

PRESS RELEASE
Secure Trust Bank PLC
LEI: 213800CXIBLC2TMIGI76
1 November 2024
For immediate release

SECURE TRUST BANK PLC

Trading Update

Secure Trust Bank PLC ("STB" or the "Group"), a leading specialist lender, announces a trading update for the financial year ending 31 December 2024 (FY24) and details for the third quarter ended 30 September 2024 (Q3).

The Group delivered further growth in new business volumes in Q3, and year-on-year growth in net lending balances, with the net loan book growing by 0.5% in the quarter and continuing the journey to our £4 billion target. Following changes to our organisation design, the Group remains on track to deliver £5m of Project Fusion savings by the end of the year and a further £3m of cost savings in 2025, bringing total annualised cost savings to £8m by the end of next year, as previously communicated.

As indicated in the Group's interim results announcement on 14 August 2024, the pausing of collections activity following the FCA's Borrowers in Financial Difficulty ('BIFD') review led to a higher volume of Vehicle Finance loans reaching default status. The Group has restored collections activity to normal levels and early arrears in Vehicle Finance are at the lowest level for three years.

Activities are in progress to recover value from the excess level of defaulted balances in this financial year, although the timing of doing so is uncertain and taking longer than we expected, meaning some value recovery is now likely to extend into 2025.

As a result, the Board now expects the Group's underlying, continuing profit before tax for FY24 to fall materially below market expectations by between £10m and £15m. The reduced level of profit before tax is due to the performance of the Vehicle Finance business. The Group's other businesses are performing in line with management's expectations.

Q3 Trading Update

	Q3'24 £'m	Q2'24 £'m	Change	Q3'23 £'m	Change
Net lending	£3,439.2	£3,421.6	0.5%	£3,212.2	7.1%
Deposits	£3,141.4	£3,042.7	3.2%	£2,717.1	15.6%

Net lending

The net loan book grew by 0.5% in the quarter and 7.1% compared to Q3 2023. Commercial Finance net lending grew by 3.1% in the quarter, despite evidence of some clients divesting ahead of the Government's October budget. Vehicle Finance balances increased by 7.5% in the quarter and passed £0.5 billion for the first time. Net lending in Retail Finance and Real Estate Finance were marginally lower in the quarter.

Despite continued macro-economic uncertainties, new business lending of £577 million in the quarter was at its highest for the year and broadly in line with Q3 2023.

Deposits

Customer deposits grew by 3.2% in the quarter to support our lending objectives and were 15.6% higher than compared to Q3 2023. The Group made further early repayments of TFSME funding (the Bank of England's Term Funding Scheme with additional incentives for SMEs) ahead of contractual maturity. Total early repayments to the end of Q3 totalled £105m, c27% of initial drawings. A further early repayment of £15m of TFSME funding was made in October 2024.

Legal and Regulatory Matters

Following the recent Court of Appeal's decisions, the Group paused new consumer lending in Vehicle Finance to consider the implications of the ruling and we are now commencing new business once again.

David McCreddie, Chief Executive Officer, said:

"The Group has continued to grow net lending in the quarter, albeit at a lower rate in what remained a challenging economic environment. We continued to manage lending growth prudently within our prudent risk management parameters.

The implementation of the organisation design changes required to complete delivery of the initial £5m of Project Fusion cost savings by the end of this year continued. As a result, we are on track to deliver an additional £3m of cost savings in 2025.

We are disappointed that it will take longer than expected to recover value from the excess level of defaulted Vehicle Finance balances, and the recent Court of Appeal decisions have added additional uncertainty on the benefits to be realised in 2024.

Notwithstanding the near-term impacts of the excess defaults in Vehicle Finance, we have seen arrears in Vehicle Finance fall to the lowest level since 2021, have continued to grow total net lending, continued to optimise our cost base, made good progress on early repayments of TFSME funding, and see continued growth opportunities ahead of us."

Enquiries:

Secure Trust Bank PLC

David McCreadie, Chief Executive Officer

Rachel Lawrence, Chief Financial Officer

Phil Clark, Investor Relations

Tel: 0121 693 9100

Investec Bank plc (Joint Broker)

Chris Baird

David Anderson

Maria Gomez de Olea

Tel: +44 (0)20 7597 5970

Shore Capital Stockbrokers (Joint Broker)

Mark Percy (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

Tel: 07591 760844

This announcement contains inside information. The person responsible for the release of this announcement on behalf of STB is Lisa Daniels, Company Secretary.

Forward looking statements

This announcement contains forward-looking statements about the business, strategy and plans of STB and its current objectives, targets and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about STB'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. STB'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. These include economic and business conditions, risks from failure of clients, customers and counterparties, market related risks including interest rate risk, risks regarding market conditions outside STB's control, expected credit losses in certain scenarios involving forward looking data, operational risks, legal, regulatory, or governmental developments, and other factors. The forward-looking statements contained in this announcement are made as of the date of this announcement, and (except as required by law or regulation) STB undertakes no obligation to update any of its forward-looking statements.

About STB

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 30 September 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.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact ms@seg.com or visit www.ms.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTFFFVLISLLVIS