

Secure Trust Bank PLC

2013 HALF YEAR RESULTS



Simple, straightforward banking



Introduction

PAUL LYNAM – Chief Executive Officer



Strategy – Continues to Deliver

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. 

Update post Placing

- Acquisition of V12 Retail Finance Group in January 
- Acquisition of the trade of Debt Managers (Services) Limited in January 
- Distribution agreement with a well-known retail bank to introduce new customers now agreed and goes live in H2 
- Direct to market Personal Unsecured Lending proposition now live 
- New Everyday Loans branches opened in Belfast and Ipswich, with a branch soon to open in Edinburgh 
- SME lending commenced 

H1 Performance



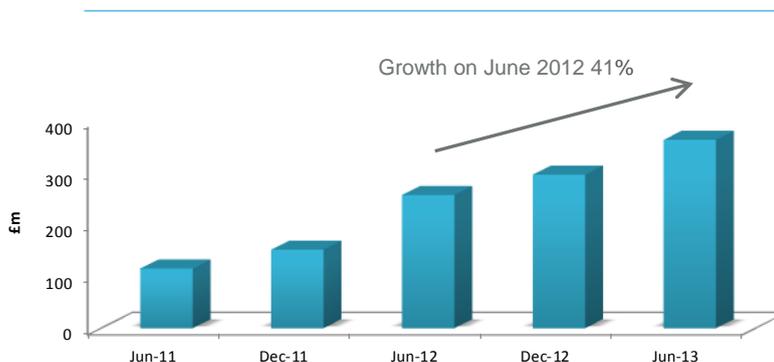
- Strong operating performance
 - Operating income increased **115% to £36.3m** (H1 2012 : £16.9m).
 - Increase in underlying profit before tax H1 2012 – H1 2013 of **37% to £10.3m**.
 - Basic EPS of **30.5p** (H1 2012 : 82.5p).
 - Underlying EPS of **50.4p** (H1 2012 : 42.1p).
 - Customer numbers increased by **64% to 325,052**.
 - Growth in loan book of **41% to £365.8m** over the last year.
 - Interim dividend increased by 7% to **15p per share** (H1 2012 : 14p per share).
- Risk management
 - Deposit plus equity cash to loan ratio of **119%**.
 - Impairments **£7.6m**, remained below the level priced for but are expected to increase as the book continues to mature.
 - No exposure to wholesale markets or interbank funding.
 - Tier 1 Capital ratio of **17%**.
 - Well controlled and balanced lending portfolio.
 - Leverage ratio of **7.6x**.

Sustainable Positive Progress



	<u>2013 H1</u>	<u>2012 H1</u>
	<u>£m</u>	<u>£m</u>
Gross interest income	£34.1	£15.7
Funding costs	(£6.6)	(£2.6)
Net interest Income (Normalised)*	£27.5	£13.1
Excess funding costs pre acquisitions	£0.0	(£1.6)
Net Interest Income	£27.5	£11.5
Impairment losses	(£7.6)	(£3.1)
Reported PBT	£6.2	£12.4
Underlying PBT	£10.3	£7.5
Basic EPS	30.5	82.5
Underlying EPS	50.4	42.1
Annualised underlying ROAA	3.6%	2.8%
Annualised underlying ROAE	33.3%	32.6%
Loan Book	£365.8m	£260.3m
Deposit to Loan ratio	106%	114%
Deposits + equity cash to loans	119%	127%
Customers	325,052	198,767
Tier 1 Capital ratio (post certification)	17%	15%

Lending assets £'m (excludes pre IPO acquired portfolios and Onebill)



Growth based on June 2012 to June 2013 loan book after exclusions.

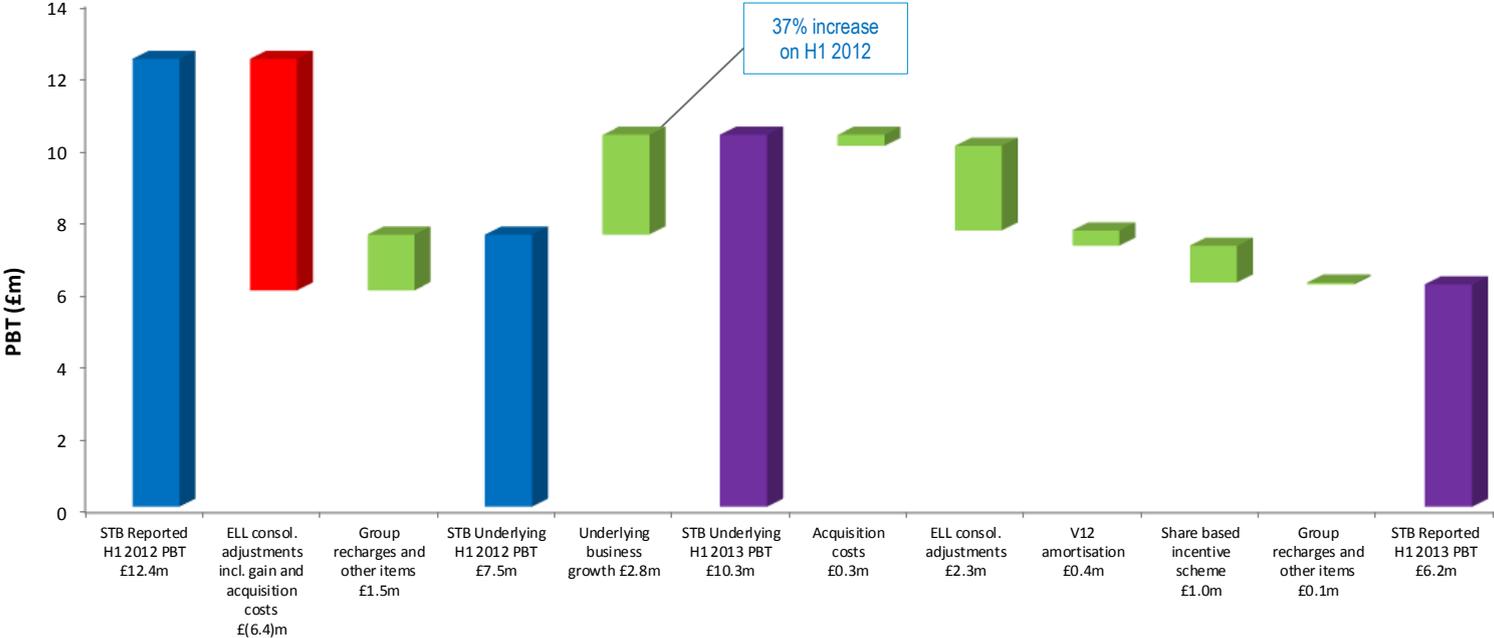
* Pre excess funding costs in 2012

Business Review

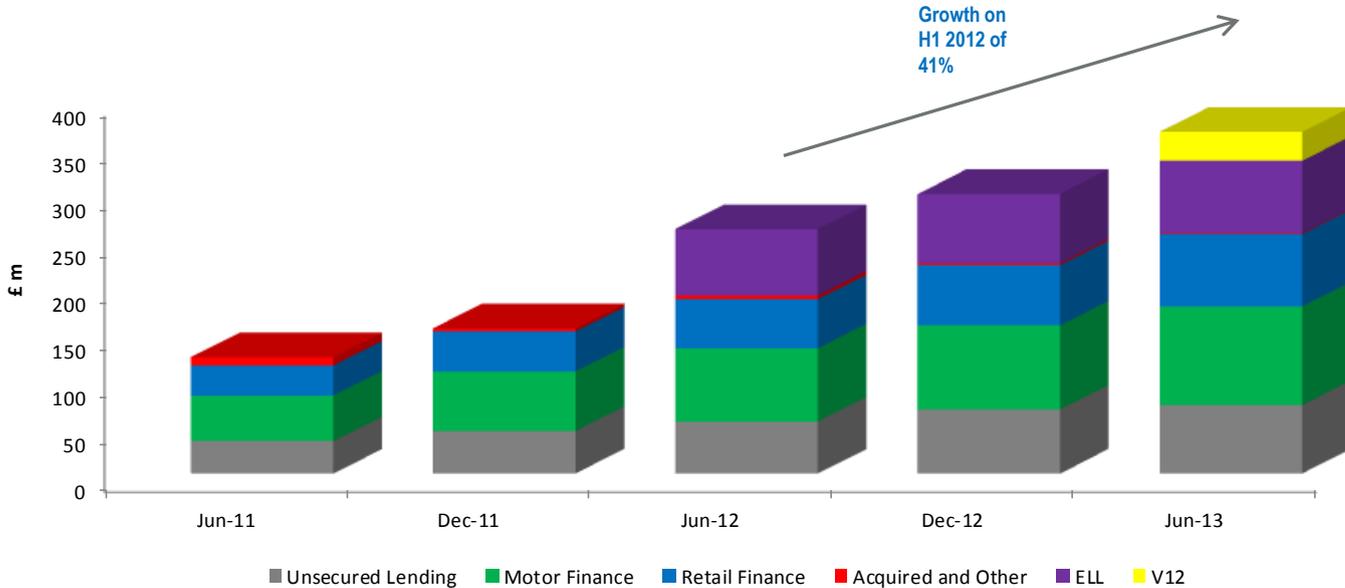
NEERAJ KAPUR – Chief Financial Officer



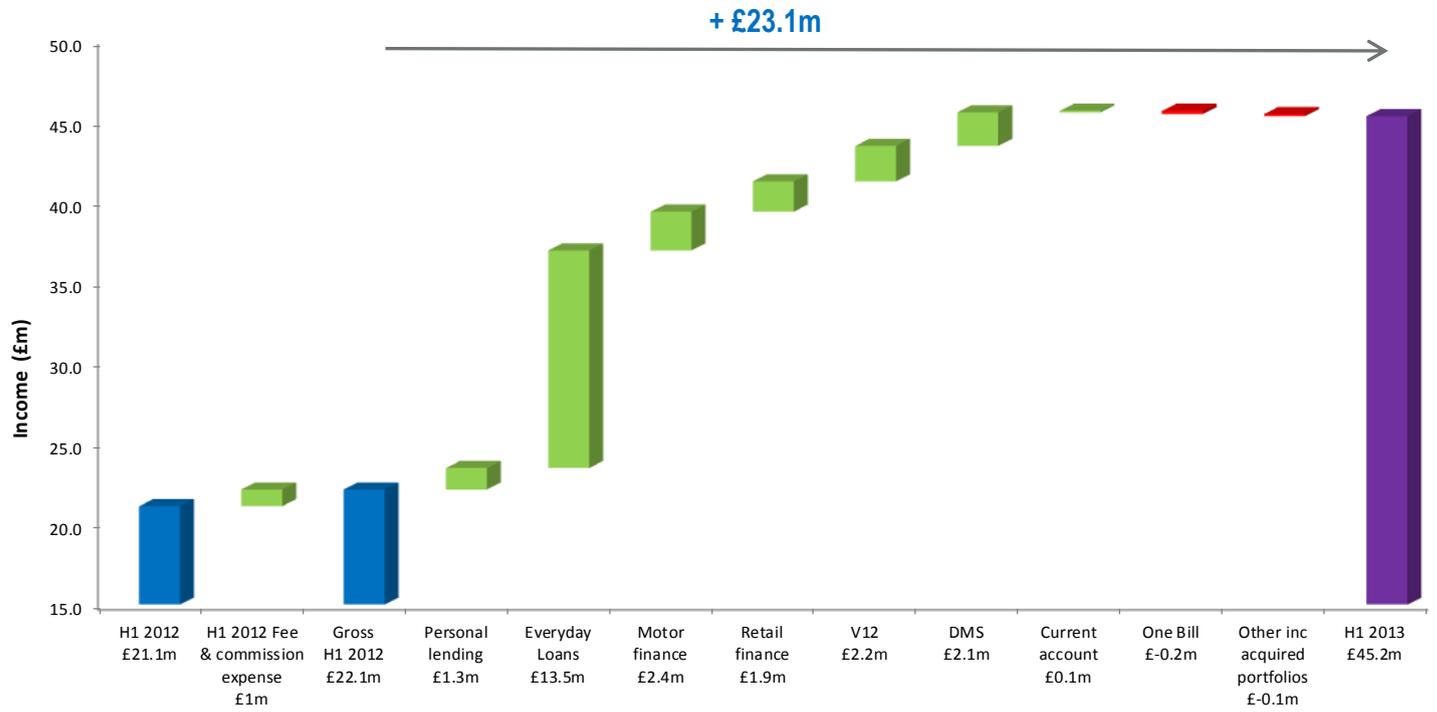
Underlying Growth



Customer Loan Progression



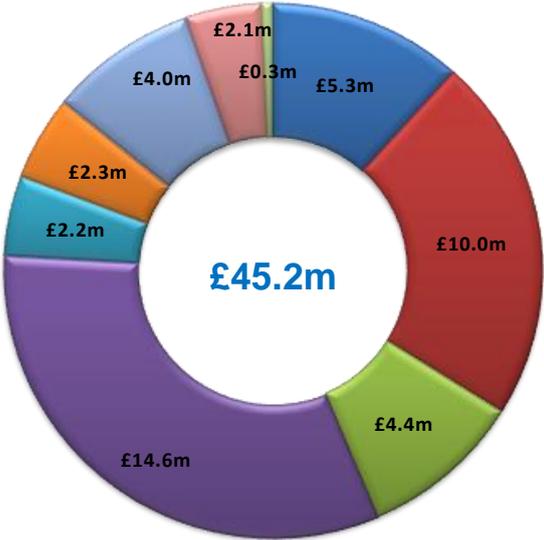
Income Bridge (before cost of funds and impairment losses)



Income Analysis

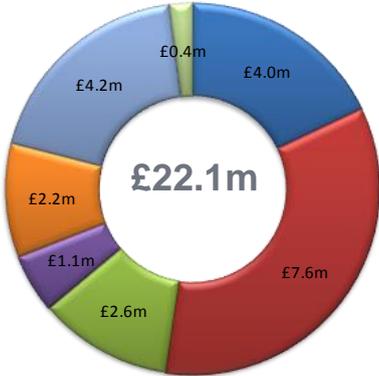
Total income through lending and transactional channels is split as follows:

H1 2013



- Personal lending
- Motor finance
- Retail finance
- Everyday Loans
- V12
- Current account
- One Bill
- DMS Income
- Other inc acquired portfolios

H1 2012

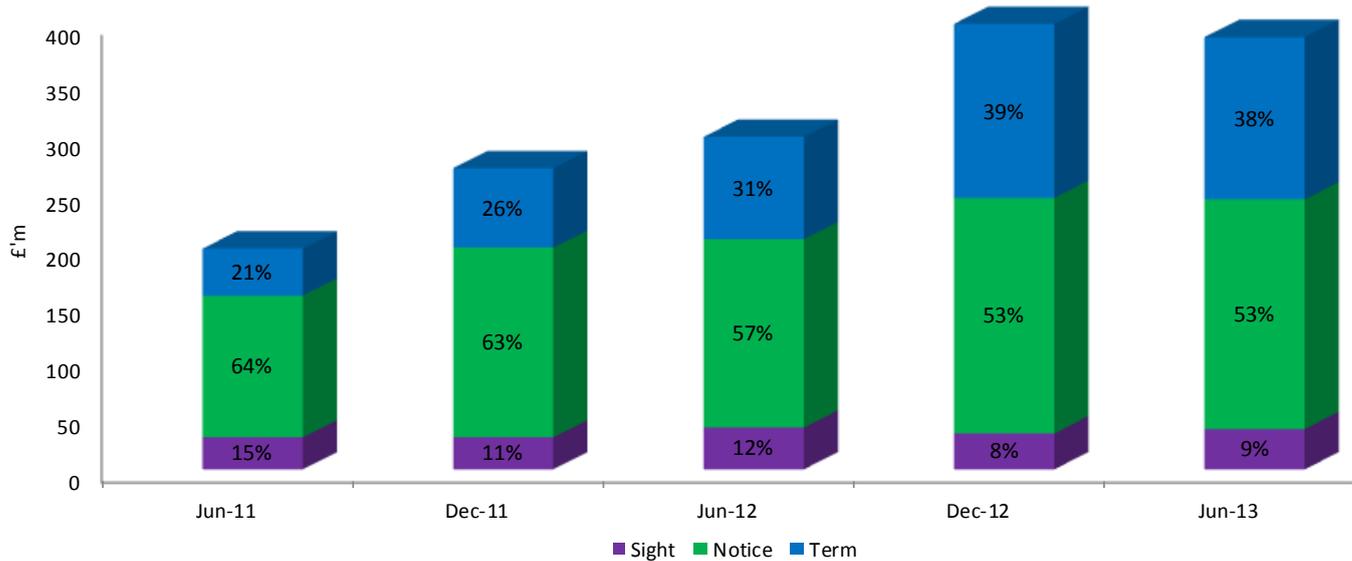


This was presented net of £1m fee and commission expenses last year

Balance sheet summary

£ ' million	Jun-13	Dec-12	Jun-12	Dec-11	Jun-11
Loans and advances to banks	69.1	155.3	69.3	139.5	96.6
Loans and advances to customers	365.8	297.6	260.3	154.6	123.9
Other assets	29.5	21.6	23.5	13.8	26.5
Total assets	464.4	474.6	353.2	307.8	247.0
Deposits from customers	386.7	398.9	297.9	272.1	217.0
Other liabilities	23.7	19.8	20.4	12.0	13.5
Total Liabilities	410.4	418.7	318.3	284.0	230.5
Total shareholders' equity	54.0	55.9	34.9	23.8	16.5
Total liabilities and shareholders' equity	464.4	474.6	353.2	307.8	247.0
Deposit to Loan ratio	106%	134%	114%	176%	175%

Deposit progression



Summary and outlook



- In 2013 we continued to deliver on our IPO and Placing commitments.
- 2013 has started as we expected:
 - Acquisition of V12 Group and Debt Managers. Real benefits of these will be seen from 2014 onwards. Initial signs are encouraging
 - Strong growth in underlying profitability.
 - Impairments remain within management forecasts.
 - Lending balances continue to grow with significant opportunities being worked on.
 - Distribution channels broadening.
 - Strong growth in Everyday Loans with 2 new branches opened.
 - Outlook remains confident.

Appendices



Summary income statement

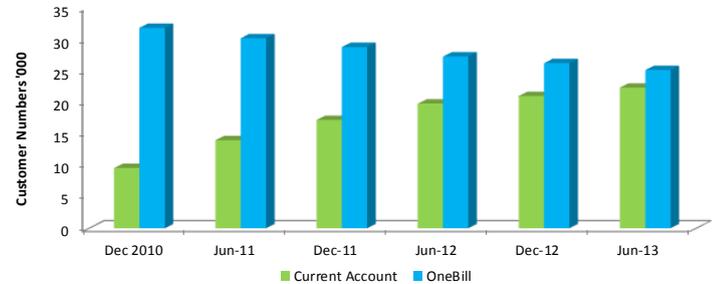
£'m	H1 2013	H1 2012
Net interest income	27.5	11.5
Net fee, commission and other income	8.8	5.4
Operating Income	36.3	16.9
Impairment losses	(7.6)	(3.1)
ELL gain on acquisition	-	8.9
Operating expenses	(15.9)	(9.3)
Other operating expenses *	(6.6)	(1.0)
Profit before tax	6.2	12.4

* Includes non-recurring costs, provision for option costs, acquisition costs, intangible amortisation and recharges.

Fee Based Accounts

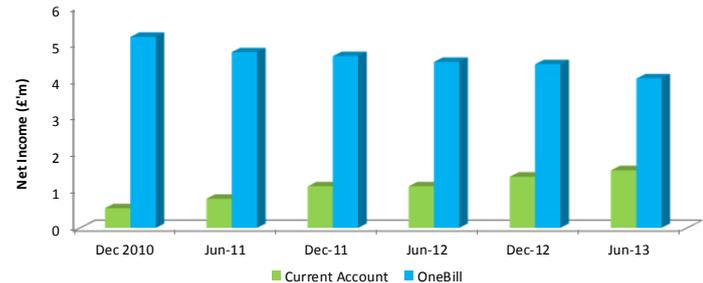
- Current Account

- Continued growth in customer numbers to 22k (June 2012: 19.7k).
- Progressive enhancements of offering for an improved customer experience.
- Dialogue with DWP re Universal Credit continues.

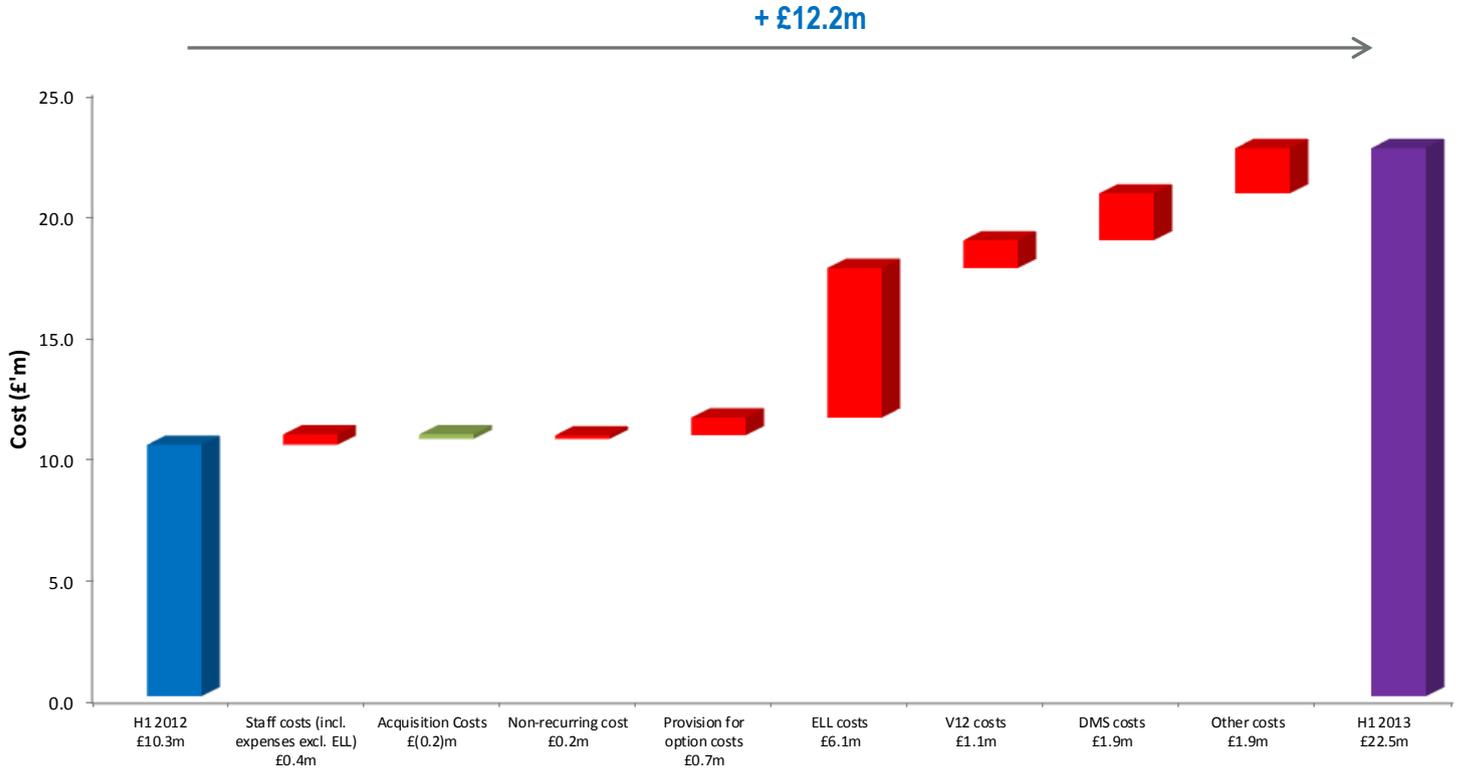


- OneBill

- Continued decline in customer numbers in line with expectations.
- Project to develop the next generation of the OneBill product is continuing.



Operating Costs Bridge



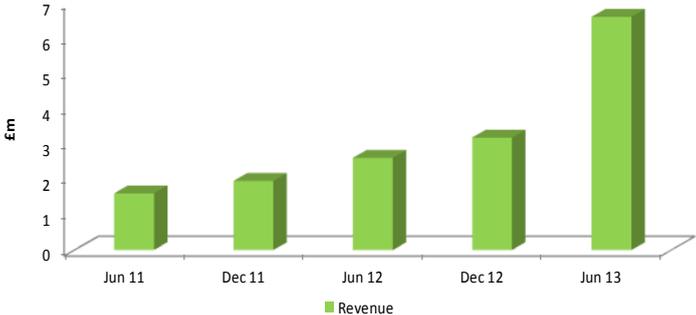
Motor Finance

- The UK market for both new and used cars has seen double-digit growth.
- We have remained selective as to the source of proposals and together with robust underwriting criteria, continue to price for risk.
- Our position in this marketplace is to continue supporting dealerships in delivering their customer sales opportunities.



Retail Finance (Including V12)

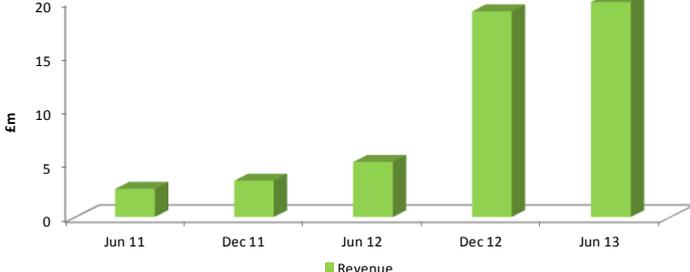
- The UK market for instalment credit has seen on-going growth, particularly on-line.
- Our portfolio of Retailers continues to increase whilst we explore not only new sectors, but also new customer propositions.
- Within the portfolio, Cycle has seen strong growth which has been consistent with the historic trend.





Personal Lending (Including EDL)

- Many of our larger competitors have driven down pricing within the unsecured marketplace, seemingly to attract volume.
- We have avoided this approach, yet seen good organic growth to date.
- New routes to market have been developed: including a direct channel and we are also increasingly able to cross-sell and monetise leads flowing into the Group from all introductory sources.



Recent Acquisitions



- New business volumes have increased and credit quality has remained stable.
- Investment in new offices in Belfast and Ipswich Q1 2013 and Edinburgh Q3 2013. More offices planned.
- Rationalising datacentre into STB facility to generate efficiency savings.



- Acquired on 2nd January 2013, V12 is a specialist retail finance provider based in Cardiff.
- V12's strength in online finance will help bring new technologies and platforms to the STB Group, enabling the Bank to further develop its offering within the market.
- The first 6 months has seen the integration of the STB & V12 sales teams to deliver the growth in the retail finance sector.
- Lending volumes have grown by more than 40% since acquisition.



- Acquired on 15th January 2013 has completed a successful integration with STB group.
- Developed a significant new prospect pipeline which should begin to deliver in H2.
- Commenced a number of IT projects which will significantly enhance the efficiency and effectiveness of our activity.

Forward Looking Statements



This document is a summary only of certain information contained in the announcement dated 18th July 2013 and should be read in conjunction with the full text of the announcement.

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, 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.