hedged risk	(3.4)	(1.4)	(23.0)	(5.3)	4.7
Derivative financial instruments	10.0	22.0	26.7	6.2	6.1
Subordinated liabilities	93.3	93.1	51.1	50.9	50.8
Other liabilities	45.6	46.0	83.5	37.7	63.1
Total shareholders' equity	360.5	344.5	326.2	302.4	267.6
Total liabilities and shareholders' equity	**4,116.7**	**3,778.0**	**3,379.6**	**2,885.9**	**2,661.2**

Appendix to the Annual Report (unaudited)

Key performance indicators and other alternative performance measures

All key performance indicators are based on continuing operations and continuing loans and advances to customers, unless otherwise stated.

(i) Continuing loans and advances to customers

A reconciliation of total loans and advances to customers to continuing operations loans and advances to customers is set out below:

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million	2019 £million
Loans and advances to customers	3,608.5	3,315.3	2,919.5	2,530.6	2,358.9	2,450.1
Assets held for sale – loan portfolios	–	–	–	1.3	–	–
Total loans and advances to customers	3,608.5	3,315.3	2,919.5	2,531.9	2,358.9	2,450.1
Less discontinued loans and advances to customers:						
Asset Finance (sold during 2021)	–	–	–	–	(10.4)	(27.7)
DMS (sold during 2022)	–	–	–	(79.6)	(81.8)	(82.4)
Consumer Mortgages (sold during 2021)	–	–	–	–	(77.7)	(105.9)
Other	–	–	–	(1.3)	(4.1)	(7.6)
Total discontinued operations loans and advances to customers	–	–	–	(80.9)	(174.0)	(223.6)
Continuing loans and advances to customers	**3,608.5**	**3,315.3**	**2,919.5**	**2,451.0**	**2,184.9**	**2,226.5**

(ii) Net interest margin, net revenue margin and risk adjusted margin ratios

Net interest margin is calculated as net interest income for the financial year as a percentage of the average loan book. Risk adjusted margin is calculated as risk adjusted income for the financial year as a percentage of the average loan book. Net revenue margin is calculated as operating income for the financial year as a percentage of the average loan book. The calculation of the average loan book is the average of the monthly balance of loans and advances to customers, net of provisions, over 13 months:

Group	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	184.9	167.5	152.6	136.2	133.7
Net fee and commission income	19.0	17.2	17.0	12.7	10.8
Operating income	203.9	184.7	169.6	148.9	144.5
Opening loan book	3,315.3	2,919.5	2,451.0	2,184.9	2,226.5
Closing loan book	3,608.5	3,315.3	2,919.5	2,451.0	2,184.9
Average loan book	3,413.9	3,099.4	2,699.3	2,240.5	2,197.8
Net revenue margin	**6.0%**	**6.0%**	**6.3%**	**6.6%**	**6.6%**
Net interest margin	**5.4%**	**5.4%**	**5.7%**	**6.1%**	**6.1%**

Retail Finance	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	86.8	73.1	61.2	56.1	57.7
Average loan book	1,285.9	1,143.4	898.8	692.9	663.4
Net interest margin	**6.8%**	**6.4%**	**6.8%**	**8.1%**	**8.7%**
Net interest income	86.8	73.1	61.2	56.1	57.7
Net fee and commission income	3.2	3.2	3.6	2.6	2.1
Net impairment charge on loans and advances to customers	(13.3)	(15.9)	(14.8)	(5.0)	(14.5)
Other (losses)/gains: gains/(losses) on modification of financial assets	–	–	0.2	0.4	(0.6)
Risk adjusted income	76.7	60.4	50.2	54.1	44.7
Risk adjusted margin	**6.0%**	**5.3%**	**5.6%**	**7.8%**	**6.7%**

Vehicle Finance	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	47.6	44.1	38.9	32.2	37.5
Average loan book	505.4	429.6	325.1	245.8	292.1
Net interest margin	**9.4%**	**10.3%**	**12.0%**	**13.1%**	**12.8%**
Net interest income	47.6	44.1	38.9	32.2	37.5
Net fee and commission income	0.8	1.8	1.4	1.1	0.6
Net impairment charge on loans and advances to customers	(38.7)	(14.8)	(21.3)	(0.1)	(20.7)
Other (losses)/gains: gains/(losses) on modification of financial assets	0.1	0.3	0.9	1.1	(2.5)
Risk adjusted income	9.8	31.4	19.9	34.3	14.9
Risk adjusted margin	**1.9%**	**7.3%**	**6.1%**	**14.0%**	**5.1%**

Appendix to the Annual Report (unaudited)

Key performance indicators and other alternative performance measures continued

(ii) Net interest margin, net revenue margin and risk adjusted margin ratios continued

Real Estate Finance	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	32.6	29.7	29.7	31.5	30.4
Net fee and commission income	0.4	0.9	0.2	0.3	–
Operating income	33.0	30.6	29.9	31.8	30.4
Net impairment charge on loans and advances to customers	(4.0)	(4.5)	(1.3)	(0.1)	(5.2)
Risk adjusted income	29.0	26.1	28.6	31.7	25.2
Average loan book	1,269.5	1,177.7	1,114.9	1,045.3	1,020.4
Net revenue margin	**2.6%**	**2.6%**	**2.7%**	**3.0%**	**3.0%**
Risk adjusted margin	**2.3%**	**2.2%**	**2.6%**	**3.0%**	**2.5%**

Commercial Finance	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	12.2	13.2	11.4	6.5	4.4
Net fee and commission income	14.5	11.3	11.6	8.4	7.7
Operating income	26.7	24.5	23.0	14.9	12.1
Net impairment (charge)/credit on loans and advances to customers	(5.9)	(8.0)	(0.8)	0.2	(1.1)
Risk adjusted income	20.8	16.5	22.2	15.1	11.0
Average loan book	353.0	348.8	360.7	259.6	221.9
Net revenue margin	**7.6%**	**7.0%**	**6.4%**	**5.7%**	**5.5%**
Risk adjusted margin	**5.9%**	**4.7%**	**6.2%**	**5.8%**	**5.0%**

These ratios show the net return on our lending assets, with and without adjusting for cost of risk.

(iii) Return on average equity

Total return on average equity is calculated as the total profit after tax for the previous 12 months as a percentage of average equity. Adjusted return on average equity is calculated as the adjusted profit after tax for the previous 12 months as a percentage of average equity. Average equity is calculated as the average of the monthly equity balances.

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Total profit after tax	19.7	24.3	33.7	45.6	15.4
Less:					
Loss/(profit) for the year from discontinued operations	–	2.1	(4.1)	N/A	N/A
Exceptional items after tax	8.9	5.9	–	–	–
Adjusted profit after tax	28.6	32.3	29.6	N/A	N/A
Opening equity	344.5	326.4	302.2	267.6	252.0
Closing equity	360.5	344.5	326.4	302.2	267.6
Average equity	355.3	334.9	313.4	287.0	261.1
Total return on average equity	**5.5%**	**7.3%**	**10.8%**	**15.9%**	**5.9%**
Adjusted return on average equity	**8.0%**	**9.6%**	**9.4%**	**N/A**	**N/A**

Return on average equity is a measure of the Group's ability to generate profit from the equity available to it.

(iv) Cost to income ratio

Statutory cost to income is calculated as total operating expenses for the financial year as a percentage of operating income for the financial year. Adjusted cost to income is calculated as adjusted operating expenses for the financial year as a percentage of operating income for the financial year.

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Total operating expenses	113.7	106.2	93.2	89.4	81.8
Less: Exceptional items	(9.9)	(6.5)	–	–	–
Adjusted operating expenses	103.8	99.7	93.2	89.4	81.8
Operating income	203.9	184.7	169.6	148.9	144.5
Statutory cost to income ratio	**55.8%**	**57.5%**	**55.0%**	**60.0%**	**56.6%**
Adjusted cost to income ratio	**50.9%**	**54.0%**	**55.0%**	**60.0%**	**56.6%**

The cost to income ratio measures how efficiently the Group is utilising its cost base to produce income.

Appendix to the Annual Report (unaudited)

Key performance indicators and other alternative performance measures continued

(v) Cost of risk

Cost of risk is calculated as the total of the net impairment charge on loans and advances to customers and gains and losses on modification of financial assets for the financial year as a percentage of the average loan book

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Net impairment charge on loans and advances to customers	61.9	43.2	38.2	5.0	41.5
Other (losses)/gains: (gains)/losses on modification of financial assets	(0.1)	(0.3)	(1.1)	(1.5)	3.1
Total	61.8	42.9	37.1	3.5	44.6
Average loan book	3,413.9	3,099.4	2,699.3	2,240.5	2,197.8
Cost of risk	**1.8%**	**1.4%**	**1.4%**	**0.2%**	**2.0%**

The cost of risk measures how effective the Group has been in managing the credit risk of its lending portfolios.

(vi) Cost of funds

Cost of funds is calculated as the interest expense for the financial year expressed as a percentage of average loan book.

	2024 £million	2023 £million
Interest expense and similar charges	181.1	136.5
Average loan book	3,413.9	3,099.4
Cost of funds	**5.3%**	**4.4%**

The cost of funds measures the cost of money being lent to customers.

(vii) Funding ratio and loan to deposit ratio

The funding ratio is calculated as the total funding at the year-end divided by total loans and advances to customers at the year-end. The loans to deposit ratio is calculated as total loans and advances to customers at the year-end divided by deposits from customers at the year end:

	2024 £million	2023 £million
Deposits from customers	3,244.9	2,871.8
Borrowings under the Bank of England's liquidity support operations (including accrued interest)	358.9	395.1
Tier 2 capital (including accrued interest)	93.3	93.1
Equity	360.5	344.5
Total funding	4,057.6	3,704.5
Total loans and advances to customers	3,608.5	3,315.3
Funding ratio	**112.4%**	**111.7%**
Loan to deposit ratio	**111.2%**	**115.4%**

The funding ratio and loan to deposit ratio measure the Group's excess of funding that provides liquidity.

(viii) Profit before tax pre impairments

Profit before tax pre impairments is profit before tax, excluding impairment charges and gains on modification of financial assets.

	2024 £million	2023 £million
Profit before income tax	29.2	36.1
Excluding: net impairment charge on loans and advances to customers	61.9	43.2
Excluding: Other (losses)/gains: gains on modification of financial assets	(0.1)	(0.3)
Profit before tax pre impairments	**91.0**	**79.0**
Exceptional items	9.9	6.5
Adjusted profit before tax pre impairments	**100.9**	**85.5**

Profit before tax pre impairments measures the operational performance of the business.

(ix) Tangible book value per share

Tangible book value per share is calculated as the total equity less intangible assets divided by the number of shares in issue at the end of the year.

	2024 £million	2023 £million
Total equity	360.5	344.5
Less: Intangible assets	(5.0)	(5.9)
Tangible book value	355.5	338.6
Number of shares in issue at the end of the year	19,071,408	19,017,795
Tangible book value per share	**£18.64**	**£17.80**

Tangible book value per share is a measure of the Group's value per share.

Glossary

Term	Explanation
ALCO	The Assets and Liabilities Committee.
BiFD	Borrowers in Financial Difficulty.
CET 1 capital	Common Equity Tier 1 capital comprises share capital, share premium, retained earnings, own shares and regulatory adjustments.
CET 1 capital ratio	The Common Equity Tier 1 capital ratio is the ratio of the bank's CET 1 capital to its Total Risk Exposure. This signifies a bank's financial strength. The CET 1 capital ratio is monitored by regulators and investors because it shows how well a bank can withstand financial stress and remain solvent.
Capital requirement regulation and CRD V	The revised Capital Requirements Directive and Regulation, commonly referred to as CRD V and CRR 2, refine and continue to implement Basel III by the UK, making important amendments in a number of areas, including large exposures, leverage ratio, liquidity, market risk, counterparty credit risk, as well as reporting and disclosure requirements.
EAD	Exposure At Default. EAD represents the expected exposure in the event of a default.
EBT	Employee Benefit Trust. A trust established by a company to hold shares on behalf of its employees.
ECL	Expected Credit Loss. ECL is the probability-weighted estimate of credit losses over the expected life of a financial instrument.
EIR	Effective Interest Rate. EIR is the rate that exactly discounts the estimated future cash flows to the gross carrying amount of a financial asset or amortised cost of a financial liability.
EPS	Earnings Per Share.
Feefo	Feefo collects independent reviews from the customers of businesses across many sectors, including financial services.
Financial Conduct Authority	The Financial Conduct Authority is the conduct regulator for financial services firms and financial markets in the UK. Its aims are to protect consumers, enhance market integrity and promote competition.
FVOCI	Fair Value Through Other Comprehensive Income. One of three classification categories for financial assets under IFRS 9.
FVTPL	Fair Value Through Profit or Loss. One of three classification categories for financial assets under IFRS 9.

Term	Explanation
High Quality Liquid Assets	High Quality Liquid Assets are assets with a high potential to be converted easily and quickly into cash. This comprises cash, the Bank of England reserve account and Treasury Bills.
ICAAP	Internal Capital Adequacy Assessment Process. A firm must carry out an ICAAP in accordance with the PRA's rules. They include requirements on the firm to undertake a regular assessment of the amounts, types and distribution of capital that it considers adequate to cover the level and nature of the risks to which it is or might be exposed.
IFRS	International Financial Reporting Standards.
ILAAP	The Internal Liquidity Adequacy Assessment Process allows firms to assess the level of liquidity and funding that adequately supports all relevant current and future liquidity risks in their business. In undertaking this process, a firm should be able to ensure that it has appropriate processes in place to ensure compliance with the CRD. This requires firms to develop and use appropriate risk and liquidity management techniques.
ILTR	Index Long-Term Repos. One of the Bank of England's regular market-wide sterling operations. It allows market participants to borrow central bank reserves (cash) for a six-month period in exchange for other, less liquid assets (collateral).
LCR	The Liquidity Coverage Ratio regime requires management of net 30-day cash outflows as a proportion of High Quality Liquid Assets. The Group has set a more prudent internal limit than that set by the regulator.
LGD	Loss Given Default. Estimated loss when a borrower defaults on a loan.
LTIP	Long-Term Incentive Plan. A delayed compensation scheme used to motivate participating employees over a defined time-period.
OIS	Overnight Indexed Swap.
OLAR	The Overall Liquidity Adequacy Rule is the Board's own view of the Group's liquidity needs, as set out in the Board-approved ILAAP.
Pillar 1, Pillar 2 and Pillar 3	Basel III uses a 'three pillars' concept: (1) Pillar 1 – minimum capital requirements (addressing risk) using a standardised approach for credit, market and operational risk; (2) Pillar 2 – supervisory review process; and (3) Pillar 3 – market discipline and enhanced disclosures.

Glossary

Term	Explanation
PD	Probability of Default. The likelihood that a borrower will default on their debt obligation.
POCI	Purchased or Originated Credit-Impaired financial assets. Financial assets that are already impaired when they are purchased or originated.
PRA	The Prudential Regulation Authority is a part of the Bank of England and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm. The PRA's objectives are set out in the Financial Services and Markets Act 2000, but the main objective is to promote the safety and soundness of the firms it regulates.
RoAE	Return On Average Equity. A financial ratio that measures performance by comparing profit after tax to average shareholders' equity.
SME	Small to Medium-sized Enterprises.
SPPI	Solely Payments of Principal and Interest. Cash flows from a financial asset that are solely payments of principal and interest on the outstanding principal amount.
TFSME	Term Funding Scheme with additional incentives for SMEs. The TFSME was launched in March 2020 as part of measures to respond to the economic shock from COVID-19. The scheme is designed to incentivise eligible participants to provide credit to businesses and households to bridge through the current period of economic disruption, with additional incentives to provide credit to SMEs. This scheme allowed access to four-year funding at rates very close to Bank of England Base Rate, allowing eligible participants to borrow central bank reserves in exchange for eligible collateral and is due for repayment in 2025.

Term	Explanation
Tier 2 capital	Tier 2 capital is the secondary component of bank capital, in addition to Tier 1 capital, and is composed of subordinated liabilities, net of issue costs.
Total Capital Requirement	Guidance given to a firm about the amount and quality of capital resources that the PRA considers that the firm should hold at all times under the overall financial adequacy rule as it applies on a solo level or a consolidated level.
Total Risk Exposure	Total Risk Exposure is the total of the Group's risk-weighted assets.
TSR	Total Shareholder Return. A financial metric that measures the performance of a share over time.

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