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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

SECURE TRUST BANK PLC

Strategic pivot to increase Group ROAE

Secure Trust Bank PLC ("STB" or the "Group"), a leading specialist lender, announces a pivot in its strategy away from Vehicle Finance that, over time, is expected to improve its Return on Average Equity ("ROAE").

The Group announces it will stop new lending within its Vehicle Finance business and put the existing book into run-off. This decision reflects the historical financial performance and medium-term outlook of the Vehicle Finance business, both on an absolute basis and relative to other parts of the Group, and its sub-scale nature.

On an unaudited pro forma basis, the impact to the Group's FY2024 financial results assuming a completed run-off and the cost actions outlined below, would be an uplift on adjusted profit before tax to £56.6m from £39.1m and an estimated 800bps increase to Group ROAE[1] before any reinvestment of released capital from the Vehicle Finance business.

The Group will continue to support its existing customers and loan portfolio in Vehicle Finance. As at 30 June 2025, the average consumer loan length outstanding was 37 months. The longest contractual loan agreement is 60 months.

Vehicle Finance generated a loss before tax pre-exceptional items of £21.8m in FY2024, and its net lending balances were £558.3m as at 31 December 2024. Vehicle Finance accounted for approximately 30% of the Group's adjusted operating costs in FY2024. The Group will streamline its cost base as the loan book runs down, enabling more than £25m of operating costs to be removed by 2030. Management has a strong record of achieving its cost reduction targets.

STB will consult with impacted colleagues, expecting 284 roles to be at risk by 2030, including 78 roles at risk in FY2025. Restructuring costs of c.£5.0m[2] are expected to be incurred. Vehicle Finance will be reported as non-core activity in the FY2025 results and thereafter.

A further update will be provided in the Group's interim results for the six months ended 30 June 2025, set to be released on 14 August 2025.

Optimising for Growth

The Group's FY2024 full year results announcement on 13 March 2025 stated that, subject to no adverse changes in the economy and trading environment, the Group was well positioned in the near term to achieve its £4 billion net lending target, at which point it is expected to be at a scale to deliver a ROAE of 14-16%.

The Group continues to make good progress against its strategic priorities of Simplify, Enhance Customer Experience and Leverage Networks during the year-to-date. This strategic progress has continued to drive our loan book growth and cost efficiencies. The Group has traded in line with management expectations in H1 2025.

Management has identified further opportunities beyond the strategic pivot announced today that are expected to enhance the Group's ROAE above the current target range over the coming years. The Group plans to increase capital allocation to its Retail Finance, Real Estate Finance and Commercial Finance businesses, which all have a strong track record of generating attractive returns.

Further details of the Group's strategic plans and updated targets will be provided in a capital markets event expected to be held in Q4 2025.

David McCreadie, Chief Executive Officer, said:

"The strategic repositioning of the Group, as we rapidly approach our £4 billion net lending target, marks another critical milestone in our Optimising for Growth strategic framework. We have made the difficult decision to stop new lending in Vehicle Finance, our lowest return business line, and to redeploy capital to our three higher returning businesses of Retail Finance, Real Estate Finance and Commercial Finance."

"This pivot will allow the Group to prioritise these established specialist businesses and achieves further simplification of the Group combined with the removal of a significant level of costs. These measures will have a material positive impact on ROAE for the Group and will position the Group to being capital accretive."

"We will be consulting with impacted colleagues to explain why this pivot in our strategy will drive the future sustainable success of the Group."

The person responsible for arranging for the release of this announcement on behalf of STB is Lisa Daniels.

Footnotes:

1. Pro forma Group ROAE has been estimated by reducing Group average equity in FY2024 by the amount of equity capital allocated to Vehicle Finance average RWAs of £441.1m. Exceptional costs of £8.4m in FY2024 related to Vehicle Finance and have been added back to Group total profit before tax. No capital reinvestment is assumed in estimating the pro forma Group ROAE.
2. Including £1.4m of accelerated 'software as a service' amortisation.

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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

STB is an established, well-funded and capitalised UK retail bank with a 72-year trading track record. Secure Trust Bank operates principally from its head office in Solihull, West Midlands. The Group's diversified lending portfolio currently will focus on two sectors:

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

The Group's medium-term targets, previously set in 2021 and revised in 2023.

Medium-term targets	2024 Actual	Target
Net lending balance	£3.6bn	£4bn
Net interest margin	5.4%	>5.5%
Adjusted[3] cost income ratio	50.9%	44-46%
Adjusted[3] return on average equity 8.0%	8.0%	14% - 16%
CET 1 ratio	12.3%	>12%

Footnotes:

3. Adjusted metrics exclude exceptional items of £9.9 million (2023: £6.5 million).

4. Performance metrics relate to continuing operations, unless otherwise stated. Further details of the metrics can be found in the Appendix to the 2024 Annual Report and Accounts.

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.

About Vehicle Finance

Vehicle Finance provides consumer lending products that are secured against the second-hand vehicle being financed. It also provides a vehicle stock funding product, which is secured against dealer forecourt used car stock; sourced from auctions, part exchanges or trade sources. Finance is provided via technology platforms, allowing Vehicle Finance to receive applications online from introducers; provide an automated decision; facilitate document production through to pay-out to dealer; and manage in-life loan accounts.

The Group's FY2024 full year results announcement on 13 March 2025 stated thatIn light of legal and regulatory developments, including the FCA's ongoing review of the historical discretionary commission arrangements ('DCA') in the motor finance market (January 2024), and the Court of Appeal's judgment (October 2024) which is currently under appeal, the Group had recognised costs of £6.9 million (£5.2 million potential redress, £1.7 million costs, of which £6.4 million was recognised as a provision) for both DCA and fixed motor finance commission structures.

Group segmental audited financial information - FY2024[5]

£'m	Retail Finance	Vehicle Finance	Real Estate Finance	Commercial Finance	Other	Group
Interest income	140.7	69.2	87.1	29.8	39.2	366.0
Interest expense	(53.9)	(21.6)	(54.5)	(17.6)	(33.5)	(181.1)
Net interest Income	**86.8**	**47.6**	**32.6**	**12.2**	**5.7**	**184.9**
Fee income	3.2	0.9	0.4	14.6	0.1	19.2
Fee expense	-	(0.1)	-	(0.1)	-	(0.2)
Operating income	**90.0**	**48.4**	**33.0**	**26.7**	**5.8**	**203.9**
Impairment charges	(13.3)	(38.7)	(4.0)	(5.9)	-	(61.9)
Other gains/(losses)	-	0.1	-	-	(0.4)	(0.3)
Fair value gains	-	-	-	-	1.2	1.2
Operating expenses	(26.1)	(31.6)	(10.0)	(8.1)	(28.0)	(103.8)
Profit/(loss) before exceptional items	**50.6**	**(21.8)**	**19.0**	**12.7**	**(21.4)**	**39.1**
Exceptional items	-	-	-	-	(9.9)	(9.9)
Profit/(loss) before income tax	**50.6**	**(21.8)**	**19.0**	**12.7**	**(31.3)**	**29.2**
Loans and advances to customers	**1,357.8**	**558.3**	**1,341.4**	**351.0**	**-**	**3,608.5**

Footnotes:

5. Per Note 3 of the Annual Report & Accounts 2024

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