

13 November 2024

## Secure Trust Bank PLC

### Capital Markets Event - Deep dive on Commercial Finance

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

#### Commercial Finance: A trusted funding partner

Over the last decade, Commercial Finance, an Asset Based Lending (ABL) specialist, has achieved:

- **Significant growth**, increasing its loan book by 65% in the three years to the end of 2023;
- **A low cost of risk**, an average of 0.49% since 2014;
- Delivered **significant operational leverage** by taking advantage of its scalable cost base;
- Taken advantage of deep **sector expertise and strong relationships**, delivering a 4% market share in its chosen market;
- Provided nearly **£20 billion of funding** to over 250 businesses.

John Bevan (Managing Director, Commercial Finance), Sean Powell (National Sales Director), James Hodgkinson (Chief Operating Officer) and Will Airey (Head of Risk) will provide details of Commercial Finance's impressive track record and the deep relationships it has built.

#### Growth track record

Commercial Finance is celebrating its 10<sup>th</sup> year and has a strong track record of net lending balance growth. Lending balances grew from £231 million in 2020 to £381 million at the end of 2023, representing 65% total growth. The management team will describe the drivers of this success and the opportunities for further growth, including deepening relationships with private equity groups, offering funding solutions across multiple event-led situations and how their market expertise and the bespoke relationship driven approach is particularly valued by clients.

In a market with over £20 billion of lending outstanding, the long-term growth opportunity remains significant. Commercial Finance has written 4% of the ABL deals transacted in the £5 million to £50 million space since the start of 2022.

#### Specialist, relationship-led lending

Commercial Finance has adopted an integrated approach to origination and portfolio management that clients appreciate. Origination is through a relationship network of private equity firms, accountants, insolvency practices, and legal and corporate finance firms. Cost of origination is low, and the power of the relationship-led model has seen significant repeat business from over 65% of our active private equity network.

Private equity backed companies represent half of the portfolio. A benefit of supporting private equity backed companies is their access to additional capital, which helps deliver a lower cost of risk.

#### Multiple fee streams building endowment-style income model

Since 2020, total income has grown by 102% compared to lending balance growth of 65%. The Commercial

Finance business has different income streams compared to STB's other businesses. Fee income typically accounts for half of total income for Commercial Finance, and the business has a strong track record of building income per client over time, delivering an endowment style business model.

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

Commercial Finance has maintained its credit underwriting discipline, while delivering strong growth and has not increased its risk profile as the average facility size has increased over time. The portfolio's utilisation level was 55% at the end of 2023. Cost of risk has averaged 0.49% since 2014, despite the volatile macro-economic backdrop 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. Average staff numbers (full-time equivalents) increased from 29 in 2019 to 32 in 2023, supporting the operational leverage in the business.

#### **John Bevan, Managing Director, Commercial Finance, said:**

"STB's Commercial Finance business has a long-term track record of delivering growth in the Asset Based Lending market. The business has increased its loan book by 65% in the 3 years to the end of 2023 and we have an ambition to drive further loan book growth without compromising our attractive returns. With our specialist, relationship-led lending approach and a 4% share of our target market, there is plenty of opportunity to go after."

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

"Our Capital Markets event will provide insight into our Commercial Finance business and highlight the capability of this team as they continue its growth trajectory.

"Secure Trust Bank continues to deliver on its strategic priorities across all our specialist lending businesses. I remain confident in our ability to deliver the £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 including Q&A will be held today at 14:00 pm for investors and analysts and will be available via our website at <https://www.securetrustbank.com/> or on [https://brrmedia.news/STB\\_CMD](https://brrmedia.news/STB_CMD). This will be available for playback after the event. The Group will not provide an update on Vehicle Finance business at the event.

#### **Enquiries:**

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**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 had 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.

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