

Secure Trust Bank PLC

2012 Half Year Results

Paul Lynam

Chief Executive Officer

Business highlights – delivering on IPO commitments

- **Strong operating performance**
 - Increase in underlying profit before tax of 50% to £7.5 million
 - Customer numbers increased by 58% to 198,767
 - Growth in loan book of 110% to £260.3 million over the last year.
- **Risk management**
 - Loan to deposits ratio of 87%
 - Impairments £3.1m, remained below the level priced for but are expected to increase as book matures
 - No exposure to wholesale markets or interbank funding
 - Tier 1 Capital ratio of 15%
 - Well controlled and balanced lending portfolio
 - Leverage ratio of 7.6x

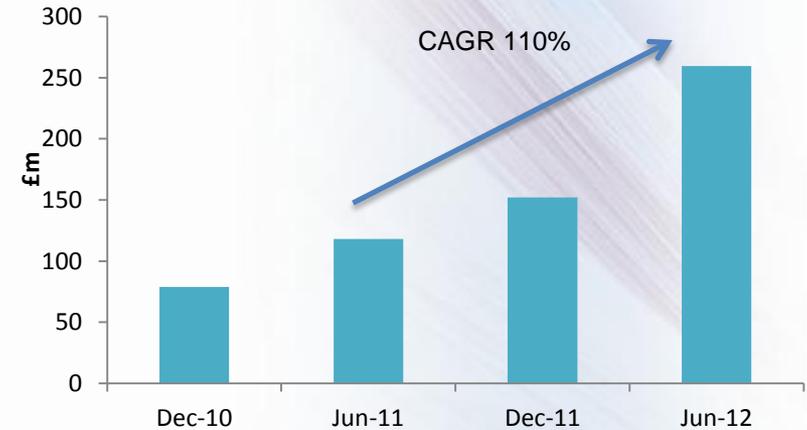
Sustainable Positive Progress

	<u>H1 2011</u>	<u>H1 2012</u>
Gross interest income	£9.9	£15.6
Funding costs	(£1.9)	(£2.6)
Net interest Income (Normalised)	£8.0	£13.0
Excess funding costs pre EDL transaction		(£1.6)
Net Interest Income	£8.0m	£11.4m
EPS	53.5	83.0
ROAA	1.3%	3.5%
ROAE	16.6%	40.2%

	<u>H1 2011</u>	<u>FY 2011</u>	<u>H1 2012</u>
Loan Book	£123.9m	£154.6m	£260.3m
Loan to Deposit ratio	57%	57%	87%
Customers	125,500	139,693	198,767
Tier 1 Capital ratio	14%	21%	15%

Lending assets £m

(excludes acquired portfolios, but includes Everyday Loans Subsidiary)



Organic business wins in H1

Motor

- The Motor team has transacted business with 70% of the Automotive* top 100 and regularly supports 85% of the Automotive* top 100.
- Notable recent wins in the top 100 include Ford Retail Group, Vospers, Ridgeway, Bridgend, John Clarke and Westover.
- Named Dealer Finance Provider 2012 in February by the Institute of Transport Management

Personal Lending

- Now live as Shop Direct's (Littlewoods) finance partner replacing Lloyds Banking Group.
- Agreed to provide a second tier bespoke lending proposition for DFS.
- Technology now developed will allow us to create a direct to market offering in the future through:
 - Internet direct to consumers
 - Partnerships e.g. Shop Direct
 - Aggregators e.g. Moneysupermarket.com

*Source : AM online

H1 - headwinds

Regulatory aspects

- Huge increase in spurious PPI mis-selling claims with 90%+ of cases never having been sold PPI.
- Now seeing claims of mis-selling of products such as Credit Cards and insurance linked to motor finance. We have never sold such products and this highlights that the Claims Management Industry is out of control.
- Extremely frustrating and costly as we have needed to more than double the size of the complaint handling team to manage the surge in volumes and minimise delays in responding to complaints.

Current account

- Modest growth in customer numbers as we curtailed activities whilst
 - a) the new internet banking platform was rolled out successfully in Q2 and
 - b) our card processor (Fidelity Information Services – part of the world's largest payment processing group) implements a hardware and capacity upgrade to improve service and support our growth plans.

Terry Williams

Chief Executive Officer

Everyday Loans Group

Everyday loans- overview

▪Business model is well established

- Strong and experienced management augmented by STB NED Chairman
- unsecured personal loans up to £10k.
- customers are fully serviced via our network of 25 branches
 - face to face lending improves credit decision
 - money management approach to lending aids customers
 - comprehensive application and affordability checks ensure responsible lending
- average loan to a new customer is £2,900 over 28 months
- 60% of monthly loan volume is to new customers and 90% of new customers apply via brokers and internet
- risk based pricing allows full spectrum of lending based upon loan amount, interest rate and repayment term
 - System driven
 - Facilitates lending to a wide spectrum of customers
 - Updated regularly to ensure appropriate pricing ongoing
- Credit risk is well spread geographically and across a large number of customers
- Robust system and control infrastructure provides a solid base on which to build

▪Portfolio quality continues to improve

- Impairments have reduced continuously for the past three years
- balances on impaired accounts have fallen despite receivables growth
- gross annualised credit losses continue to fall
- new business quality shows steady improvement

Everyday loans- overview (cont)

- **Becoming part of STB Group provides the funding needed for growth**

- the non-standard unsecured consumer credit market in the UK comprises circa 10 million adults borrowing approx £35 billion annually and with loans totalling approx £65 billion.
- significant changes to the market over the last few years has led to under-served demand
- approximately 50k full applications are processed each month from which we write approx 800 loans (plus approx 400 further advances to existing customers).
- there is a need for providers to deliver a straightforward, personal, flexible proposition
- essential that credit is affordable, manageable and administered by the lender ethically and responsibly – qualities at the heart of STB culture.

Distribution Channels for Customer sourcing

- We utilise multiple distribution channels (brokers, online and offline media)
- The majority of applications are obtained from specialist unsecured loan brokers. We only pay commission on completed loans.
- Web and local advertising drive applications which are converted to customer appointments in a branch
- Our typical customer is blue collar and lower skilled white collar/clerical, 23-39, co-habiting or married. All customers are employed and have bank accounts.
- We complete loans to the customer in-branch and payout is often within 24 hours of application
- The majority of customers live within 45 minutes of branch
- Branch expansion is determined by available lead volume in the catchment area



Loans advanced through 26 branches with 65% postcode coverage



1. Bexleyheath
2. Birmingham
3. Bolton
4. Bristol
5. Cardiff
6. Coventry
7. Croydon
8. Doncaster
9. Enfield
10. Glasgow
11. Harrow
12. Hounslow
13. Ilford
14. Leeds
15. Leicester
16. Liverpool
17. Luton
18. Newcastle
19. Nottingham
20. Peterborough
21. Romford
22. Stockport
23. Wakefield
24. Warrington
25. Wolverhampton
26. Central



Branches are a mixture of off-High Street retail premises and above ground floor, office premises in town centres. Walk-in traffic represents a very small part of our business.

Neeraj Kapur

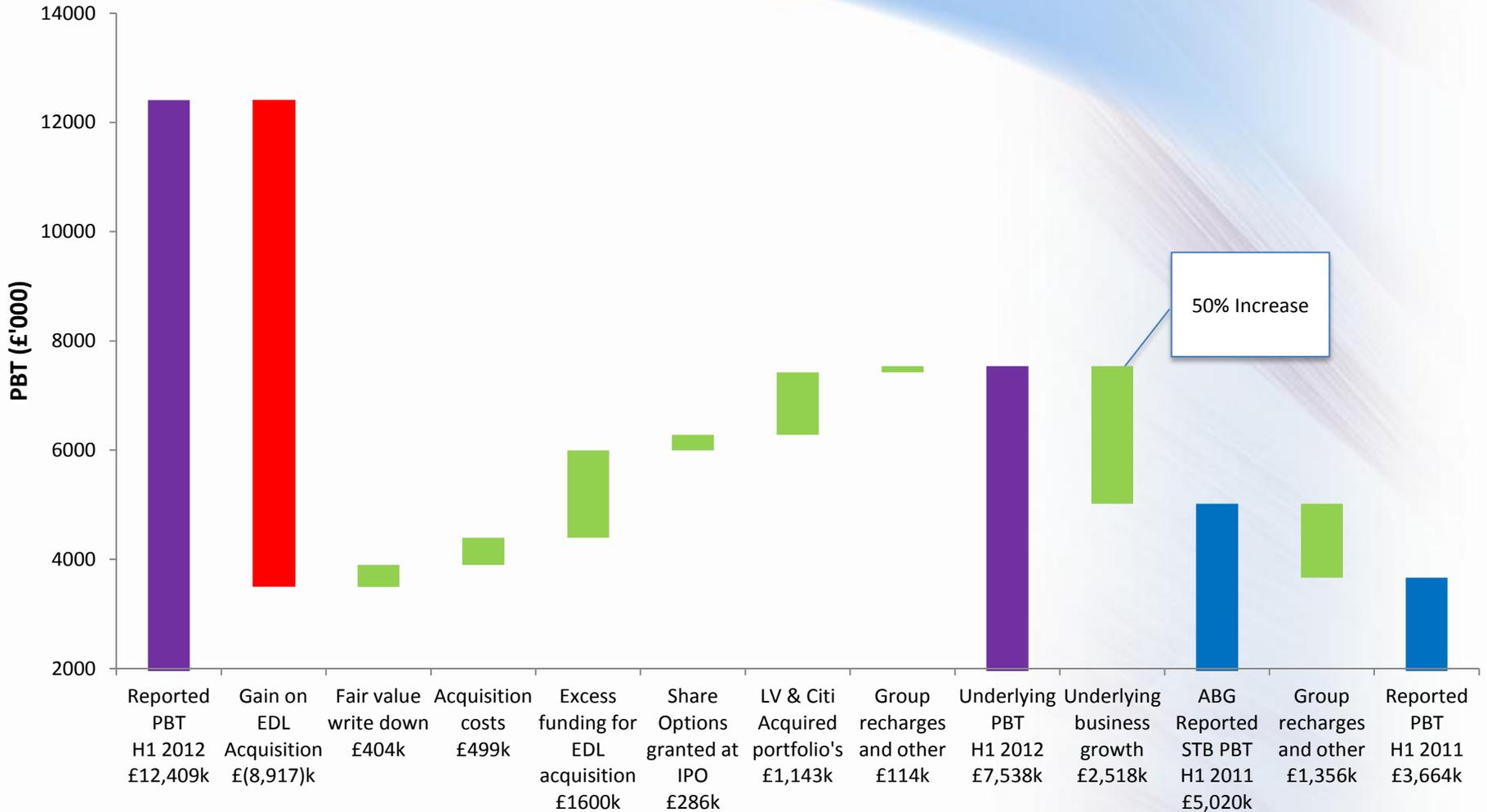
Chief Financial Officer

Headline results

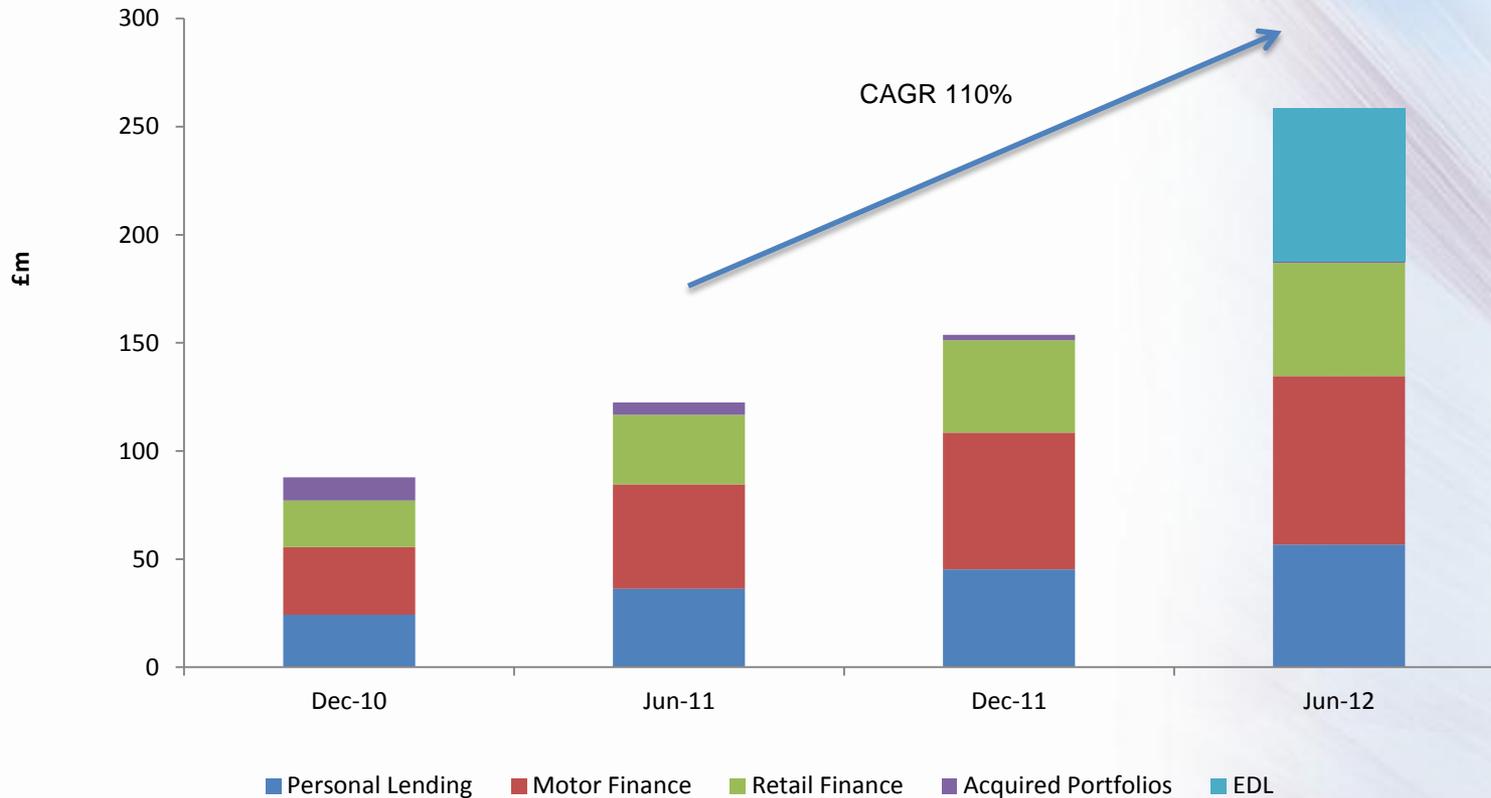
	STB+EDL H1 2012	STB H1 2012	H1 2011	FY 2011
PBT (£m)	12.4	4.4	3.7	7.3
Loan books (net) (£m)	260.3	189.4	123.9	154.6
Loans to deposits ratio	87%	64%	57%	57%
Deposits (£m)	297.9	297.9	217.0	272.1
Core Tier 1 ratio	15%		14%	21%
Customer numbers	198,767	173,506	125,500	139,693
Earnings per share (pence)	82.5		53.5	39.6
Shares * (m)	14.2		5.0	14.2

* post share sub-division

Underlying Growth



Customer loan progression



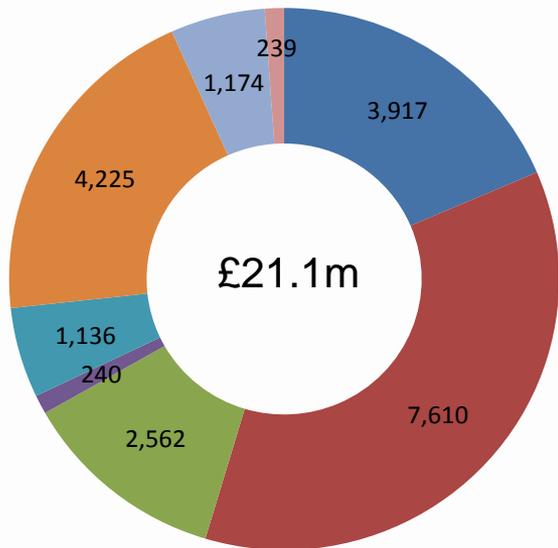
Income bridge



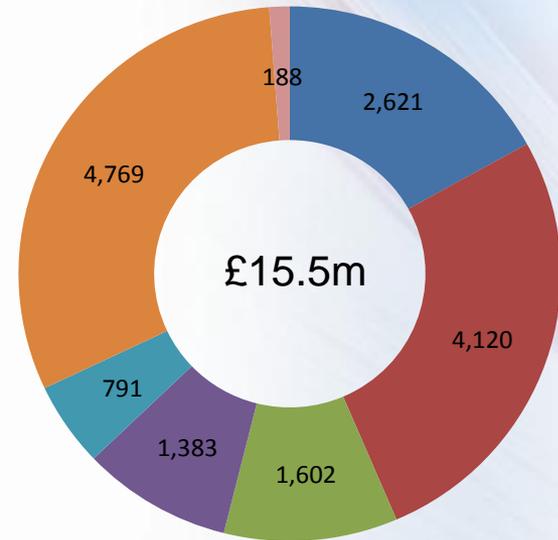
* Includes EDL interest income, fair value write down and insurance income

Income analysis (£'000)

H1 2012



H1 2011

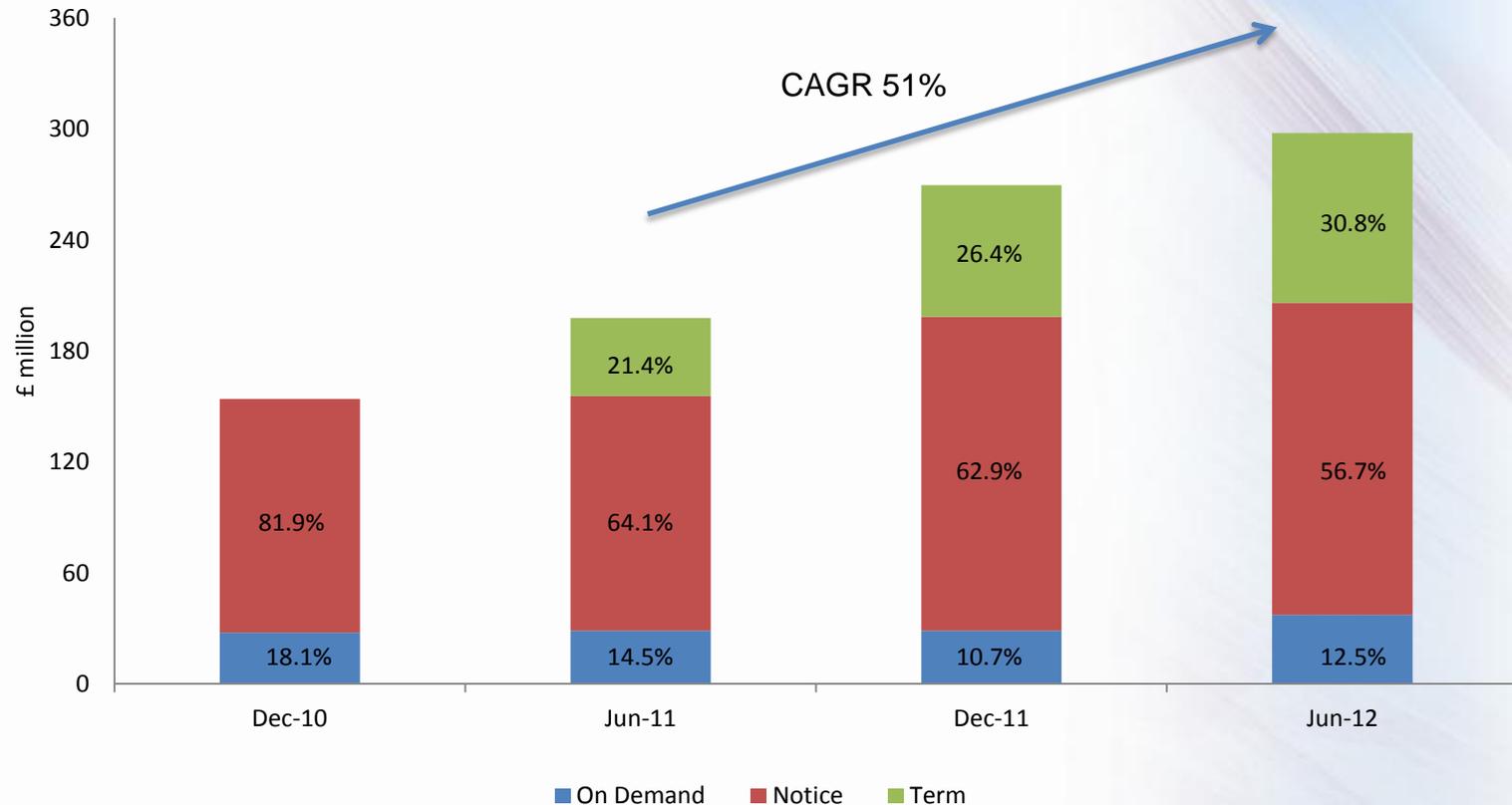


- Personal
- Motor
- Retail
- Acquired
- Current
- Onebill
- EDL
- Other

Balance sheet summary

£ million	Dec-10	Jun-11	Dec-11	Jun-12
Cash and Cash Equivalents	68.2	96.6	139.6	70.8
Lending Assets (net)	89.5	123.9	154.6	260.3
Fixed Assets and Investments	6.1	5.6	5.6	11.4
Other Assets	16.8	21.0	8.1	10.9
Total assets	180.6	246.9	307.8	353.4
Deposits	153.7	217.0	272.1	297.9
Other Liabilities	11.2	13.4	12.0	20.7
Total liabilities	164.9	230.4	284.0	318.6
Equity	15.8	16.5	23.8	34.8
Loans to deposits ratio	58%	57%	57%	87%

Deposit progression facilitates the matching of asset and liability positions in tenor and basis.



Strategy

We said we would:

1. Protect the reputation and sustainability of the bank via prudent balance sheet management, investment for growth and robust risk and operational control
 2. Maximise shareholder value by
 - A) strong organic lending growth
 - B) promotion of existing and development of new commission based income streams
 - C) very selective acquisitions
 3. Making Secure Trust Bank a great place for staff to work and enjoy progressive careers
- ***All underpinned by our philosophy of treating customers fairly and providing them with simple straightforward banking solutions.***

We will continue with this strategy

Summary and outlook

- Delivering on flotation commitments
- Core business performing strongly
- Balance sheet well positioned
- Significant organic and external pipeline of opportunities
- Delighted with EDL acquisition and potential under our ownership
- Issues faced by many other banks do not apply
- OFT review of UK Current Account market is welcome and may create opportunity should larger banks start to charge.
- White Paper of 14 June 2012 acknowledged that small banks have higher prudential requirements than larger ones and promised proposals in the autumn to address this – we await these with much interest.
- Provided the economic picture does not materially deteriorate further we face H2 with confidence.

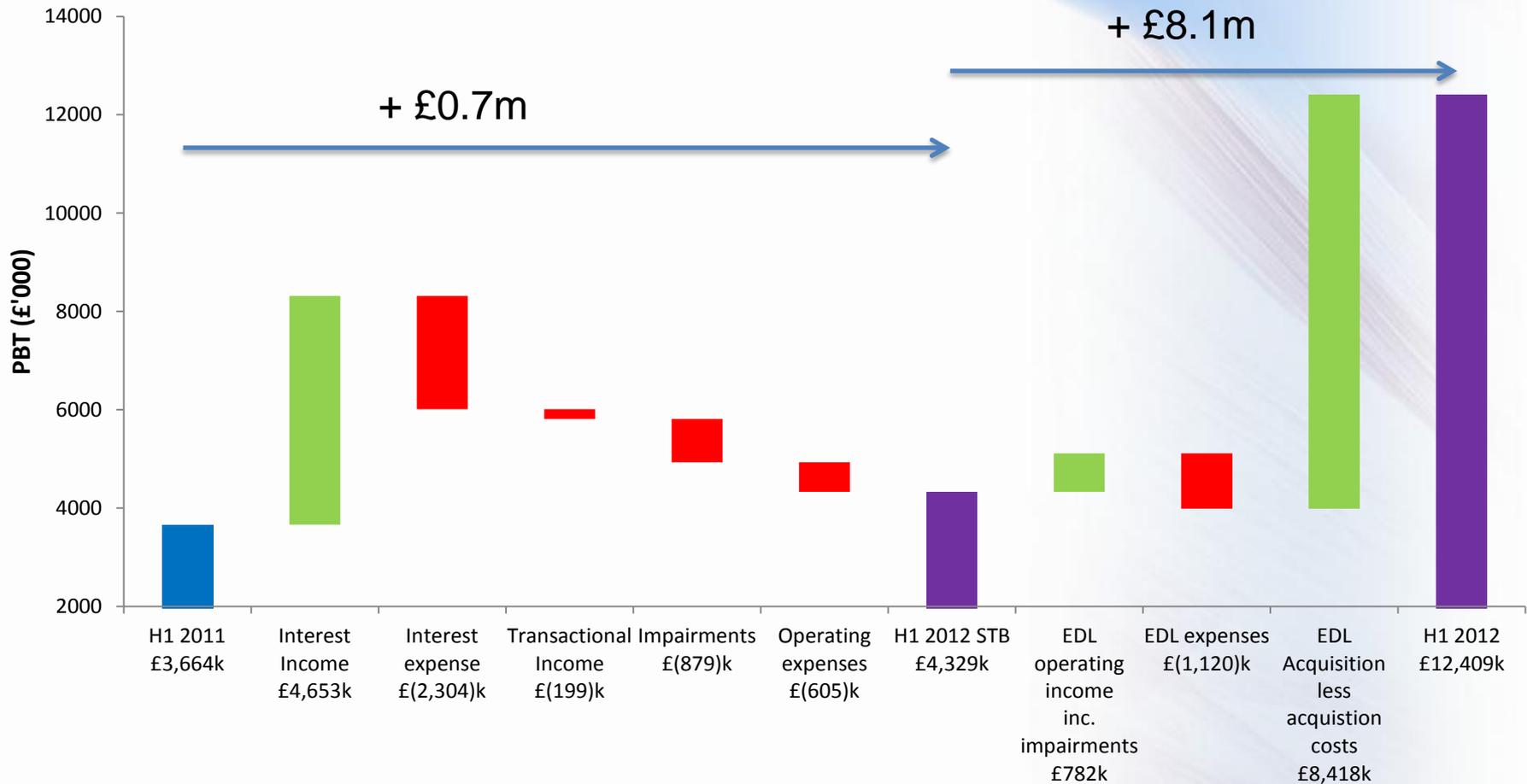
Appendices

Summary income statement

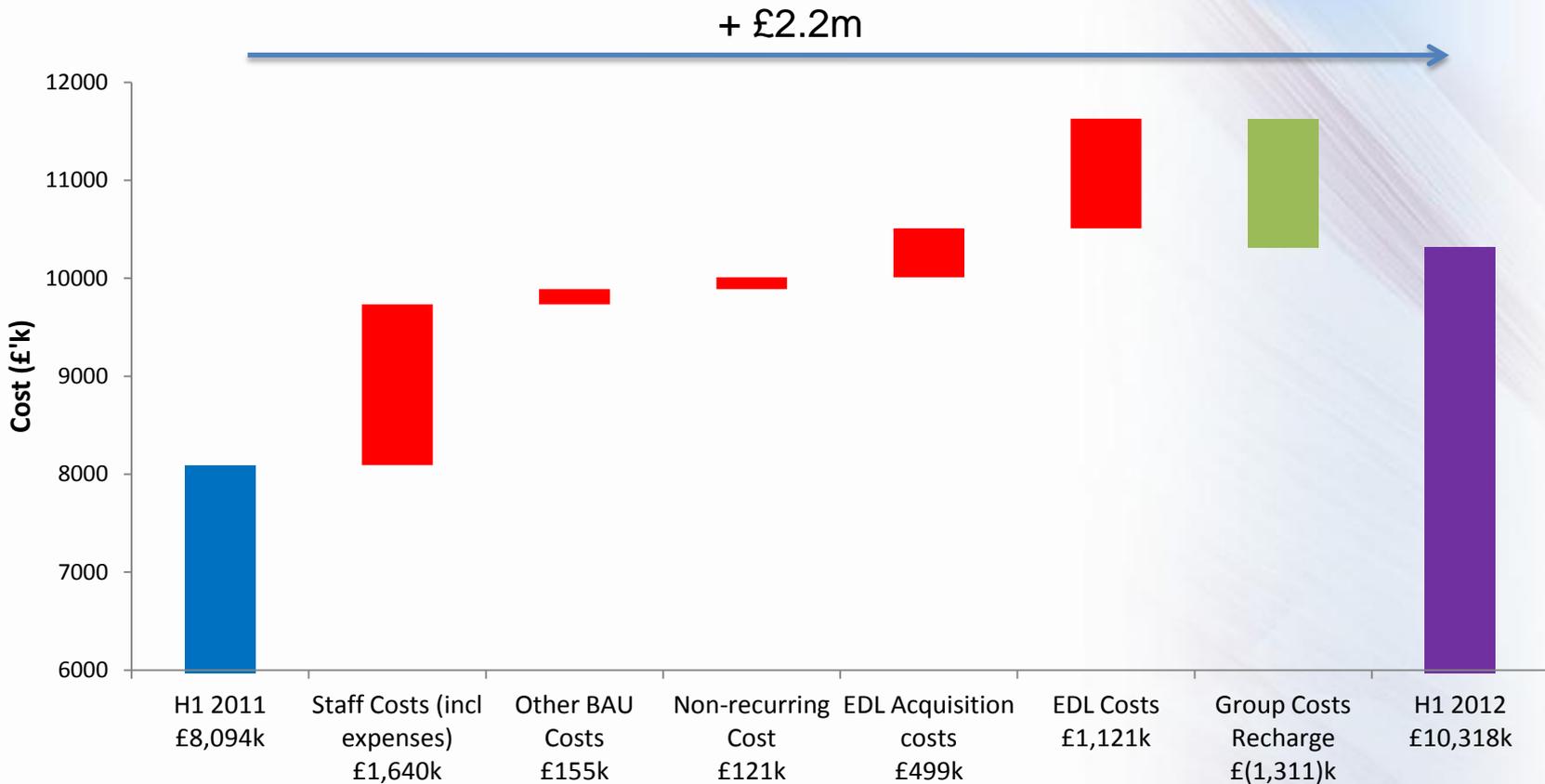
£'000	STB+EDL H1 2012	STB H1 2012	H1 2011
Net interest income	11,426	10,346	7,998
Net fee and commission income	5,454	5,374	5,572
Impairment losses	(3,070)	(2,691)	(1,812)
Operating expenses	(9,819)	(8,631)	(8,094)
EDL Acquisition *	8,418	-	-
Profit before tax	12,409	4,397	3,664

* Includes gain on acquisition and acquisition costs

Profit bridge



Operating costs bridge



Forward Looking Statements

This document should be read in conjunction with information contained in the full text of the announcement dated 26 July 2012.

This document contains forward looking statements with respect to the business, strategy and plans of the Secure Trust Bank PLC and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Secure Trust Bank PLC's or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Secure Trust Bank PLC's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, risks concerning borrower credit quality, market related risks such as interest rate risk and exchange rate risk in its banking businesses and equity risk in its investment banking businesses, inherent risks regarding market conditions and similar contingencies outside Secure Trust Bank PLC's control, any adverse experience in inherent operational risks, any unexpected developments in regulation or regulatory and other factors. The forward looking statements contained in this document are made as of the date hereof, and Secure Trust Bank PLC undertakes no obligation to update any of its forward looking statements.