

Secure Trust Bank PLC



Simple, straightforward banking

2012 YEAR END RESULTS

21st March 2013








Introduction

PAUL LYNAM – Chief Executive Officer



Strategy



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. 

Performance



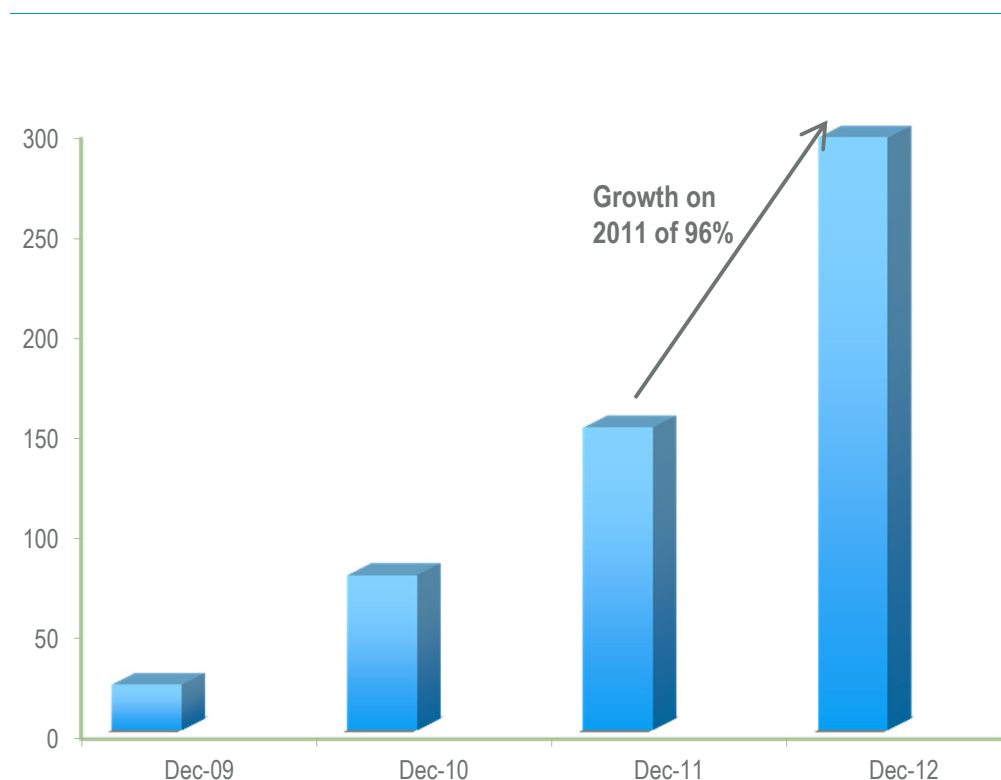
- Strong operating performance
 - Operating income increased 65% to £47.0m (2011 : £28.5m).
 - Increase in year on year underlying profit before tax of 110% to £16.6 million.
 - Basic EPS of 108.9p (2011 : 39.6p).
 - Underlying EPS of 89.2p (2011 : 55.6p).
 - Customer numbers increased by 60% to 231,713.
 - Growth in loan book of 93% to £298 million over the last year.
- Risk management
 - Loan to deposits ratio of 75%.
 - Impairments £8.9m, 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 23.3%.
 - Well controlled and balanced lending portfolio.
 - Leverage ratio of 5.8x.

Sustainable Positive Progress



| | 2012 (£m) | 2011 (£m) |
|---------------------------------------|----------------|-----------|
| Gross interest income | 44.9 | 22.8 |
| Funding costs | (8.6) | (5.6) |
| Net interest income (Normalised)* | 36.3 | 17.2 |
| Excess funding costs pre-acquisitions | (1.9) | - |
| Net interest income | 34.4 | 17.2 |
| Impairment losses | (8.9) | (4.6) |
| Reported PBT | 17.2 | 7.3 |
| Basic EPS | 108.9 | 39.6 |
| Underlying EPS | 89.2 | 55.6 |
| ROAA | 4.0% | 2.1% |
| ROAE | 39.0% | 25.6% |
| Loan book (£m) | 297.6 | 154.6 |
| Loan to Deposit Ratio | 75% | 57% |
| Customers | 231,713 | 145,174 |
| Tier 1 Capital ratio | 23.3% | 20.5% |

Lending assets £m (excludes acquired portfolios and Onebill)



Growth on 2011 based on December 2011 to December 2012 loan book growth after exclusions.

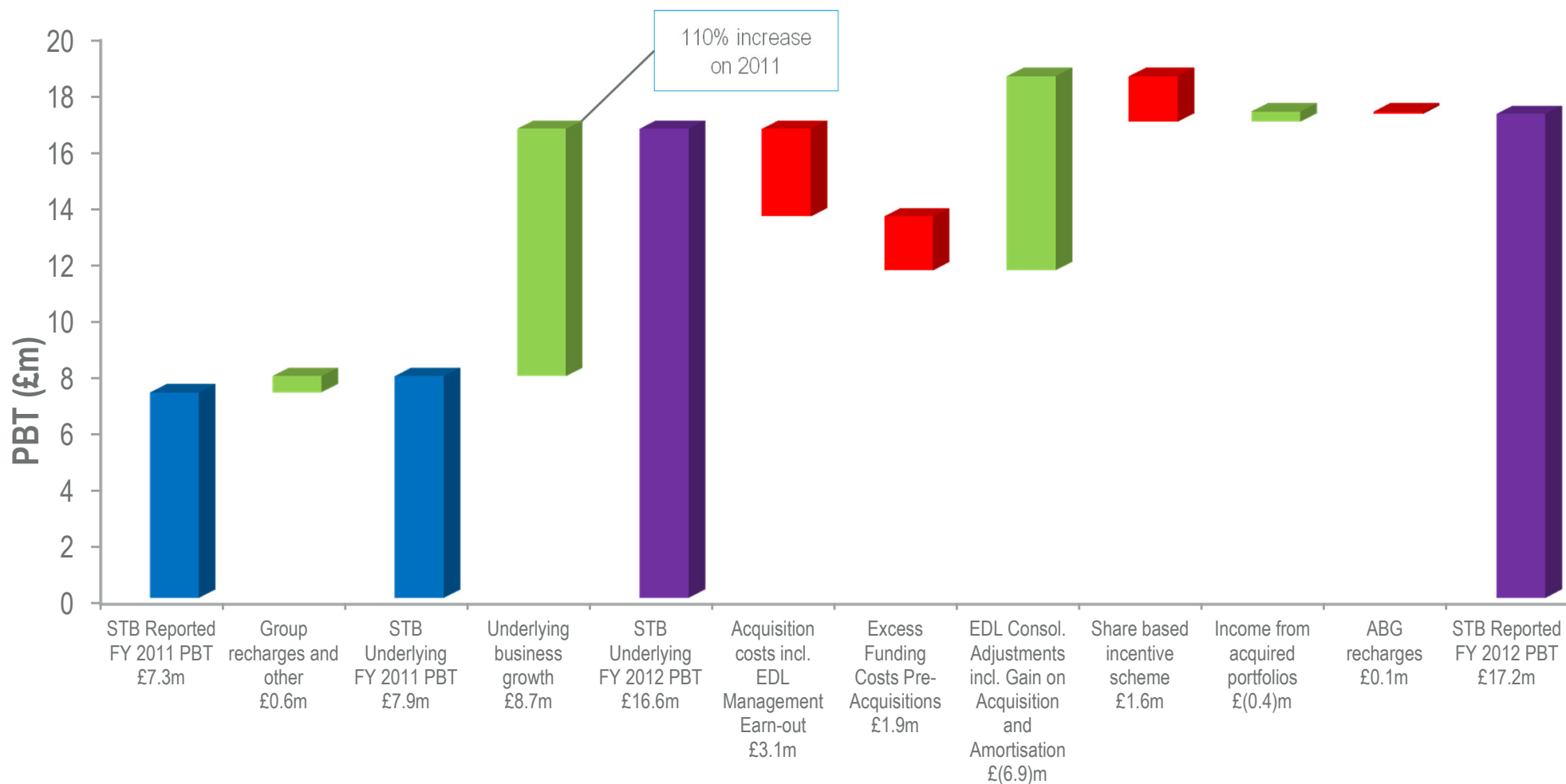
* Pre excess funding costs

Business Review

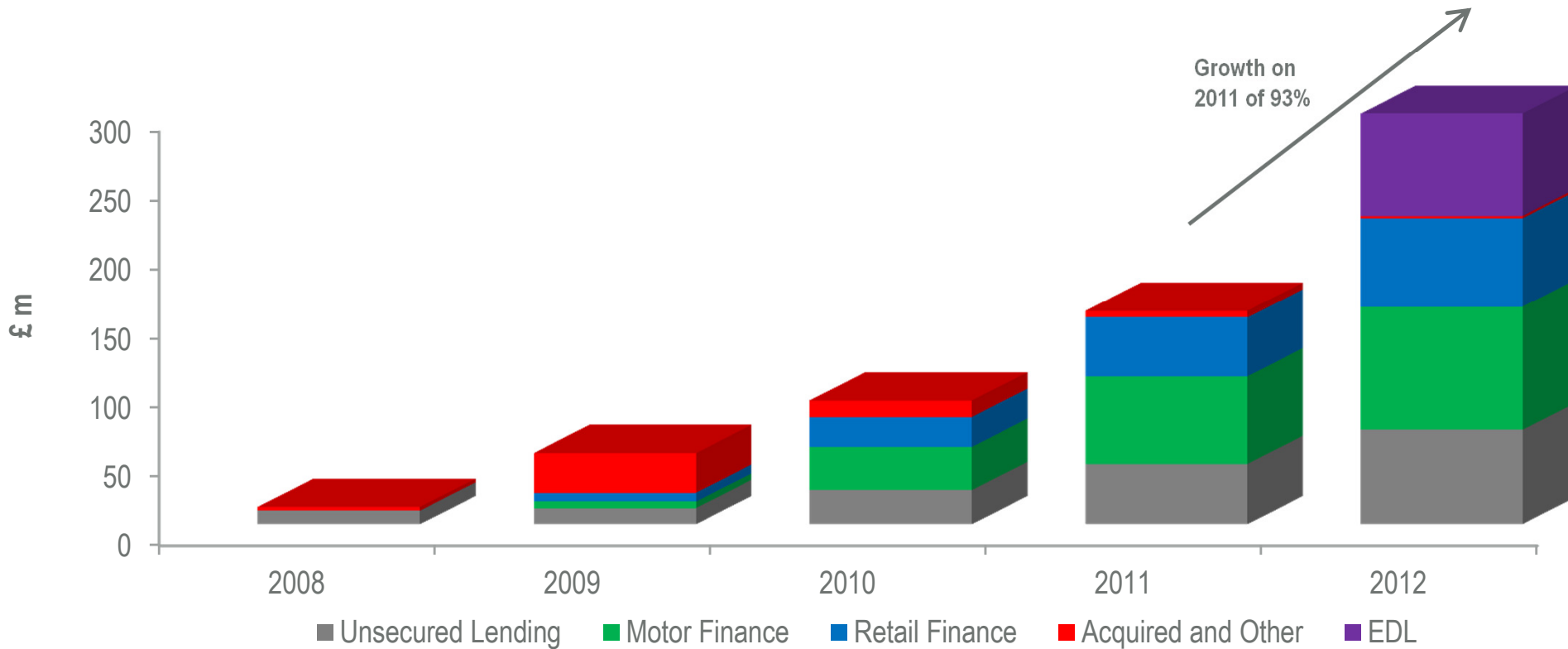
NEERAJ KAPUR – Chief Financial Officer



Underlying Growth



Customer Loan Progression



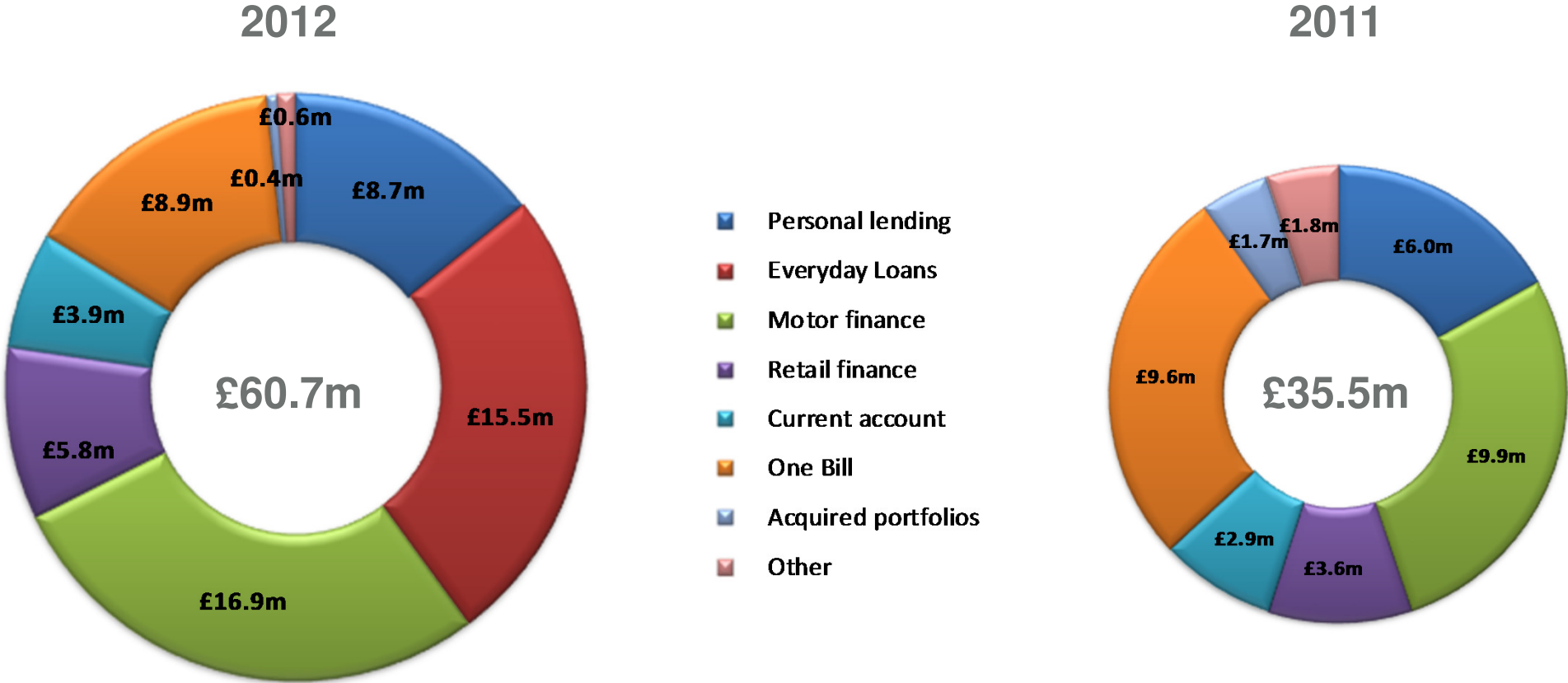
Growth on 2011 based on December 2011 to December 2012 total loan book growth.

Gross Income Bridge (before cost of funds and impairment losses)



Income Analysis

Total income through lending channels is split as follows:

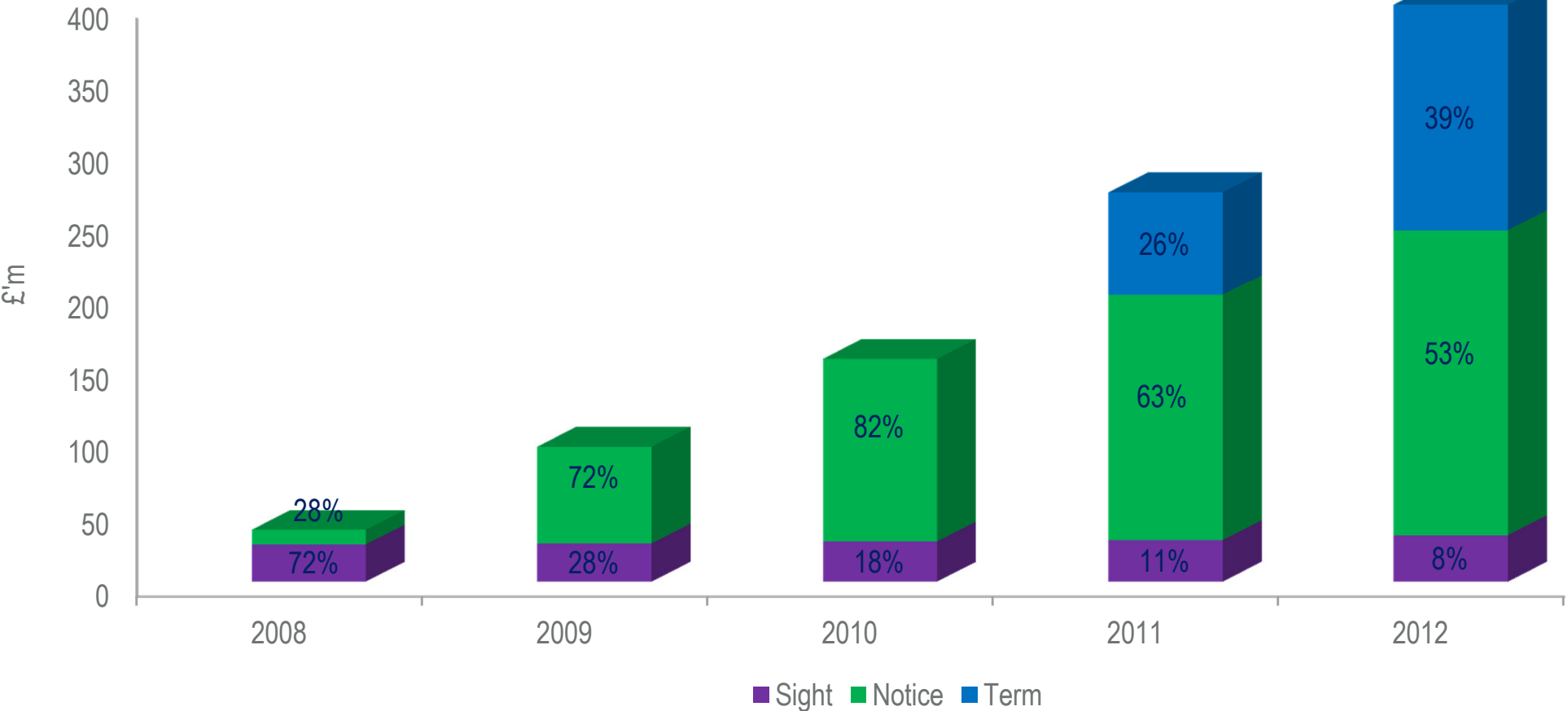


Balance sheet summary

| £ million | Dec-12 | Dec-11 | Dec-10 | Dec-09 | Dec-08 |
|---|--------------|--------------|--------------|--------------|-------------|
| Loans and advances to banks | 155.3 | 139.5 | 68.2 | 50.3 | 27.2 |
| Loans and advances to customers | 297.6 | 154.6 | 89.5 | 51.4 | 12.6 |
| Other assets | 21.7 | 13.8 | 23.0 | 14.0 | 13.5 |
| Total Assets | 474.6 | 307.8 | 180.7 | 115.8 | 53.2 |
| Deposits from customers | 398.9 | 272.1 | 153.8 | 93.3 | 35.8 |
| Other liabilities | 19.8 | 12.0 | 11.1 | 10.4 | 8.6 |
| Total Liabilities | 418.7 | 284.0 | 164.9 | 103.7 | 44.4 |
| Total shareholders' equity | 55.9 | 23.8 | 15.8 | 12.0 | 8.8 |
| Total liabilities and shareholders' equity | 474.6 | 307.8 | 180.7 | 115.8 | 53.2 |
| Loans to deposits ratio | 75% | 57% | 58% | 55% | 35% |



Deposit progression



Summary and outlook



- In 2012 we continued to deliver on our IPO commitments.
- We completed a share placement in December 2012 to fund acquisitions, sub-ordinated loan repayment and future organic growth.
- 2013 has started as we expected:
 - Acquisition of V12 Group and Debt Managers. Real benefits of these will be seen from 2014 onwards.
 - New products in development include bespoke online finance solution for large scale retailers.
 - Working with BoE to secure participation in Funding for Lending Scheme.
 - PRA is to propose actions to address the disproportionate regulatory constraints on smaller banks. This could represent an opportunity.
 - We do not expect any negative impacts arising from Basel III, EU pay regulations or FPC report due 27 March on UK Bank capital adequacy levels.
 - Pipeline of significant organic and inorganic opportunities, including those detailed at the time of the placing but not yet concluded, continue to be worked on.
 - Outlook is confident.

Appendices



Summary income statement

| £ '000 | 2012 | 2011 |
|------------------------------------|-----------------|----------|
| Net interest income | 34,426 | 17,227 |
| Net fee and commission income | 12,582 | 11,233 |
| Impairment losses | (8,946) | (4,601) |
| Net Operating Income | 38,062 | 23,859 |
| Total operating and other expenses | (30,764) | (16,615) |
| Other income | 37 | 36 |
| EDL gain on acquisition | 9,830 | - |
| Profit before tax* | 17,165 | 7,280 |

*Includes IPO costs and group recharges.



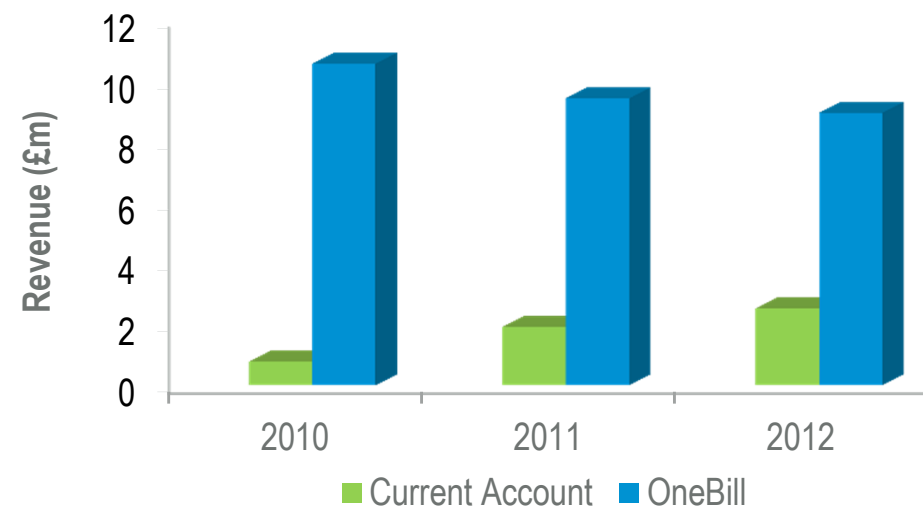
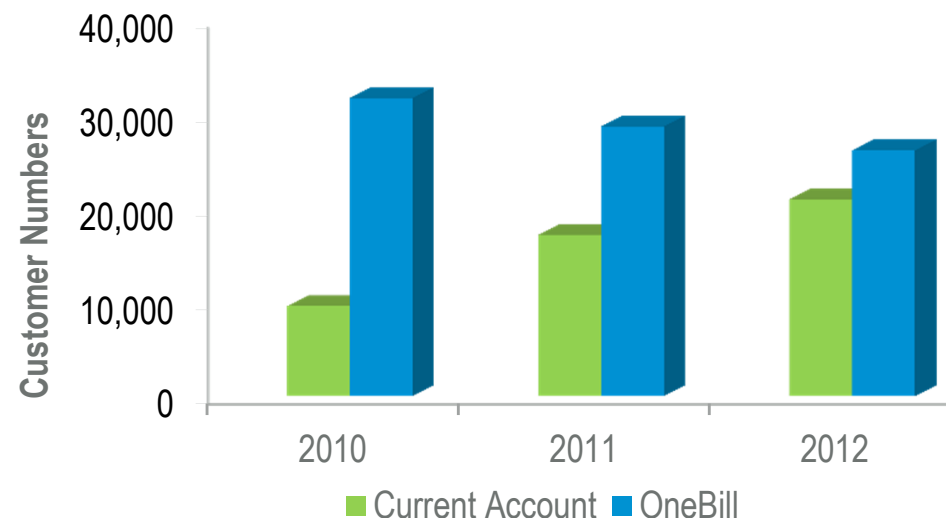
Fee Based Accounts

- Current Account

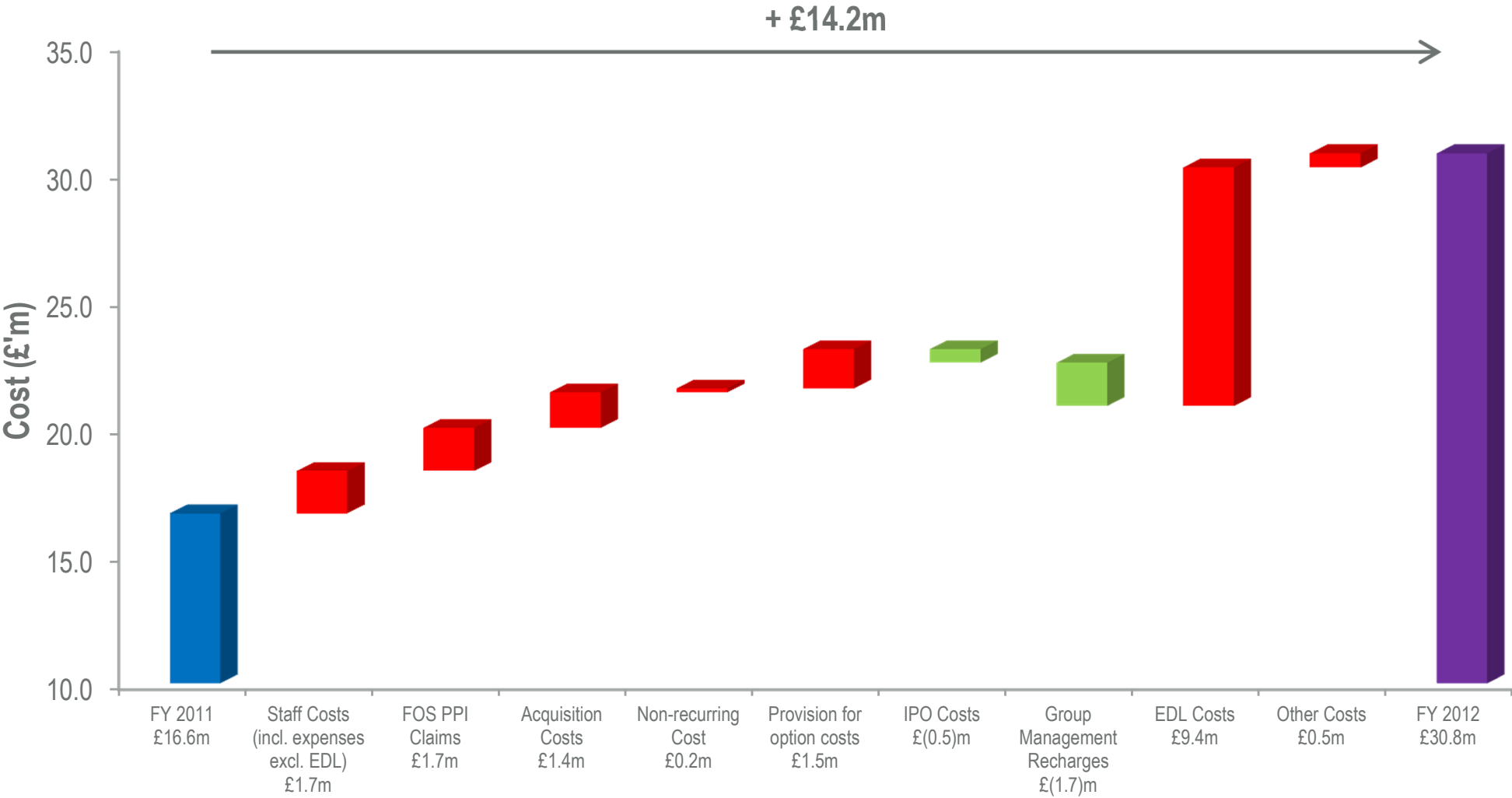
- Continued growth in customer numbers to 21k (December 2011: 17.2k).
- Strengthening of existing partnerships and development of new inorganic/organic routes.
- Progressive enhancements of offering for an improved customer experience.
- Momentum in growth expected to remain throughout 2013,.
- Dialogue with DWP re Universal Credit continues.

- OneBill

- Continued decline in customer numbers and income albeit a little slower than expected.
- Project to develop the next generation of the OneBill product is underway.



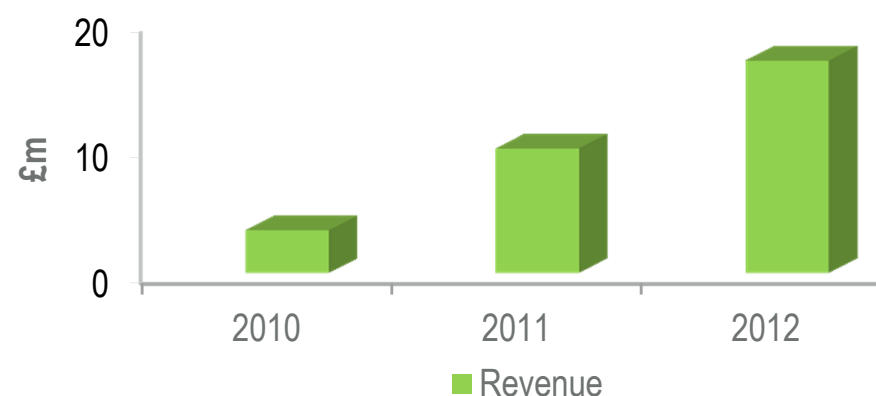
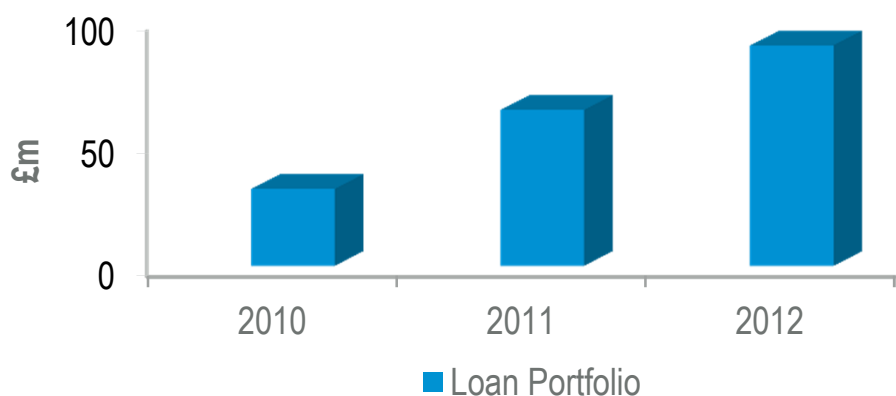
Operating costs bridge



Motor Finance



- The Motor team has transacted business with 28% of the Automotive* top 100 and regularly supports 50% of the Automotive* top 20 direct or via our broker channel.
- Notable recent partnerships with top 100 dealers groups include Marshalls, Inchcape, Sandiccliffe and Listers having extended partnerships with Perrys, Stoneacre and Vertu.
- Named Dealer Finance Provider 2012 in February by the Institute of Transport Management.

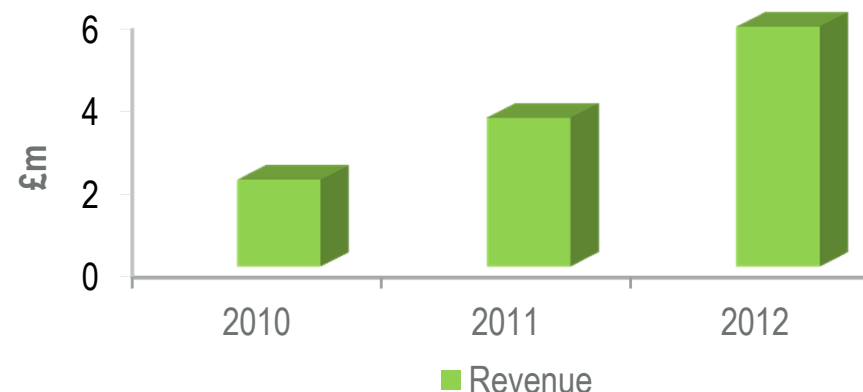
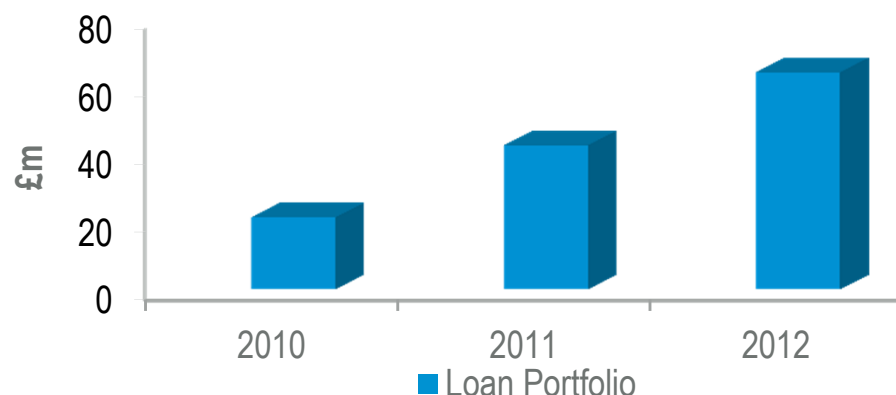


*Source : Automotive Management industry website (AM online).

Retail Finance



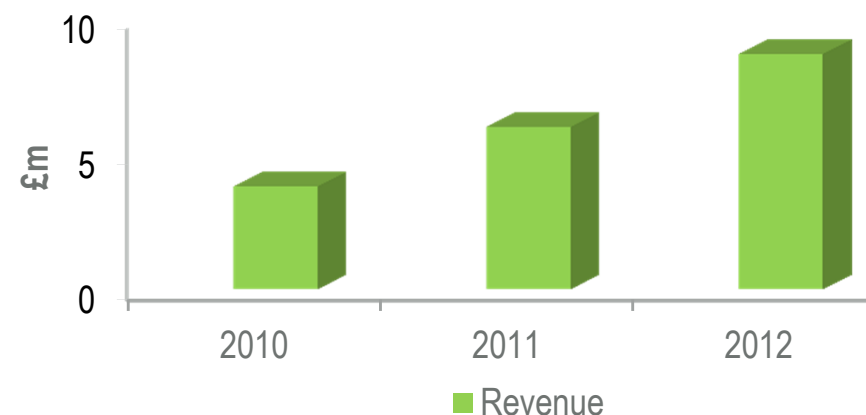
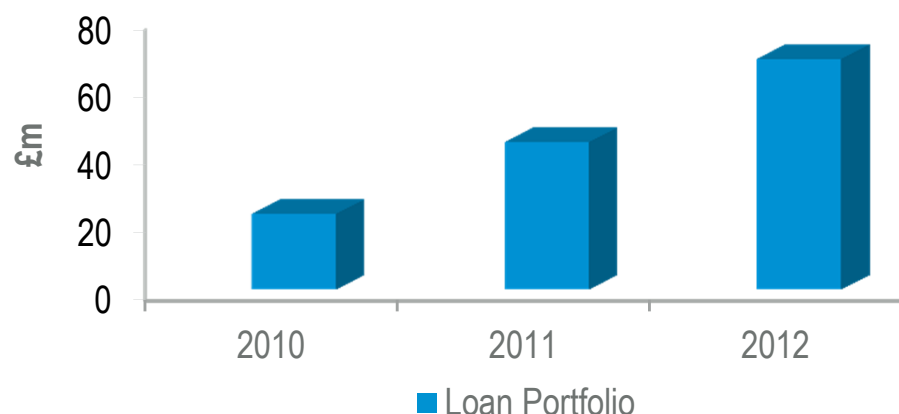
- Controlled growth in new business throughout 2012.
- Developed a network of over 500 cycle specialists offering retail finance.
- Voted the National Association of Cycle Traders 'Partner of the Year' twice in last 3 years.
- The acquisition of V12 is complementary to the group's existing retail finance proposition and will allow development of a new product range.
- Sustained growth in Music finance to levels seen before the reduction of customer funding by the Arts Council.
- RentSmart and Pay4Later propositions remain strong.



Personal Lending



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



Everyday Loans Group



- The acquisition of Everyday Loans represents a significant strategic development for Secure Trust Bank.
- Increased customer distribution channels and opportunities to cross-sell.
- Investment in new offices in Middlesbrough Q4 2012 and Belfast Q1 2013. More offices planned.
- Investment also being made in new product range.



| | 2012 (£m) |
|---------------------------|-----------|
| Interest revenue | 12.8 |
| Fee and commission income | 2.7 |
| Total Revenue | 15.5 |
| Impairment losses | (2.7) |
| Net new lending (£m)* | 28.9 |
| Loan book (£m) | 73.8 |
| Customers | 25,440 |
| Offices | 26 |

*period since acquisition.

Acquisitions – V12 Finance Group Ltd



- Acquired on 2nd January 2013, V12 is a specialist retail finance provider based in Cardiff.
- V12 has offered retail point of sale and interest free finance for over 20 years, specialising in online finance for the past 10 years.
- 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.
- 2013 will see significant investment in personnel and product development so the timing of the realisation of the financial benefits of acquisitions will reflect this.



Acquisitions – Debt Managers

- Debt Managers (DMS) were acquired on 15th January 2013, a specialist debt collection business.
- Trading since 1976 and has 76 staff based in Rotherham and Edinburgh. DMS collects delinquent debt on behalf of a range of banks and other blue chip companies.
- DMS will allow STB to take advantage of the growth opportunities in debt collection as larger banks increasingly seek to outsource these activities. STB can also more effectively manage its impaired debt internally, rather than selling externally to third parties.
- Strategy adopted is a 'buy and build'. We have previously disclosed that we expect DMS to be earnings neutral in the initial period of our ownership.



Forward Looking Statements



This document is a summary only of certain information contained in the announcement dated 21st March 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 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.