

3 July 2024

Secure Trust Bank PLC

Capital Markets Event - Deep dive on Real Estate Finance

Secure Trust Bank PLC ("Secure Trust Bank" or the "Group"), a leading specialist lender, will host an investor event today and will provide an update on its Real Estate Finance business and how this business supports the Group in achieving its medium-term financial targets as set out in its capital markets day on 8 November 2023.

**Real Estate Finance: A tailored specialist property lender**

Over the last decade, Real Estate Finance has achieved significant growth, maintained low levels of cost of risk and delivered significant operational leverage by taking advantage of its significant sector expertise.

Geoff Ray (Managing Director, Real Estate Finance), John Griffin (Regional Head, London & South East) and Chris King (Head of Credit) will provide details of their strong track record and the strategic repositioning of the Real Estate Finance business to focus on lower risk residential investment loans, which represented 84% of the Real Estate Finance net lending book at the end of 2023.

**Growth track record**

Real Estate Finance is celebrating its 10<sup>th</sup> year and has grown net lending balances every year since launch. Lending balances grew from £1,052 million in 2020 to £1,244 million at the end of 2023, representing 18% total growth. The management team will provide details on the reasons behind this success and the opportunities for further growth, including the strategic evolution in the portfolio mix towards residential investment loans and how their market expertise and bespoke relationship driven approach is valued by clients.

**Specialist, relationship-led lending**

Real Estate Finance has adopted a 'through the cycle' underwriting approach that its professional clients appreciate. The power of the relationship model has seen new lending to existing clients increase from 36% in 2021 to 71% in 2023, with reliance on new lending origination from brokers declining from 42% to 7% over the same period. This retention model has the benefit of reduced cost of customer acquisition and greater knowledge of customers' risk profiles.

**Improved lending quality and low cost of risk**

The business has maintained its credit underwriting discipline while delivering strong growth. The portfolio's loan to value has remained consistent since launch and was 57% at the end of 2023. Cost of risk has averaged 16 basis points since 2014, despite the volatile macro-economic backdrop for the real estate market and the rapid increase in the Bank of England base rate more recently.

**Cost efficiency - Operational leverage**

Costs have been tightly controlled while the business has seen robust growth in the loan book. Year-end staff numbers (full-time equivalents) decreased from 55 in 2019 to 49 in 2023, reflecting the operational leverage in the business.

**Geoff Ray, Managing Director, Real Estate Finance, said:**

"Secure Trust Bank's Real Estate Finance business has a long-term track record of delivering growth in tailored specialist property lending. The business has increased its loan book by 18% in the last 3 years and we have an ambition to drive a

property lending. The business has increased its loan book by 10% in the last 3 years and we have an ambition to drive a similar level of loan book growth in the medium term.

The strategic repositioning of our business towards the residential investment market has allowed us to deliver attractive risk adjusted returns for the Group through capital efficiency, given attractive pricing and lower risk weighted assets."

**David McCreddie, Chief Executive Officer, said:**

"Secure Trust Bank continues to deliver on its strategic priorities across all our specialist lending businesses. The information that will be provided at our Capital Markets Event will provide insight into our Real Estate business and highlight the capability of this team as they continue its growth trajectory.

I remain confident in our ability to deliver the Group's £4 billion loan book ambition that will unlock our 14-16% return on average equity target."

#### **Capital Markets Event details**

A live webcast of the presentation and slides will be available at the following link today at 2.00 p.m.:

[https://brmedia.news/STB\\_CMD\\_24](https://brmedia.news/STB_CMD_24)

The Group will announce its interim results to 30 June 2024 on Wednesday, 14 August 2024.

#### **Enquiries:**

##### **Secure Trust Bank PLC**

David McCreddie, Chief Executive Officer  
Rachel Lawrence, Chief Financial Officer  
Phil Clark, Investor Relations  
Tel: 0121 693 9100

##### **Investec Bank plc (Joint Broker)**

Bruce Garrow  
David Anderson  
Maria Gomez de Olea  
Tel: +44 (0) 20 7597 5970

##### **Shore Capital Stockbrokers (Joint Broker)**

Mark Percy / Sophie Collins (Corporate Advisory)  
Guy Wiehahn (Corporate Broking)  
Tel: +44 (0)20 7408 4090

##### **Camarco**

Ed Gascoigne-Pees, Geoffrey Pelham-Lane, Sean Palmer  
[securetrustbank@camarco.co.uk](mailto:securetrustbank@camarco.co.uk)  
Tel: +44 (0)7591 760844

#### **About Secure Trust Bank:**

Secure Trust Bank is an established, well-funded and capitalised UK retail bank with over 70-years of trading history. Secure Trust Bank operates principally from its head office in Solihull, West Midlands, and has 897 employees (full-time equivalent) as at March 2024. The Group's diversified lending portfolio currently focuses on two sectors:

- (i) Business finance through its Real Estate Finance and Commercial Finance divisions; and
- (ii) Consumer finance through its Vehicle Finance and Retail Finance divisions.

Secure Trust Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Secure Trust Bank PLC, Yorke House, Arleston Way, Solihull, B90 4LH.

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