

# Capital Markets Event

*13 November 2024*



Secure Trust  
Bank Group

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# Introduction

**David McCreadie**

*Chief Executive Officer*

# Focused specialist lender

*Growth and cost levers being pulled to deliver financial targets*



Excellent growth potential in large addressable markets



Continued delivery of operational cost efficiencies



£4 billion net lending ambition will support an attractive return on capital

# Progress towards achieving medium term targets

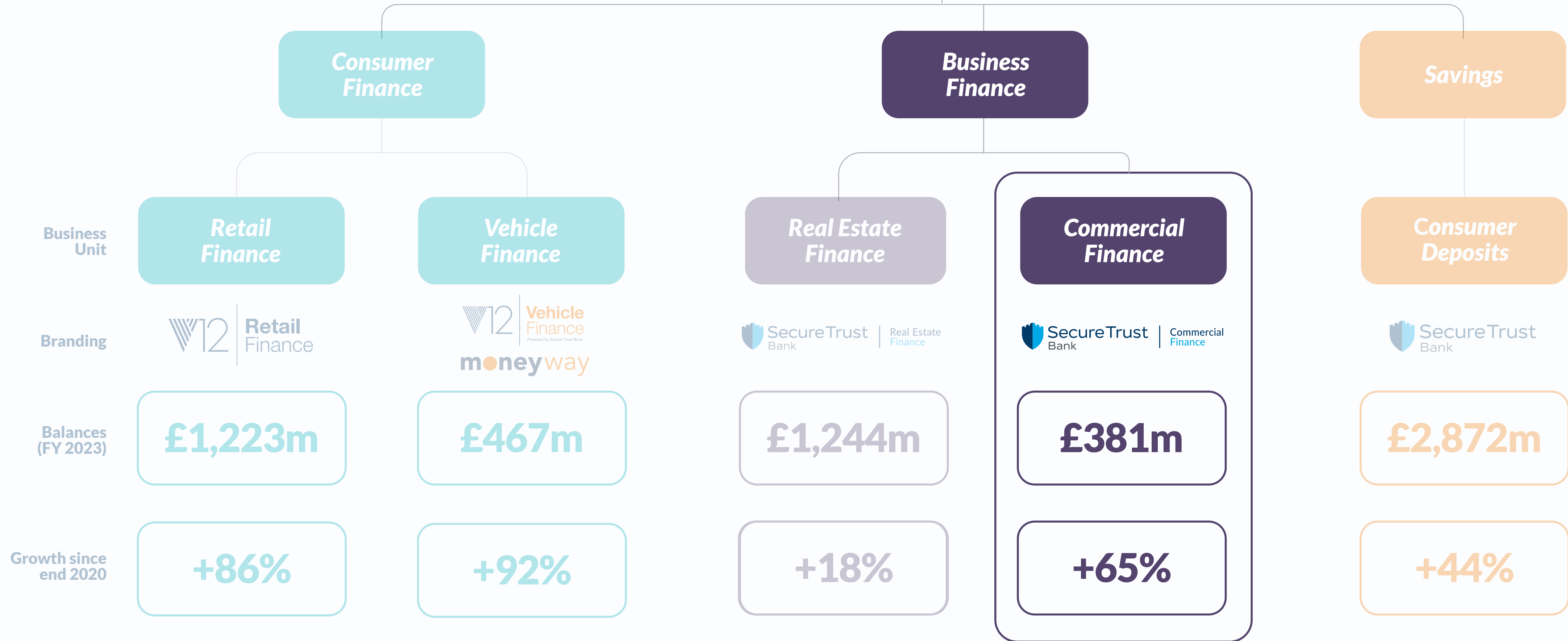
Continued momentum across the Group

Lending balances	Net interest margin	Cost income ratio	Return on average equity (ROAE)	CET1 ratio
Target: c.£4bn	Target: >£5.5%	Target: 44% - 46%	Target: 14% - 16%	Target: >12%



# Group Overview

Where Commercial Finance fits in the Group



# Commercial Finance

*Well positioned for continued profitable growth and attractive returns*



Significant growth potential in large addressable market



Highly scalable growth opportunity and efficient operating model



Specialist team with track record of delivering profitable growth with service-led approach

# Commercial Finance

*A trusted funding partner*



# Setting the scene

*What we will talk about today*



**John Bevan**

*Managing Director, STB Commercial Finance*

*Our business  
What we do  
Track record*



**Sean Powell**

*National Sales Director, STB Commercial Finance*

*Our Proposition  
Our Market  
Case Study  
Track record  
Opportunity*



**James Hodkinson**

*Chief Operating Officer, STB Commercial Finance*

*Relationship led model  
How this works  
Case studies*



**Will Airey**

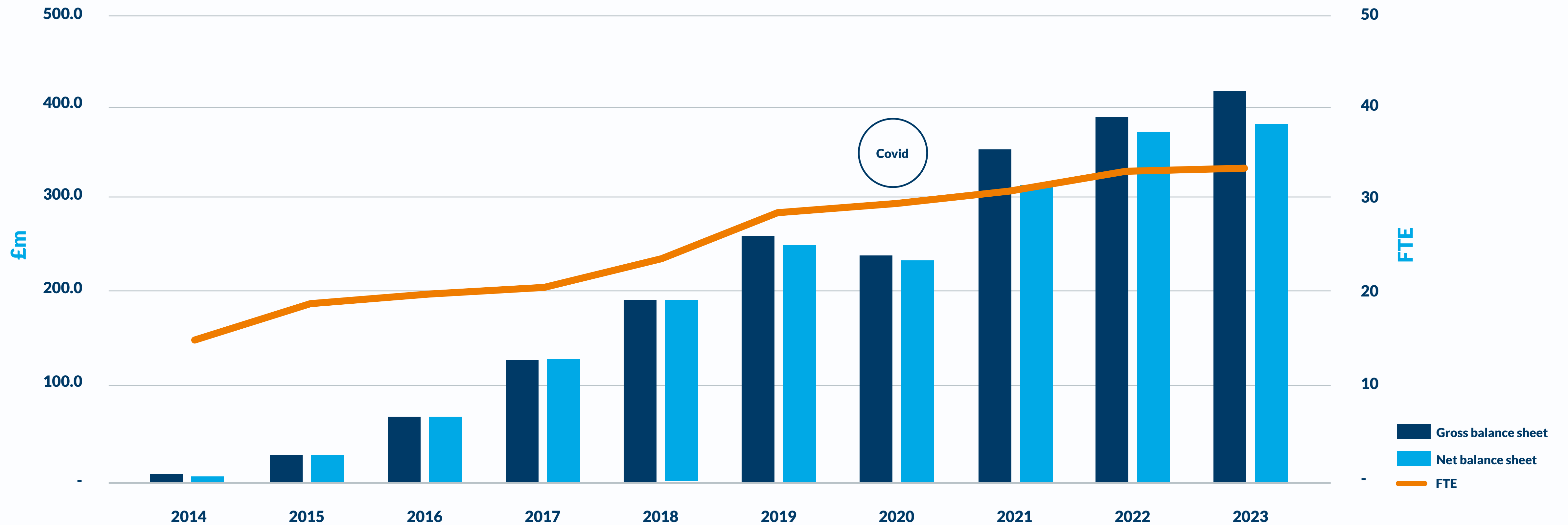
*Head of Risk, STB Commercial Finance*

*Underwriting expertise  
Work outs  
Cost control  
CoR track record*

# Proven track record for growth

Scalable business with efficient specialist team

Significant Loan Book Growth (£m)



Source: Internal data

# Highly collaborative model

With a platform for growth and strong returns

Lending structure

## Asset Based Lending

Receivables

£5m to £50m exposure - Average facility c.£20m

Inventory

Stock finance, retail sector and floating charge

Other

Property, cash flow and Government Schemes

Collaborative operating model

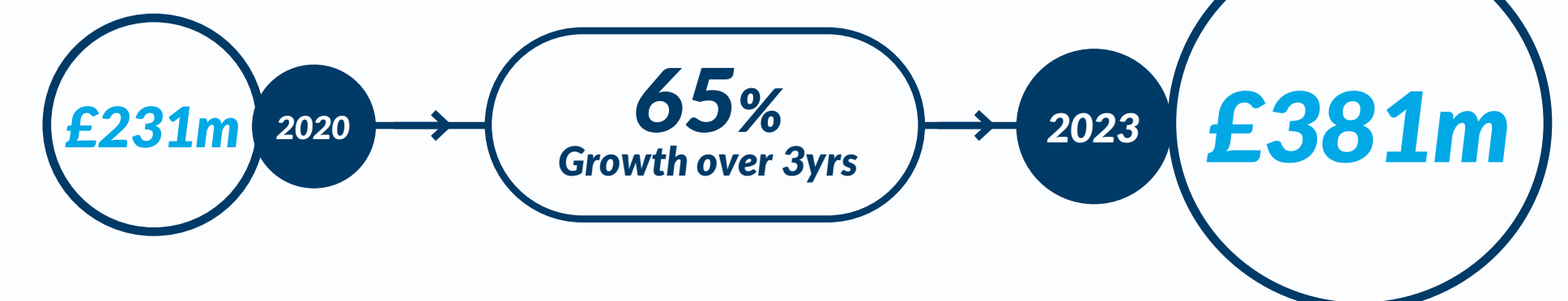


Regional Hubs



Proven track record of growth

Balances



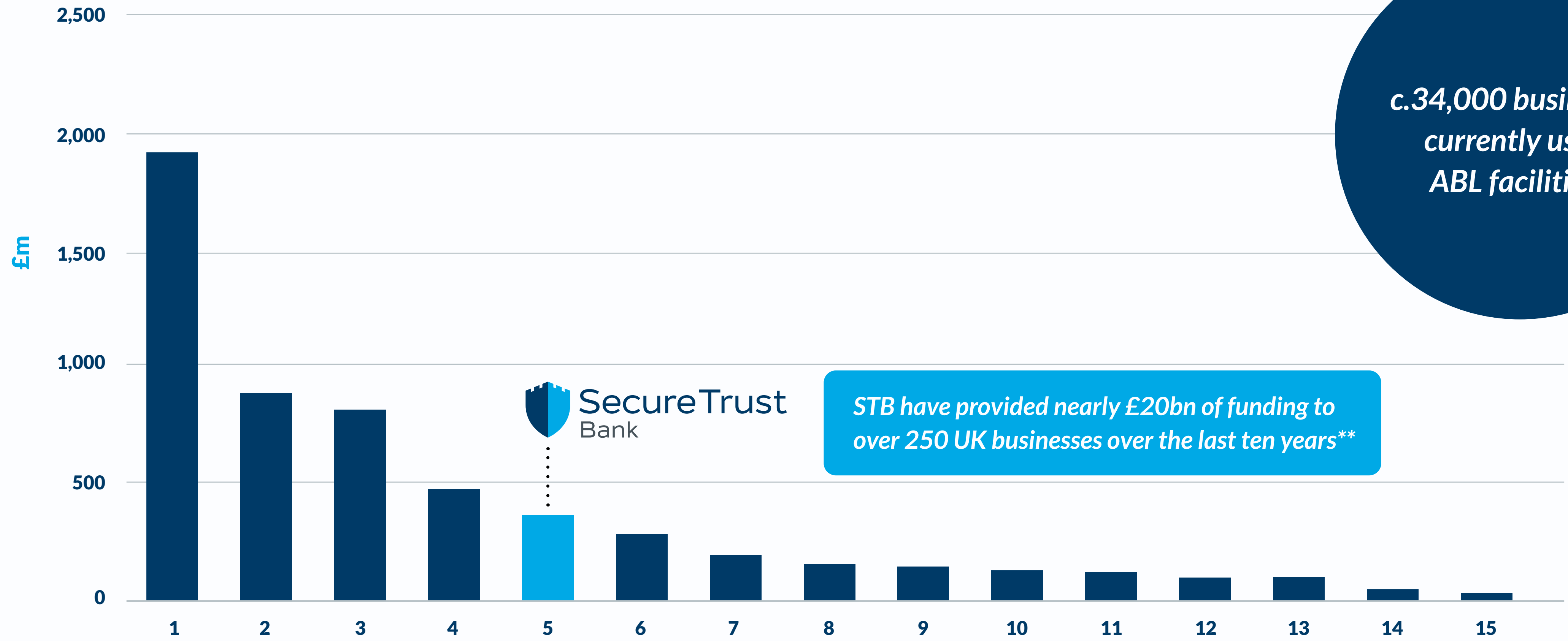
Total Income



# Addressable market of c.£21bn

Established business but with significant growth opportunity

Top 15 lenders (excl. High street banks - 2024\*)



c.34,000 businesses currently using ABL facilities\*

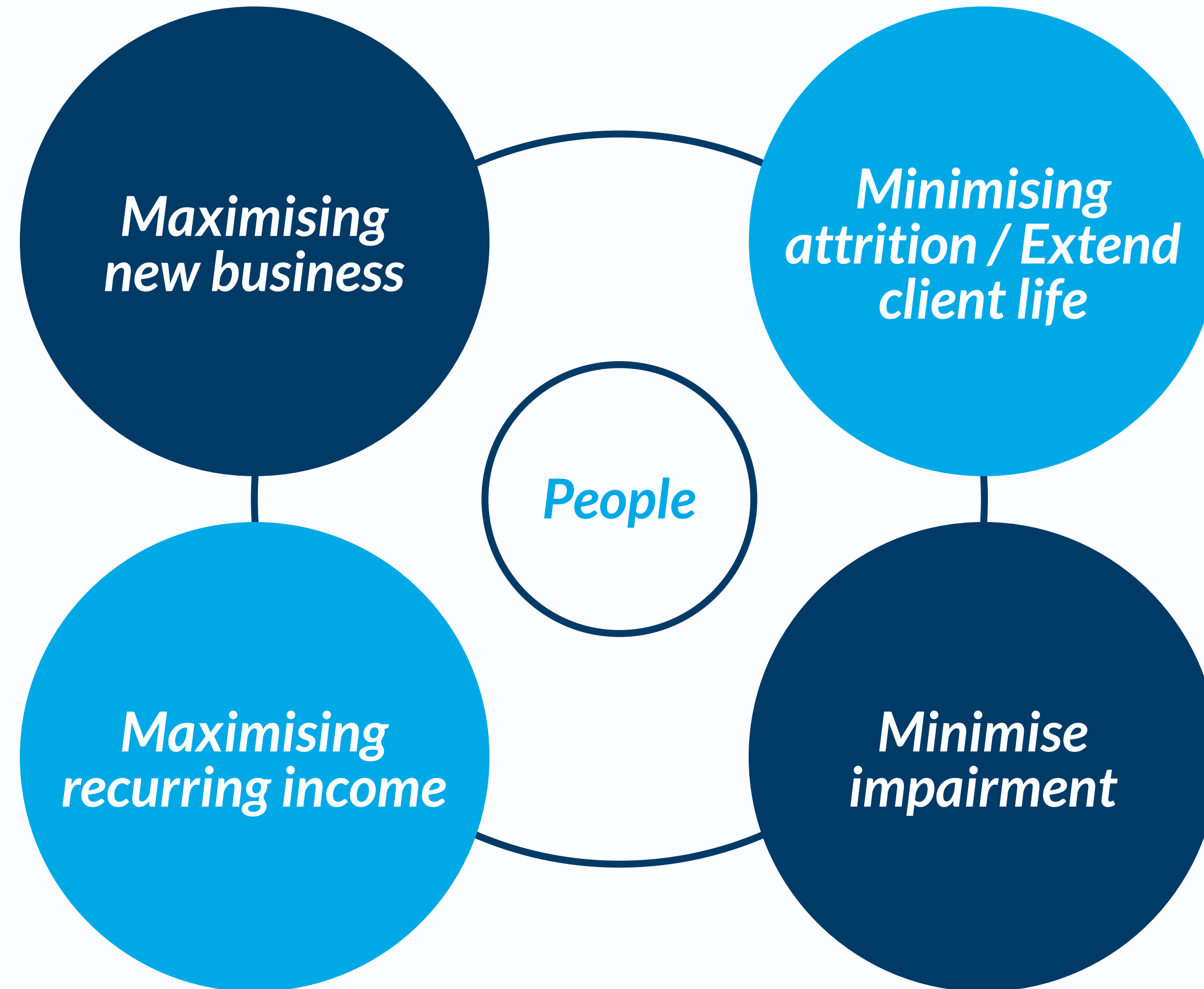
STB have provided nearly £20bn of funding to over 250 UK businesses over the last ten years\*\*

Secure Trust Bank

Source:  
\* UK Finance  
\*\* Company Data

# Commercial Finance – Optimised for Growth

*Multiple drivers of attractive returns*



# Commercial Finance

*Well positioned for continued profitable growth and attractive returns*



Strong and experienced management team



Collaborative led solutions ensure strong credit stewardship



Consistent growth, built on established business model



High touch, bespoke relationship model



Proven track record supported by repeat referrals

# Maximising new business

**Sean Powell**

*National Sales Director*

# Proposition

Leading on service

## Full product offering



Receivables



Real Estate



Plant & Machinery



Inventory



Cashflow

## Tailored solutions



Taking the time to truly understand the customer's needs



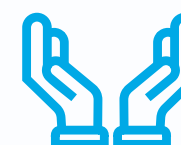
Knowledge and expertise



Trusted funding partner with a reputation for delivery



Agile and able to work to tight time frames



In life management

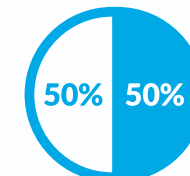
## Return



High returns reflect our service led approach



100% RWA Treatment - Pillar 1



Income mix of 50% fees and 50% interest



Variable and linked to BoE base rate



Non-amortising and income accretive

RWA - Risk Weighted Assets



# Target market

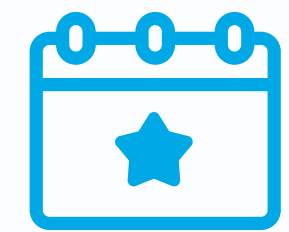
*A clear path for growth*

## Market



**UK trading companies**

✓ £5 - £50m Facility Size



**Event Led**

✓ *Service led refinance*

✓ *Growth*

✓ *M&A*

✓ *Restructuring and turnaround*



**Sector Agnostic**



**Private Equity /  
Financial Sponsors**

✓ *Reputation*

✓ *Repeat Business*

✓ *Lower cost of risk*

## Profile

- Solution not cost led
- Complex and evolving scenarios
- Partnership and advisory role seen as integral
- Early engagement and oversight
- Firm and tight deadlines
- High impact of not delivering

# Case study



STB recently provided an inventory led facility to support Modella Capital in their acquisition of Hobbycraft, the largest arts and craft retailer in the UK.



## Source

- Direct from acquiring PE
- Exclusive funding partner



## External Advisors

- Collateral, legal and exit planning



## Event

- **M&A:**
  - Exit by Bridgepoint
  - Acquisition by Modella Capital
- **Service-led refinance:**
  - £30m refinance of incumbent ABL



## Proposition

- **Relationship:**
  - 2nd transaction with Modella Capital
- Sector expertise
- Speed of execution
- Certainty of delivery

“We are thrilled to have Secure Trust Bank’s **support** in the successful acquisition of Hobbycraft and continued support for the business on its next stage of growth. This achievement underscores the strength of the **partnership** between Modella Capital and Secure Trust Bank, demonstrating what can be accomplished through our ongoing **relationship**.”

A big thanks to the STB Deal Team for their hard work in ensuring a **seamless** transaction. Their **expertise, speed** and **commitment** have been invaluable as we navigate this exciting journey.”

Joseph Price ACA, CFA  
Managing Director



# Track record of income growth

Capitalising on our expertise and reputation for delivery

New business

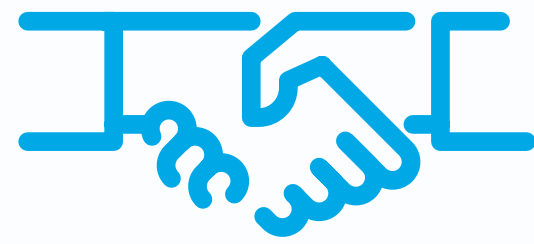


# Route to market

*A trusted funding partner*



Advisory network



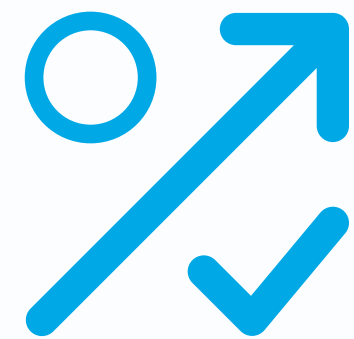
Relationships and recommendations



Deal team approach



Expertise



Robust conversion rates

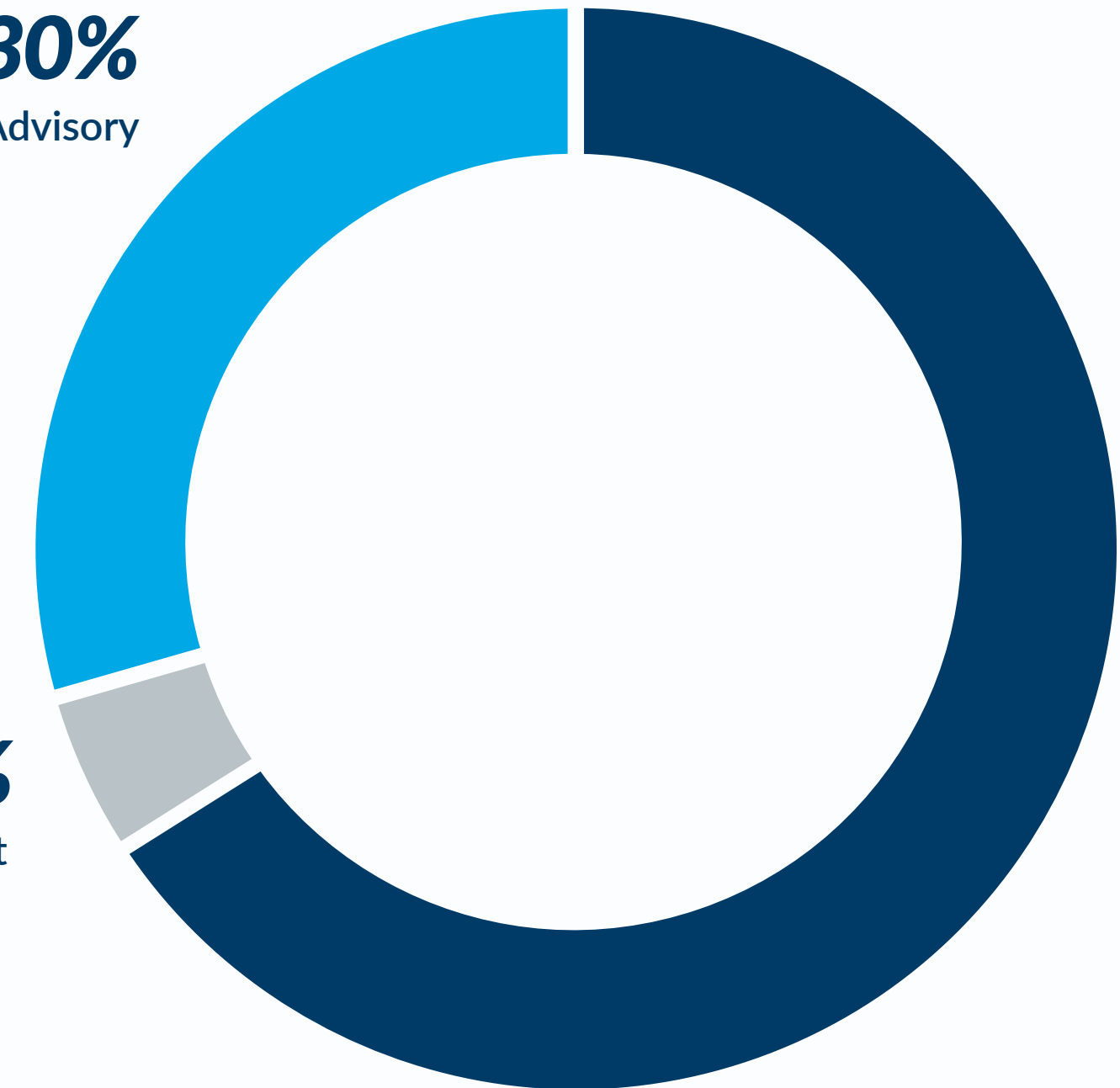
✓ 82% offer to client

## Source of business

30%  
Advisory

65%  
Private Equity

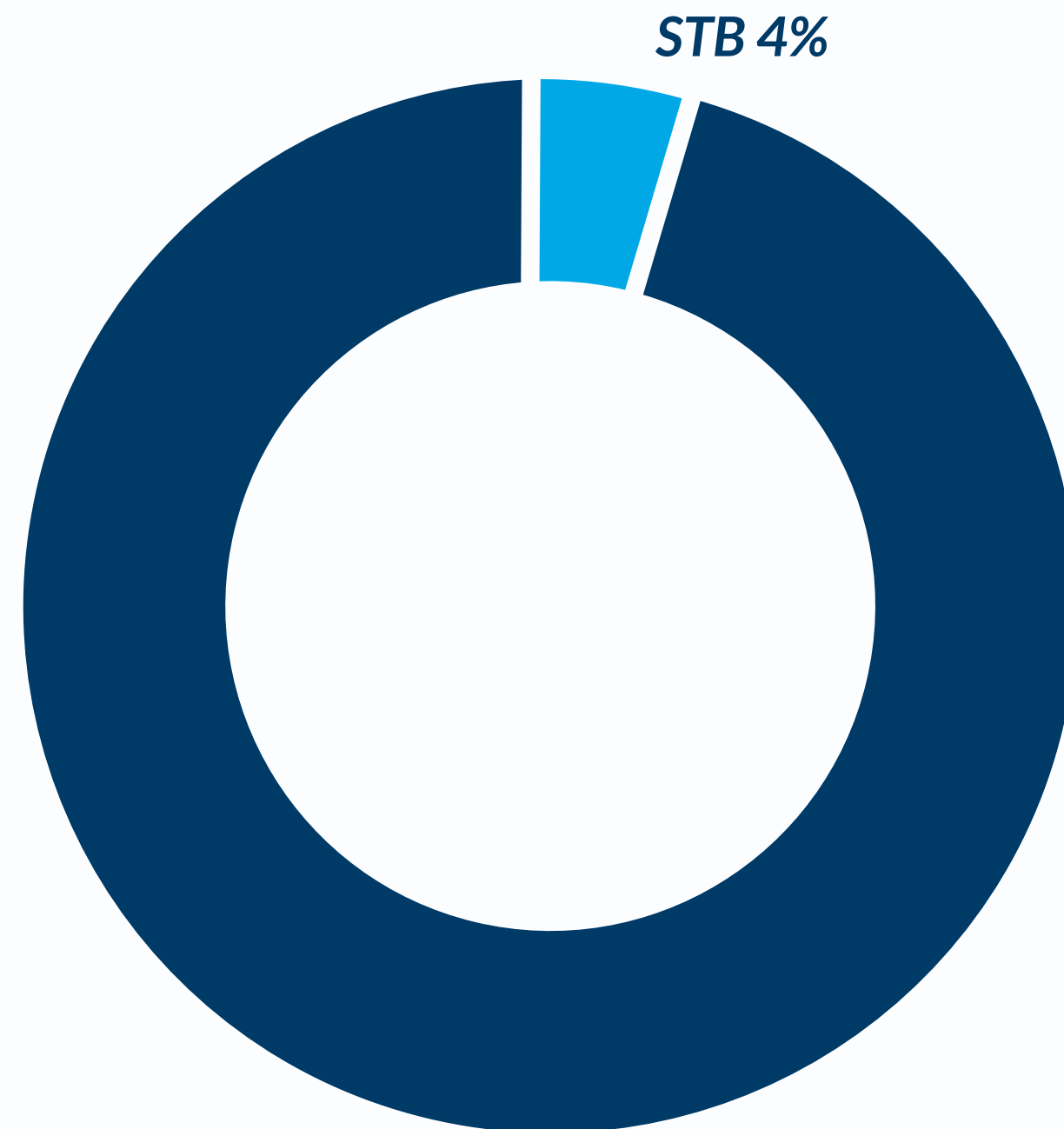
5%  
Direct



# Opportunity

Significant potential for growth

## UK ABL Deal Activity (£5-£50m Facility Size) 2022 - H1 24



Source: Alix Partners

### Competitive advantage

- ✓ £5-50m facility size
- ✓ Tailored Solution
- ✓ In-life management

### Scalable model

- ✓ Established regional model
- ✓ Capacity to more than double penetration

### Partnerships

- ✓ Debt funds
- ✓ Syndications

### Sectors

- ✓ Build on expertise
- ✓ Sector bodies

### Private Equity / Financial Sponsors

- ✓ Nurture existing relationships
- ✓ Expand network
  - 10% penetration of BVCA members

# Relationship-led drives recurring revenue

**James Hodkinson**

*Chief Operating Officer*

# Benefits of relationship model

Expert at in-life management



- Specialist firm in automotive sector
- Faced supply chain challenges post COVID
- STB funded acquisitions and supported diversification
- Created very strong platform for growth and success

*“ The user experience with ST has been excellent. Team are always quick to deal with any questions or requests we may have helping our business operate efficiently. ”*



- Brand name retailer of scale model products
- Client since Q1 2022
- Commenced with £12m facility split across Inventory and Receivables
- Facility better suited to meet the seasonal working capital requirements of the business

*“ I have worked with many ABL's in my career and STB are the most commercial and fast moving of them all. Would highly recommend. ”*



- Leading manufacturer of Ladders and Platforms in the UK
- Client since 2019
- Their strategy includes a carbon reduction plan to get to net zero by 2050
- STB have supported their goals by providing funding for solar panel installation

*“ Keep up the good work with the open dialogue and speed of response. We very much appreciate your service as a facility provider which allows our business to thrive. ”*

# Relationship model enhances client retention

*Retention drives recurring income*



*Average client life is 5 years*

*Key reasons why clients leave:*



*Facility no longer required*



*Event driven e.g. Private equity exit*



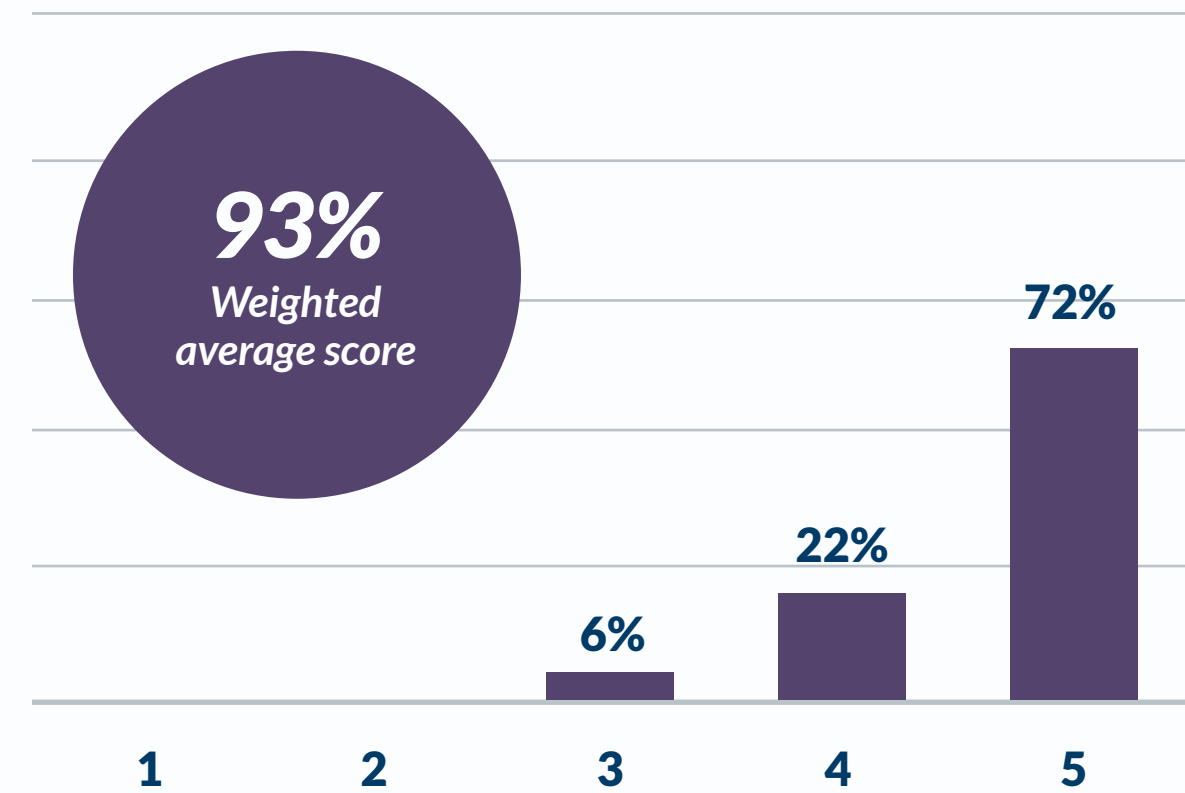
*Insolvency*



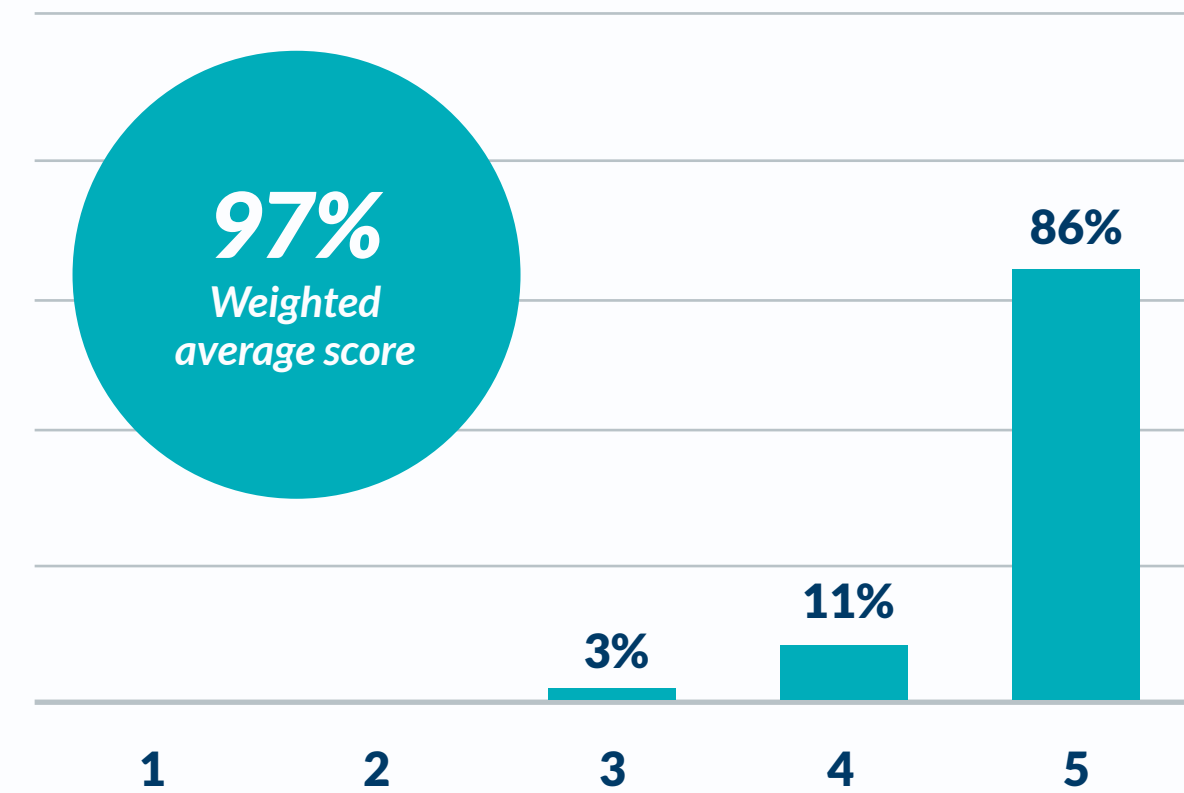
# Consistent high levels of customer satisfaction

## Customer survey results 2021-2024

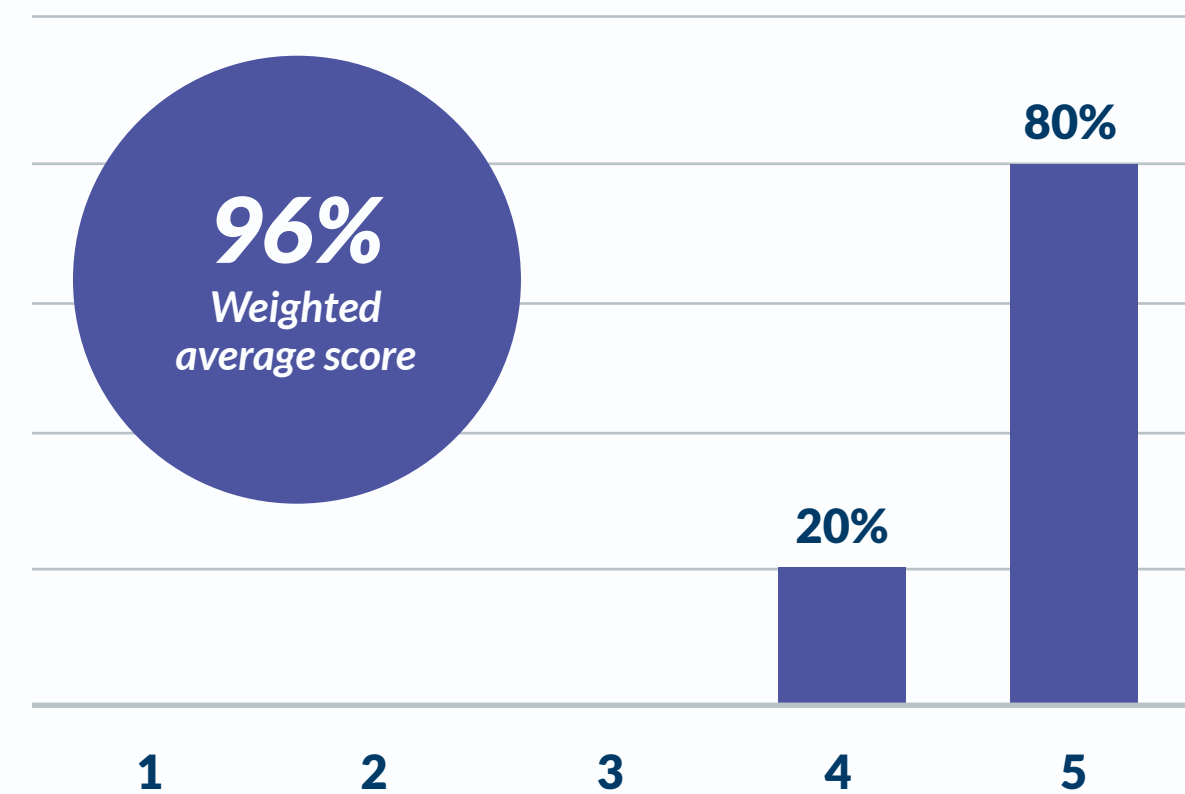
2021 Survey results



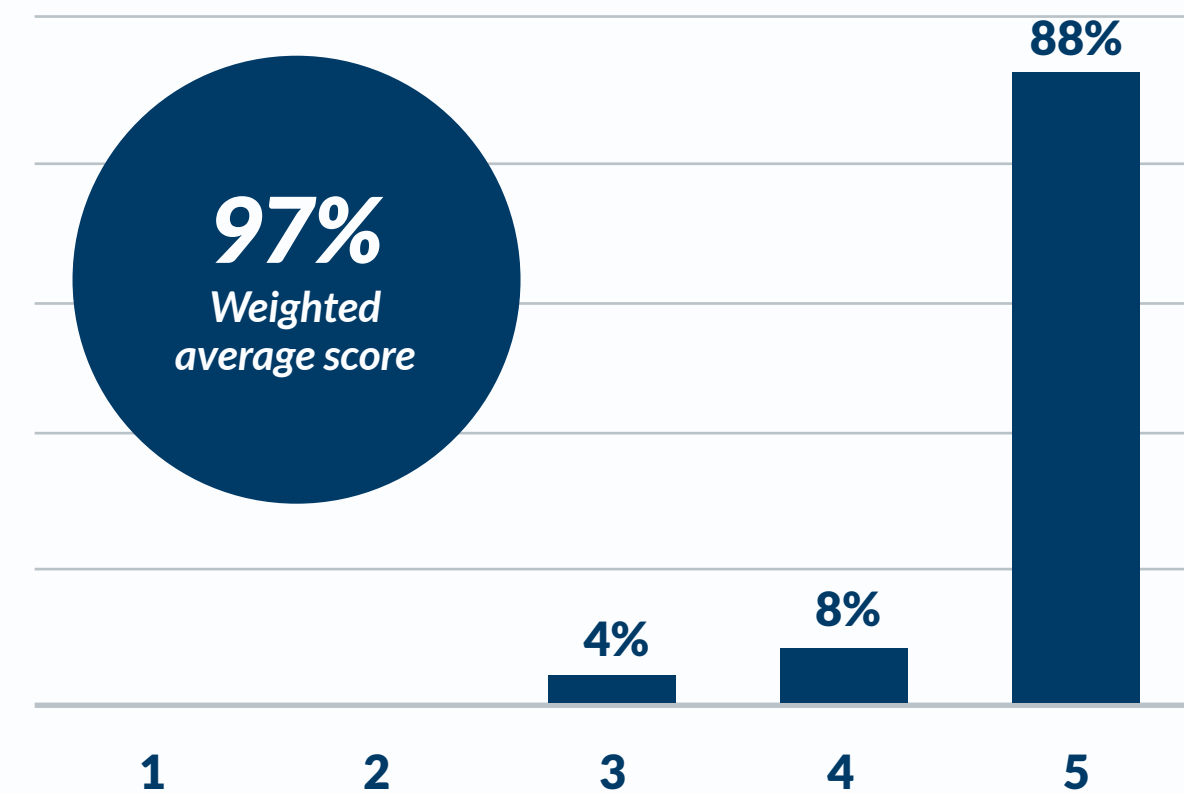
2022 Survey results



2023 Survey results



2024 Survey results



- 5 - Excellent
- 4 - Very Good
- 3 - Average
- 2 - Below Average
- 1 - Poor

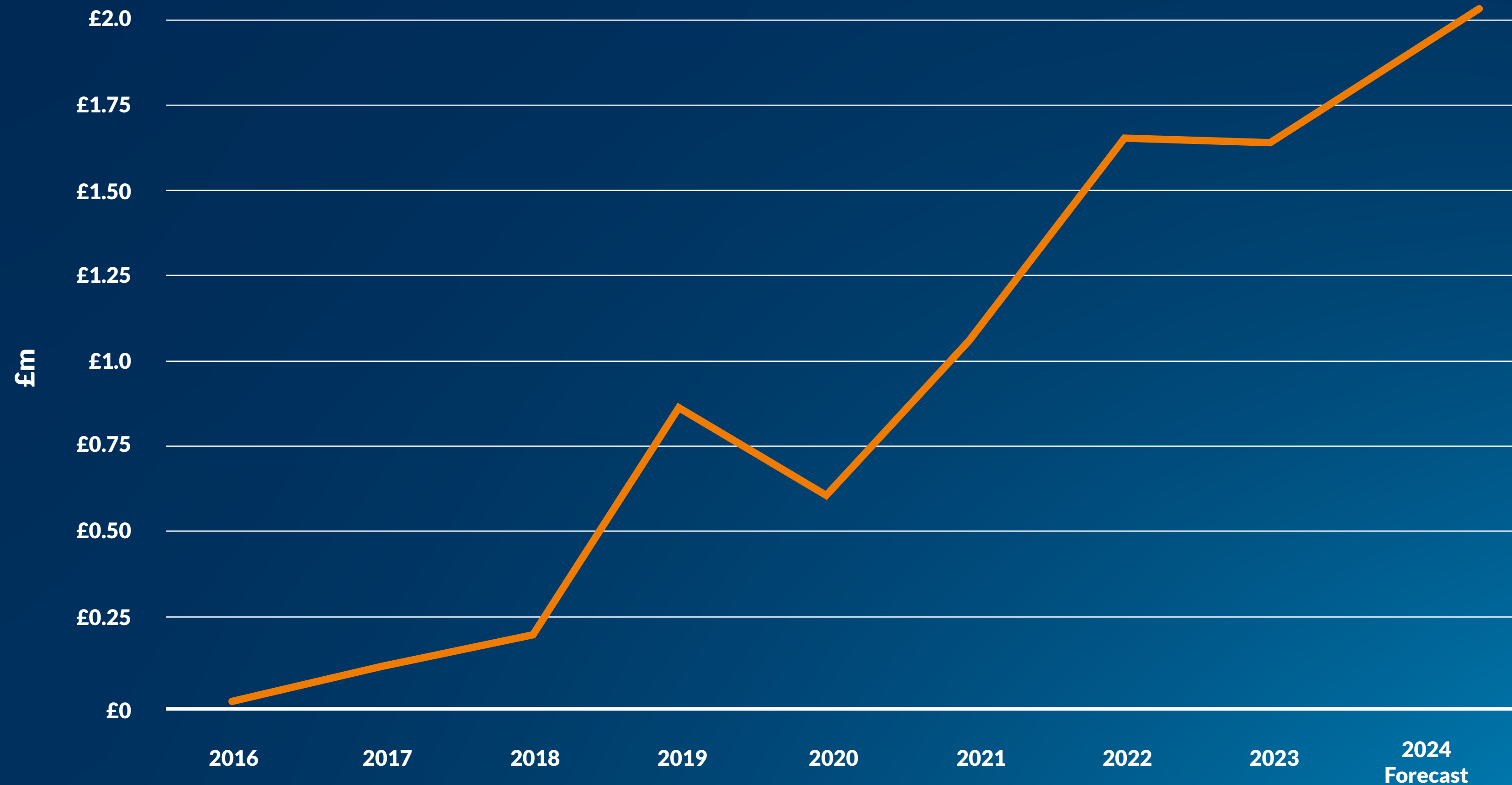
*“As a business the facility works very well and enables us to make better business decisions knowing we have STB in our corner. All in all, you continue to be an asset for us and we enjoy working with you and are grateful for the support and the innovative product you put in place.”*

Gwilym Jones, Director  
Henderson & Jones

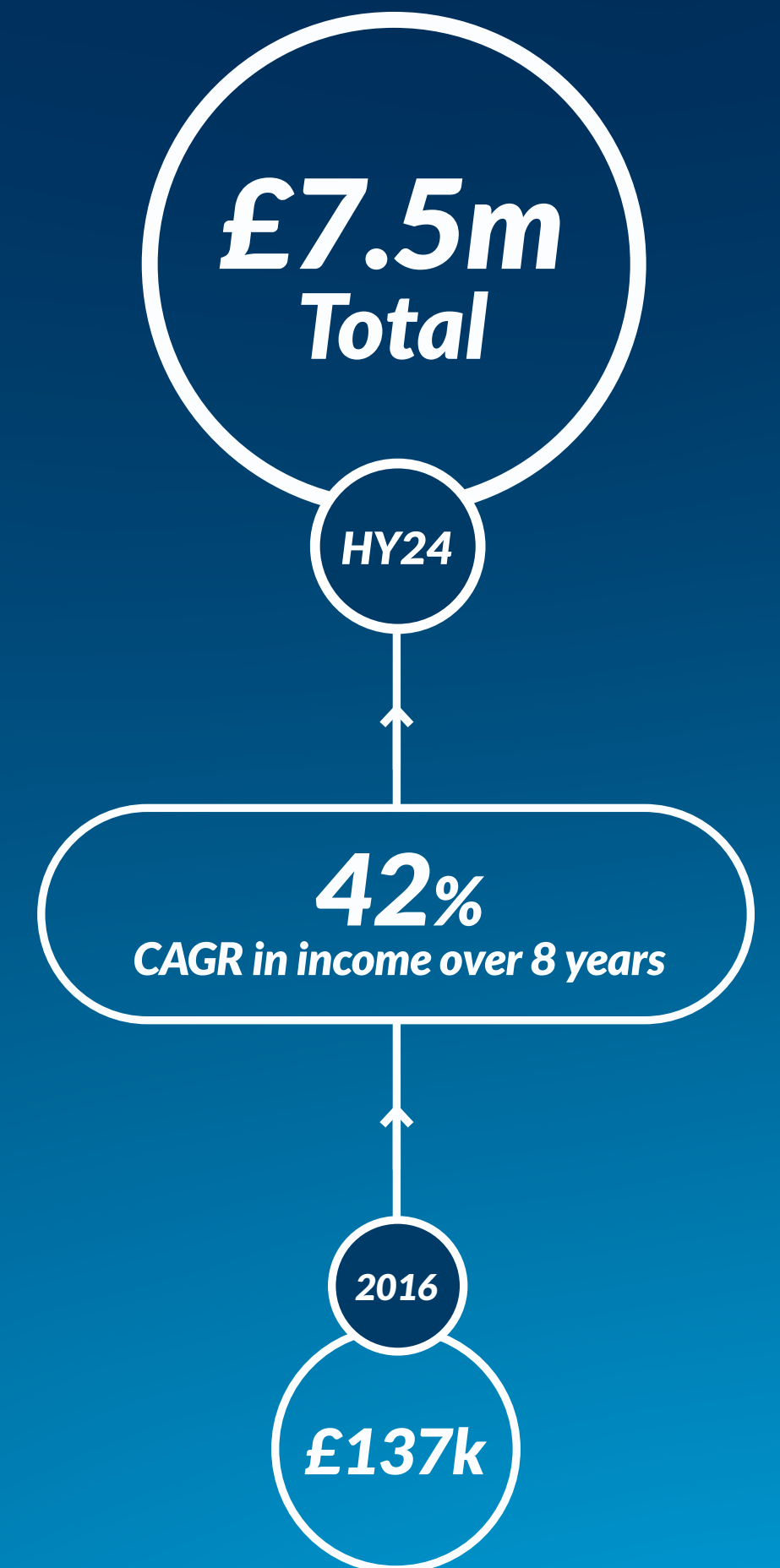


# Client retention drives recurring income growth

The portfolio endowment effect



Example of client on-boarded in 2016



# Case study

*STB have supported BM Steel through some challenging times to help their owners to achieve a successful exit*

- Steel Stockholder
- Relationship began in 2018
- Company faced significant challenges during COVID and relied on additional support from STB
- Post pandemic they were then faced with additional headwinds in the form of supply chain challenges and inflation
- Working alongside STB, the company weathered the storm and its private equity owners were able to exit successfully to an overseas conglomerate
- STB retained the facility despite lower cost opportunities from overseas bank
- We help clients to overcome obstacles on their journey to realise their ambitions



*“ Since securing the initial facility, as a business we have been given excellent service. The business is now in an extremely strong position, but this was not always the case, for example at the onset of the COVID pandemic. During this period of extreme uncertainty, the STB team provided unwavering support ”*

*Feedback from BM Steel*

**£25m**  
Facility limit

**£100m+**  
Revenue company

**STB have provided over**  
**£1bn**  
**funding to client over the last 7 years**

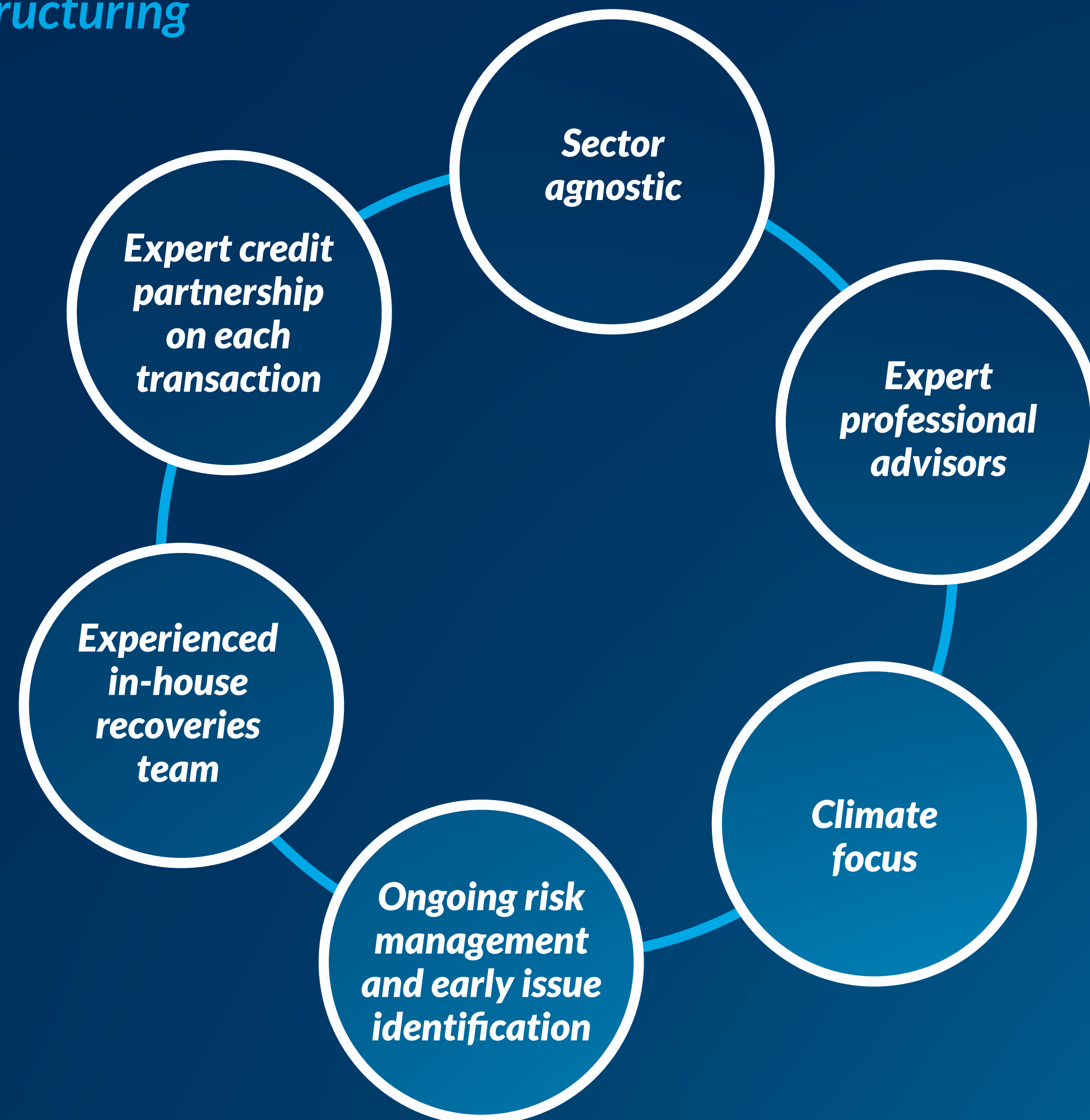
# Minimising Impairment

**Will Airey**

*Head of Risk*

# Specialist underwriting

*Expert structuring*



- Approx. 100 years combined experience on every deal
- Largest debtor exposure <2% of total portfolio
- Access to real time client data

# Strategies to protect the balance sheet

*Exit strategies agreed upfront*

**Refinance**

**Wind back  
exposure**

**Collect back  
the debt**

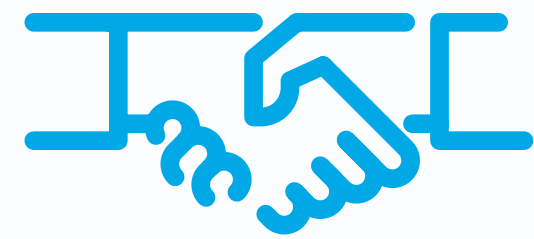
**Private equity  
or shareholder  
injection**

**Accelerated  
Trade Sale**

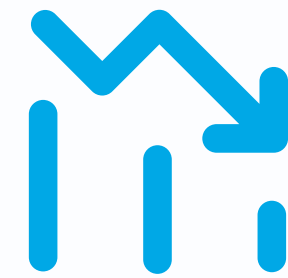
**Other  
asset sales**

# Case study - Successful exit

Client operated within the home improvement sector



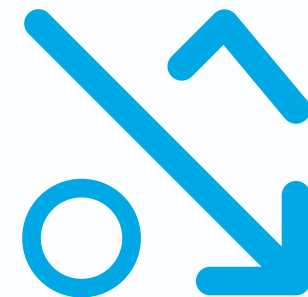
Owned by financial sponsor



Suppressed market demand, causing eventual business failure



Early issue identification & strategy agreement with sponsor



Successful wind down of STB exposure



Full STB repayment, partial business sale, sponsor debt repayment and STB exit fee

**£29m**

*Asset backed lending facility*

**£17m**

*Receivables*

**£11m**

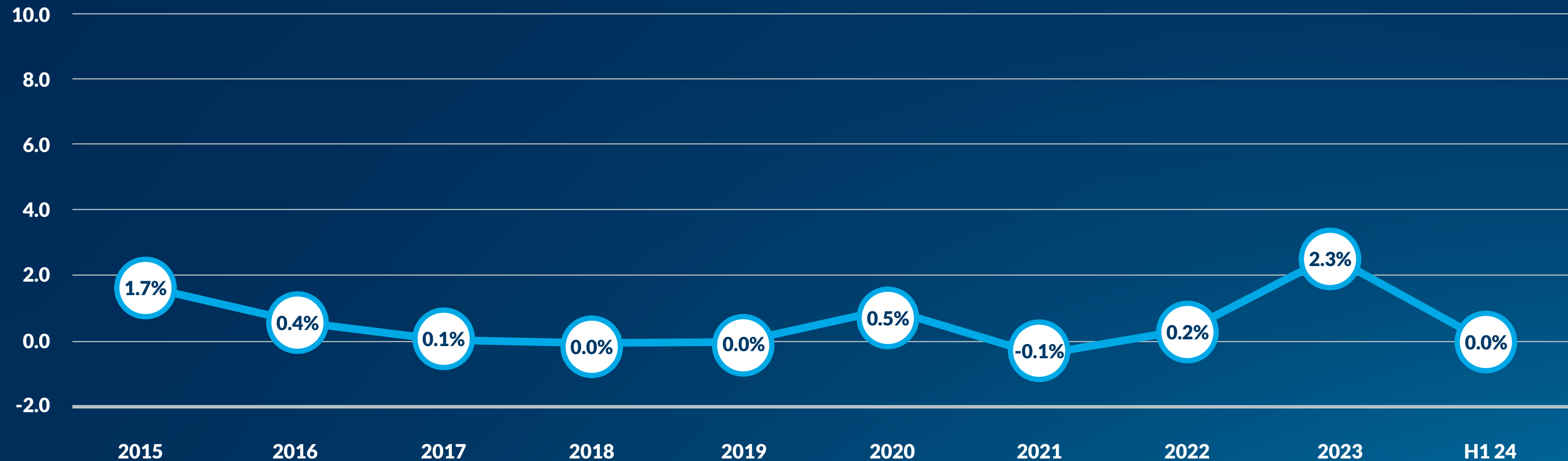
*Inventory*

**£1m**

*Cashflow loan*

# Cost of risk

Excellent 10 year track record



Cost of risk average  
**0.49%**

✓ Risk Aware culture

✓ Robust Facility structures

✓ Seasoned Professionals

✓ Deep Relationships



# Commercial Finance

*Well positioned for continued profitable growth and attractive returns*



Strong and experienced management team



Collaborative led solutions ensure strong credit stewardship



Consistent growth, built on established business model



High touch, bespoke relationship model



Proven track record supported by repeat referrals

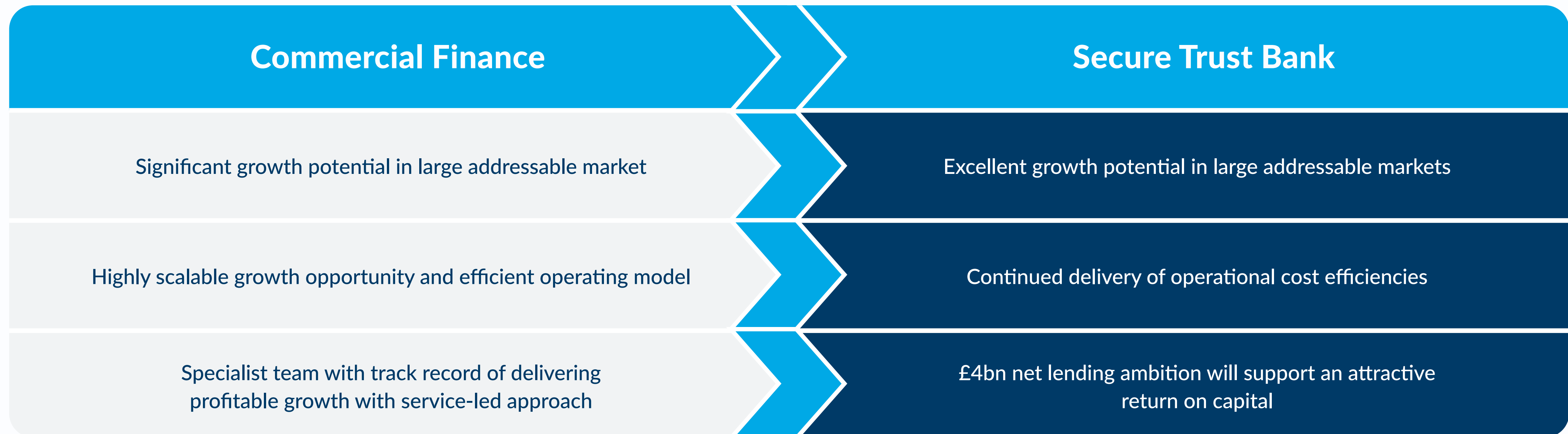
# Conclusion

**David McCreadie**

*Chief Executive Officer*

# Excellent growth potential in our specialist markets

*Moving towards our £4bn loan book ambition*



# Questions & Answers

# Management Biographies

# Management biographies



## David McCreadie

*Chief Executive Officer,  
Secure Trust Bank Group*

David was appointed CEO in January 2021.

David is a career banker and a Fellow of the Chartered Banking Institute. He spent 22 years at The Royal Bank of Scotland (RBS) holding roles in Branch Banking, Consumer Finance and several Group central functions. From 2004 to 2008 David was based in the US as Chief Executive Officer of Kroger Personal Finance, a joint venture between RBS and Kroger Co.

David joined Tesco Personal Finance in 2008 and was a member of the executive team that built Tesco Bank to support customers' financial needs across physical stores and digital channels. David was an Executive Director and Managing Director of Tesco Bank from 2015 to 2019. His experience includes banking, payments, risk management, governance, consumer facing businesses and retailing.



## John Bevan

*Managing Director,  
STB Commercial Finance*

John has over 41 years' banking experience, including over 30 years in the receivables sector.

Prior to joining STB, John spent 31 years working in the High Street Banking sector, latterly as the Managing Director of Barclays Trade and Working Capital UK&I.

In 2012 he held the position of Chairman of the Asset Based Finance Association (ABFA – now part of UK Finance) and also sat on the Executive Board of the International Factors Group.

John joined STB in August 2014 and has been instrumental in the successful growth we have seen over the last ten years.



## Sean Powell

*National Sales Director,  
STB Commercial Finance*

Sean is a career asset-based lender and has over 29 years' experience in commercial finance.

He spent 19 years at The Royal Bank of Scotland plc (RBS) where he was responsible for leading the commercial portfolio teams across the Northern region and developed a strong focus on client service, underwriting and risk management. During his final 9 years at RBS he moved into origination and held the position of sales director, leading the North and Scotland origination teams within the commercial finance division.

Sean joined STB in August 2014 and helped establish the CF business. In his current role he is responsible for leading the origination team and plays a key role in setting the sales strategy, developing the introducer network, and structuring new opportunities.



## James Hodgkinson

*Chief Operating Officer,  
STB Commercial Finance*

James is a qualified banker and has worked in banking for over 34 years, previously as Director of Barclays Trade and Working Capital UK&I where he was responsible for portfolio income growth and delivery of the service proposition. He has also held senior at Royal Bank of Scotland and this is where his career pivoted into Asset Based Lending.

James joined STB in 2013 to set up the Commercial Finance division which went live in 2014. In his current role he is responsible for all aspects of in-life management, including income growth, service delivery and risk management.



## Will Airey

*Head of Risk,  
STB Commercial Finance*

Will is a qualified banker with over 25 years' experience. Prior to joining STB, Will worked within the corporate teams at The Royal Bank of Scotland, where he held key responsibilities across several large value portfolios within Asset Based Lending & Structured Finance.

Will joined STB in 2018 to develop the relationship management team within Commercial Finance. More recently Will moved to head up the Credit Risk team, where he developed the risk function and was the product lead for Government backed Covid loans.

# Thanks



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