4 December 2015

Secure Trust Bank PLC

Proposed disposal of Everyday Loans Group

Secure Trust Bank PLC ("STB" or the "Group") today announces that it has agreed on the conditional sale of its branch based non-standard consumer lending business, Everyday Loans Holdings Limited ("ELG"), to Non Standard Finance PLC ("NSF") (the "Disposal").

Highlights

- Consideration comprises £107 million in cash and £20 million in Non Standard Finance PLC ordinary shares(1)
- On completion, NSF will repay c.£108 million intercompany debt
- Expected post tax profit on disposal of not less than £115 million
- On a proforma basis as at 31 October 2015, STB estimates a 120% increase in its CET1 ratio to 28% as a result of the Disposal and an enhancement in its leverage ratio to 18% (CET1 ratio was 15% and leverage ratio was 12% as at 30 June 2015)(2)
- Since 30 June 2015, Group customer lending balances have continued to grow and now exceed £1 billion (30 June 2015: £852m)
- Continued exposure to ELG through its shareholding in NSF and £30m loan to NSF.
- STB will retain its Moneyway personal lending business which is not part of the Disposal
- The Disposal is conditional on NSF shareholder approval of its equity fundraising, admission of the new NSF shares to the main market of the London Stock Exchange, regulatory approval and satisfaction of the conditions to the NSF financing
- Completion expected in first quarter of 2016

Paul Lynam, Chief Executive Officer of Secure Trust Bank PLC said:
"The unsolicited approach from Non Standard Finance PLC for the Everyday Loans Group presented an attractive option to accelerate our strategy of proportionately reducing our exposure to personal unsecured loan products whilst we invest in our strongly growing Motor, Retail and SME lending activities. By monetising substantial levels of future potential profit we are creating material tangible shareholder value now. This transaction, when completed, broadens the range of strategic options available to us which we will consider in more depth and update the market in due course. I believe today's announcement demonstrates the Board's commitment to the robust control of the growth of the bank through changes to the composition of the lending portfolio."

Notes:

(1) Subject to a net asset adjustment mechanism

(2) Proforma basis, as if the Disposal had occurred on 31 October 2015, based on expected capital gain and reduction in Total Risk Exposure

Enquiries:

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Introduction

Secure Trust Bank PLC (STB) has agreed on the conditional sale of its non-standard consumer lending business, Everyday Loans Group (ELG), to Non Standard Finance PLC (NSF) for £107 million in cash subject to a net asset adjustment and £20 million in NSF ordinary shares. On completion, NSF will repay the current intercompany debt of £108 million to STB.

Background on Everyday Loans Group

As at 30 June 2015 ELG provided unsecured loans to more than 37,000 customers, predominantly in lower income groups. It operates through a national network of 36 branches where loans are originated, serviced and collected. ELG forms part of STB's consumer finance division, alongside Moneyway, STB's direct online and telephone lending business which is being retained.

ELG represents approximately £102 million of the £189 million receivables of the personal lending consumer division as at 30 June 2015, and generated revenues in FY14 of £40.0 million, compared with £49.4 million for the division. ELG generated pre-exceptional profit before tax of £12.9 million in FY14. As at 30 June 2015, ELG had gross assets of £107 million and net assets of £7 million.

Summary historic financials of ELG

YE 31-Dec, £'000	FY12	FY13	FY14	1H14	1H15
Total Revenue	28,848	33,341	40,034	18,751	21,163
Operating Profit (pre-exceptionals)	5,757	9,480	12,877	5,624	6,082
Loans and advances to customers	66,177	75,812	91,041	81,437	102,252
Total Assets	76,119	82,682	96,954	-	107,011
Net Assets	(1,065)	5,972	2,182	-	7,034

Further information in relation to ELG, including its consolidated historic financial statements, is contained in NSF's announcement today and in the related prospectus to be issued in due course.

Transaction terms

STB has agreed to sell ELG to NSF for £107 million in cash and £20 million in NSF ordinary shares, subject to a net asset adjustment based on a 30 November 2015 balance sheet. On completion, NSF will repay current intercompany debt of £108 million to STB. The transaction has been structured such that the economic risk and reward of the ELG business from 30 November 2015 will pass to NSF on completion.

The transaction is being funded by NSF by way of a fully underwritten placing and open offer and debt facilities of £85 million (of which £65 million will be drawn down to fund the Disposal)(the "Facilities"). STB has agreed to provide a proportion of the funding for the Facilities with a £30 million three year term loan. The loan is secured on ELG's assets.

If the net asset adjustment mechanism referred to above is more than a material amount, then the Disposal may not proceed. The determination of the net asset value as at 30 November 2015 is expected to be completed before the NSF general meeting.

The NSF ordinary shares to be issued to STB will be retained and subject to a six month lock-up.

STB has also agreed to provide certain services to ELG for a transitional period post completion.

The Disposal is conditional on NSF shareholder approval of its equity fundraising, admission of the new NSF shares to the main market of the London Stock Exchange, regulatory approval and satisfaction of the conditions to the NSF financing but does not require shareholder approval by STB or its parent company, Arbuthnot Banking Group PLC. NSF has agreed to a break fee of £1 million, payable to STB under certain circumstances, including should the NSF directors change their recommendation of the acquisition or completion does not occur (other than as a result of a material breach by STB).

Reasons for and financial effects of the Disposal

Under STB's ownership, ELG has achieved impressive growth, within the constraints imposed upon it as part of a highly regulated banking group. An unsolicited approach revealed that NSF, headed by John Van Kuffeler (former CEO and Chairman of Provident Financial Group PLC), was prepared to pay an attractive valuation for ELG.

ELG is expected to target a broader customer base and offer a wider range of products under NSF's ownership. The greater opportunity for ELG under NSF's ownership is a reason why STB is providing funding of £30 million to NSF and is accepting NSF equity as part of the Disposal consideration. The other finance providers to NSF are Royal Bank of Scotland and Shawbrook Bank.

After repayment of debt, transaction costs and management incentives, STB expects to book a post-tax profit on the Disposal of not less than £115 million. STB acquired ELG for a nominal consideration on 8 June 2012 and also agreed to repay some of the outstanding ELG debt at that time, and as a result the Disposal will result in a substantial capital gain for the Group, currently estimated at approximately £121 million (net of transaction expenses).

The net effect of the Disposal will therefore be to nearly double the equity base of STB to circa £250 million. This substantially improves STB's capital resources and broadens the range of strategic options available to it.

Subject to confirmation by the regulator, the Disposal is expected to improve the Group's CET1 ratio and Leverage ratios to 28% and 18% respectively, on a proforma basis as if the Disposal had occurred on 31 October 2015 (from 15% and 12% on an unadjusted basis as at 30 June 2015)[(2)]. This represents a substantial capital surplus and significant headroom over PRA minimum leverage requirements and will support the strong growth in lending of the Group.

While in the short term the Disposal is expected to be dilutive to earnings, given the disposal of ELG's profit streams, the Board is confident that the proceeds can be reinvested to accelerate the Group's growth prospects and secure new income streams.

STB is continuing to see strong growth in its Motor, Retail and SME lending activities. The capital generated by the Disposal will support the ongoing increase in customer lending balances which now exceed £1 billion for the first time. STB will provide further commentary in respect of its strategy when it presents its 2015 final results on 17 March 2016.

STB reiterates that it anticipates its 2015 full year results will be in line with market expectations, after taking into account certain of the deal costs already incurred which are not dependent on completion of the Disposal.

The Board therefore believes that the Disposal is in the interests of the Group and represents an excellent opportunity to realise value for shareholders for reinvestment into STB's existing profitable consumer and business lending divisions, in line with the Group's stated ambition to shift, over time, the majority of the Group's balance sheet lending into secured lending assets.

Expected timetable

Expected posting of NSF's prospectus	7 December 2015
NSF general meeting	6 January 2016
FCA approval and completion	Decision expected Q1 2016