

SECURE TRUST BANK FINANCIAL SERVICES

17 March 2026

STB.L

1325p

Market Cap: £253.1m

SHARE PRICE (p)



12m high/low 1,530p/420p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£471.4m (at 31/12/25)
Enterprise value	£218.3m
Index/market	LSE Main
Next news	Q1 TU - May
Shares in issue (m)	19.1
Chairman	Jim Brown
CEO	Ian Corfield
CFO	Rachel Lawrence

COMPANY DESCRIPTION

A leading retail deposit-funded specialist UK bank, providing savings and specialist lending services.

www.securetrustbank.com

SECURE TRUST BANK IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

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Good results and ambitious new targets

Secure Trust Bank's FY25 results were underpinned by 8% loan and deposit growth, with a stable net interest margin and a substantial reduction in the cost income ratio. Strong CET 1 accretion widens STB's options for growth and/or distributions to shareholders. New targets for loan growth and cost/capital efficiency, backed up by credible business plans, are aimed at delivering a 16% Return on Average Equity in FY28.

- Bold new targets backed up with a credible plan.** The appeal of the strategy reset is its simplicity and clarity. Focused on targeted growth for higher returns, STB's medium-term target for FY28 is to deliver circa 10% loan growth in the continuing businesses and a Return on Average Equity of 16%, with a CET 1 'ambition' of 13%. These are ambitious targets that are backed up with credible plans from the divisional MDs.
- Strong CET 1 generation widens options.** STB reported a 12.9% CET 1 for FY25, up 0.60% from FY24. The Consumer Vehicle Finance (VF) sale completed in February and will increase CET 1 on a pro-forma basis to 14.7%. This provides STB with the ability to fund growth and buy back shares. STB has signalled a £10m share buyback over 12 months in multiple tranches subject to PRA approval. In addition, assuming a 13.0% required CET 1 we estimate that STB will generate >£50m of surplus CET 1 in the next three years, which will create a drag on ROAE. After 'normalising' equity in line with 13.0% CET 1 we forecast an FY28 ROAE of 16.3%
- A simpler, potentially more efficient bank.** Project Fusion has delivered £8m of annualised savings and the VF sale has completed. STB is now a simpler bank and has the opportunity to be a significantly more efficient bank. STB's cost income ratio fell by 120bps to 45.2% (FY24: 46.4%).
- FY25 continuing ROAE >14%.** The continuing operations ROAE provides a glimpse of what's to come, as STB implements its updated medium-term strategy. ROAE was 14.3%, down slightly from 14.6%, largely due to one-off costs in the year relating to C-suite changes, but within the original target range (14%-16%) endorsing STB's decision to exit the VF business and focus on the growth potential in the continuing businesses.
- Valuation.** STB's shares have more than doubled over the last 12 months. Having reported a 14.3% ROAE in the continuing businesses and set out a strategy to achieve a 16% ROAE, STB still trades at just 0.7x tangible net asset value per share (FY25: 1,973p).

FYE DEC (€M)	2024	2025	2026E	2027E	2028E
Net int. margin continuing	4.7%	4.7%	4.8%	4.8%	4.9%
Risk adj. margin cont.	4.5%	4.2%	4.3%	4.5%	4.6%
PBT & excepts- continuing	60.9	59.3	63.3	82.9	100.3
Basic EPS (p) continuing	227.7	238.8	235.3	310.7	412.6
PER (x) continuing	5.8x	5.5x	5.6x	4.3x	3.2x
ROE cont. normalised	14.6%	14.3%	11.3%	13.6%	16.3%
Price/NAV per share (x)	0.71x	0.67x	0.60x	0.53x	0.47x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Summary

In a year dominated by developments in motor finance redress and provisions, Secure Trust Bank (STB) reported FY25 pre-tax profits of £59.3m for its continuing businesses, underpinned by 8.1% loan growth, matched by 8.2% deposit growth, with a stable net interest margin and a 120bps reduction in the cost income ratio. The continuing businesses return on average equity (ROAE) of 14.3% was within STB's original medium-term target range. STB announced a 35.5p dividend, up 5% from FY24, consistent with its progressive dividend policy

Project Fusion has delivered £8m of annualised savings and the Consumer Vehicle Finance (VF) sale has completed. STB is now a simpler, more efficient bank, with a pro-forma CET 1 ratio of 14.7% following completion of the VF sale. The CET 1 accretion in FY25 and going forward widens STB's options, including organic and inorganic growth, plus enhanced shareholder distributions via dividends and share buybacks.

Ian Corfield, who was appointed CEO in August 2025, set out STB's new strategic ambitions and targets. The appeal of the strategy reset is its simplicity and clarity. Focused on targeted growth for higher returns, STB's medium-term target for FY28 is to deliver circa 10% annual loan growth in the continuing businesses and a Return on Average Equity of 16% based on a 13% CET 1 ratio. STB targets a cost income ratio of between 35% and 40%. These are ambitious targets that were backed up with credible plans from the MDs of Retail Finance, Business Finance and Savings.

STB – Normalised CET1 and ROAE

£m unless stated otherwise	2025	2026E	2027E	2028E
CET 1 - reported/ forecast	364.8	399.5	444.5	512.5
CET 1% - reported/ forecast	12.9%	13.7%	13.9%	14.5%
CET 1 opening	351.4	364.8	380.1	416.1
Movements	13.4	39.7	50.0	67.9
Announced buyback	0.0	(5.0)	(5.0)	0.0
Surplus CET 1		(19.4)	(9.0)	(25.5)
CET 1 - normalised at 13%	364.8	380.1	416.1	458.5
Normalised CET 1 %	12.9%	13.0%	13.0%	13.0%
CET 1 ambition	-	13.0%	13.0%	13.0%
CET 1 requirement	-	380.1	416.1	458.5
Cumulative surplus CET 1	0.0	19.4	28.4	53.9
Average equity continuing	312.1	392.2	433.2	490.8
Average surplus equity		9.7	23.9	41.1
Average equity continuing normalised	312.1	382.5	409.3	449.7
Attributable profit continuing	44.6	43.7	56.9	75.2
Less earnings on surplus capital (4.84%)		(0.5)	(1.2)	(2.0)
ROE continuing normalised	14.3%	11.3%	13.6%	16.3%

Source: Progressive Equity Research estimates

FY26 will be a year of transition as residual VF costs are run down and STB invests in product capability to deliver the new strategic targets. This will result in a spike up in the cost income ratio to circa 47%. STB will continue to be CET 1 accretive and intends to buy back £10m of shares over 12 months, subject to PRA approval.

In addition, as we illustrate above, assuming a 13.0% required CET 1, we estimate that STB will generate over £50m of surplus CET 1 in the next three years, which will create a drag on ROAE. After ‘normalising’ equity in line with a 13.0% and applying a risk-free rate of 4.84% to estimate the reduced earnings on surplus capital, we forecast that STB will generate an FY28 ROAE of 16.3%.

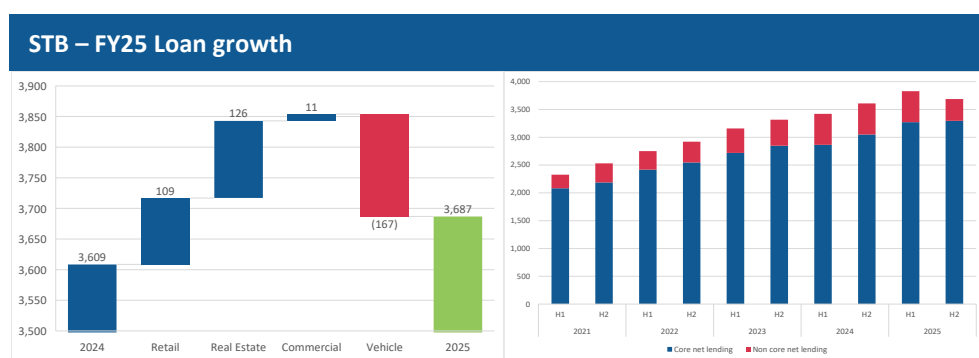
The shares have performed well, but do not, in our view, reflect STB’s new strategic ambition to deliver a 16% ROAE in 2028.

FY25 financial highlights

STB announced on 2 July 2025 its decision to cease lending in the Vehicle Finance business. Exit from the sector was turbo-charged by STB’s decision (announced 24 December 2025) to sell the Consumer VF business (which excluded the stock funding business that remained in run-off) to funds managed by LCM Partners, a leading European alternative investment fund manager. The sale completed on 25 February, generating an estimated £9m net gain on sale.

STB has, therefore, reported FY25 results on a continuing/discontinued basis, with VF now treated as a discontinued activity. STB’s continuing operations now comprise: Retail Finance; Real Estate Finance; Commercial Finance; and Other.

- **8.1% loan growth across the continuing businesses.** STB’s FY25 trading update (5 February) highlighted 8.1% year on year loan growth across the continuing businesses to £3,296m (FY24: £3,050m) driven by strong performances in Retail Finance (+8% to £1,466.5m) and Real Estate Finance (+9.4% to £1,466.9m). The Commercial Finance loan book increased by 3.2% to £362.4m. The VF (discontinued) loan book contracted by 30% to £390.8m.



Source: STB and Progressive Equity Research

- **Deposit growth in line with loan growth** Annual deposit growth of 8.2% to £3,510m (FY24: £3,245m) matched continuing operations net lending growth. After a very strong H1 25 performance (+14%), deposit balances remained stable compared with H1 levels (£3,510m) as the VF run-down reduced the need for H2 deposit growth. STB fully repaid its Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME) balances in 2025 (FY24: £230m). STB commented that 97% of customer deposits are insured under the Financial Services Compensation Scheme (FSCS).

- **Cost income ratio improvement 120bps.** The continuing business pre-tax profit was stable at £59.3m (FY24: £59.4m) underpinned by 6.2% income growth, attributable to strong loan growth and a stable net interest margin (4.7%), combined with 3.5% operating costs growth. The cost income ratio reduced by 120bps to 45.2% (FY24: 46.4%).
- **Return on Average Equity (ROAE) > 14%.** The continuing operations ROAE provides a glimpse of what's to come, as STB implements its updated medium-term strategy. ROAE was 14.3%, down slightly from 14.6% but within the original medium-term target range (14%-16%), endorsing STB's decision to exit the VF business and focus on the growth potential in the continuing businesses.
- **Cost of risk increased to 1.0% (FY24: 0.8%).** Increased cost of risk was attributable to the impact of three specific cases in Business Finance (across Real Estate and Commercial Finance) combined with a normalisation of impairment charges in Retail Finance following prior-year one-off model changes.
- **60bps CET 1 accretion in FY25.** As flagged in STB's 5 February trading update, the CET 1 ratio increased to 12.9% (FY24: 12.3%). Sale of the VF business will increase the FY25 CET 1 ratio on a pro-forma basis to 14.7%, based on the elimination of £293.2m VF credit RWAs and an estimated £9m net gain on sale.
- **Continuing EPS +4.8%.** Basic EPS continuing increased by 4.8% to 238.8p (FY24: 227.7p) and Tangible Net Asset Value per share rose by 5.8% to 1,973p (FY24: 1,864p).
- **5% dividend increase.** In line with STB's progressive dividend policy, the dividend per share was increased by 5% to 35.5p (FY24: 33.8p)

STB – FY25 financial summary (£m unless stated otherwise)

	FY24	FY25	% change
Loans and advances to customers			
Continuing operations	3,050.2	3,295.8	8.1%
Discontinued operations	558.3	390.8	-30.0%
Total loans and advances	3,608.5	3,686.6	2.2%
Customer deposits	3,244.9	3,509.6	8.2%
Continuing operations			
Net interest margin	4.7%	4.7%	-
Total operating income	155.5	165.2	6.2%
Operating expenses	72.2	74.7	3.5%
Cost income ratio	46.4%	45.2%	-120bps
Cost of risk	0.8%	1.0%	+19bps
Profit before tax	59.4	59.3	-0.2%
Return on Average Equity	14.6%	14.3%	-35bps
CET 1 capital ratio	12.3%	12.9%	+60bps
Per share data (pence)			
Basic EPS - continuing	227.7	238.8	4.8%
Basic EPS - total	103.4	94.2	-8.9%
Dividend per share	33.8	35.5	5.0%
Tangible net asset value	1,864	1,973	5.8%

Source: STB and Progressive Equity Research

Income statement: 10.1% NII growth

- **10.1% net interest income growth.** STB's net interest income increased by 10.1% to £151.1m (FY24:£137.3m) attributable to 9.5% growth in average loan balances to £3,184.3m (FY24: £2,908.4m) and net interest margin maintained at 4.7%.
- **Lower one-off termination fees in Commercial Finance.** Net fees and commission reduced by 22.5% to £14.1m (FY24: £18.2m attributable to lower one-off termination fees in Commercial Finance.
- **Impairments +£8.2m.** The elevated impairment charge was attributable to three specific cases in Business Finance. Retail Finance's impairment charge increased to £19.2m (FY24: £13.3m). Retail Finance's FY24 impairment charge was positively impacted by IFRS-9 model adjustments.
- **Operating expenses increase held at £2.5m.** Cost inflation was offset by the last phase of Project Fusion. The increase in operating expenses to £74.7 (FY24: £72.2m) was attributable to non-recurring costs associated with senior leadership changes.

STB – FY25 Income Statement

	FY24	FY25	% change
Continuing operations			
Interest income	296.8	301.8	1.7%
Interest expense	(159.5)	(150.7)	-5.5%
Net interest income	137.3	151.1	10.1%
Fee and commission income	18.3	14.1	-22.8%
Fee and commission expense	(0.1)	0.0	-
Net fee and commission	18.2	14.1	-22.5%
Total operating income	155.5	165.2	6.2%
Net impairment charge	(23.2)	(31.4)	35.3%
Gains on modification of financial assets	(0.4)	0.1	-125.0%
FV and other gains/(losses) on FI	1.2	0.1	-91.7%
Operating expenses	(72.2)	(74.7)	3.5%
Profit before tax & exceptionals	60.9	59.3	-2.6%
Exceptional items	(1.5)	0.0	-
Profit before tax	59.4	59.3	-0.1%
Profit before tax discontinued	(30.2)	(31.8)	-
Profit before tax total	29.2	27.5	-5.7%
Profit before tax total adjusted*	39.1	51.6	32.1%

Source: STB and Progressive Equity Research. *combined PBT after exceptional items

Balance sheet: +8.1% continuing businesses loan growth

- **4.8% asset growth.** Total loans and advances to customers reduced by 8.7% reflecting the VF balances transfer to held for sale. Continuing loans increased by 8.1%, attributable to strong performances in Retail Finance and Real Estate Finance.
- **New business volumes +20.6%.** New business volumes for continuing businesses increased by 20.6% to £2,145.5m (FY24: £1,779.0m). Business Finance new volumes increased by over 50% with strong growth in both Real Estate and Commercial Finance.

Retail Finance new business volumes were 9.1% higher, driven by an increased retail distribution network and additional strategic relationships.

- **Deposit growth matched continuing loan growth.** Deposit growth of 8.2% matched STB's continuing businesses 8.1% loan growth.

STB – FY25 Key Balance Sheet items

	FY24	FY25	% change
Assets			
Cash and balances at central banks	445.0	528.1	18.7%
Loans and advances to customers	3,608.5	3,295.8	-8.7%
Other assets	63.2	492.1	678.6%
Total assets	4,116.7	4,316.0	4.8%
Liabilities			
Due to banks	365.8	205.9	-43.7%
Deposits from customers	3,244.9	3,509.6	8.2%
Subordinated liabilities	93.3	93.5	0.2%
Other liabilities	52.2	132.7	154.0%
Equity	360.5	374.3	3.8%
Total liabilities and Equity	4,116.8	4,316.0	4.8%

Source: STB and Progressive Equity Research

FY25 Business Review

Retail Finance: +12% income growth

STB – Retail Finance

	Full year to 31 December		
	2024	2025	% change
Interest income	140.7	157.2	12%
Interest expense	(53.9)	(59.7)	11%
Net interest income	86.8	97.5	12%
Fee and commission income	3.2	3.7	16%
Fee and commission expense	0.0	0.0	
Net fee and commission	3.2	3.7	16%
Total operating income	90.0	101.2	12%
Net impairment charge	(13.3)	(19.2)	44%
Other gains/ losses	0.0	0.0	
FV and other gains/(losses) on FI	0.0	0.0	
Operating expenses	(26.1)	(24.3)	-7%
Profit before tax & exceptionals	50.6	57.7	14%
Exceptional items	0.0	0.0	
Profit before tax	50.6	57.7	14%
Loans	1,357.8	1,466.5	8.0%
Average loans	1,285.9	1,405.6	9.3%
Interest yield	10.9%	11.2%	+30bps
Funding cost	4.2%	4.2%	+0bps
Net interest margin	6.8%	6.9%	+10bps
Cost of Risk	1.0%	1.4%	+40bps
Risk adjusted margin	6.0%	5.8%	-20bps

Source: STB and Progressive Equity Research

- **15.5% market share (FY24: 13.6%) of new business.** New business lending increased by 9.1%, driving an increase in market share to 15.5%. STB stated that growth was focused on high-quality sectors, e.g. furniture, while maintaining a diverse retailer mix
- **Net interest margin expansion to 6.9% (FY24: 6.8%).** Net interest margin expansion combined with 9% average loans growth resulted in a 12% increase in net interest income and total operating income.
- **Risk-adjusted margin reduction reflected FY24 one-off model adjustments.** Retail Finance's risk-adjusted margin reduced to 5.8% (FY24: 6.0%), attributable primarily to an increased cost of risk to 1.4% (FY24: 1.0%) reflecting FY24 one-off risk model enhancements.

Real Estate Finance: record levels of net new lending

- **£451m new business written.** Real Estate Finance's net new lending record was achieved in a relatively subdued market.

- **12% average loans growth offset by NIM contraction.** Real Estate Finance's net interest income and total operating income increased by 5%, underpinned by 12% growth in average loan balances offset by a net revenue margin contraction to 2.4% (FY24: 2.6%), reflecting increased lending to lower-risk residential investment (representing 92.4% of the book (FY24: 88.1%).
- **Impairment increase largely relates to one legacy development case.** Impairments increased to £8.8m (FY24: 4.0m) with cost of risk increasing to 0.6% (FY24: 0.3%). The increase was attributable to a legacy case, which is nearly resolved. Average loan-to-value remains low at 57.3% (FY24: 56%).

STB – Real Estate Finance

	Full year to 31 December		
	2024	2025	% change
Interest income	87.1	92.2	6%
Interest expense	(54.5)	(58.0)	6%
Net interest income	32.6	34.2	5%
Fee and commission income	0.4	0.3	-16%
Fee and commission expense	0.0	0.0	
Net fee and commission	0.4	0.3	-16%
Total operating income	33.0	34.5	5%
Net impairment charge	(4.0)	(8.8)	120%
Other gains/ losses	0.0	0.2	
FV and other gains/(losses) on FI	0.0	0.0	
Operating expenses	(10.0)	(10.4)	4%
Profit before tax & exceptionals	19.0	15.5	-18%
Exceptional items	0.0	0.0	
Profit before tax	19.0	15.5	-18%
Loans	1,341.4	1,466.9	9%
Average loans	1,269.5	1,417.2	12%
Interest yield	6.9%	6.5%	-40bps
Funding cost	4.3%	4.1%	-20bps
Net interest margin	2.6%	2.4%	-20bps
Net revenue margin	2.6%	2.4%	-20bps
Cost of risk	0.3%	0.6%	+30bps
Risk adjusted margin	2.3%	1.8%	-50bps

Source: STB and Progressive Equity Research

Commercial Finance: Doubling of new business

- **Net lending balances of £362.4m.** Year-end and average loan balances increased by 3% and 2%, respectively. Combined with some net interest margin contraction, this resulted in a small decline in net interest income.
- **Lower one-off termination fees** compared with FY24. Income from one-off termination fees were lower than in FY24, reducing the net revenue margin to 6.1% (FY24: 7.6%).
- **Lower cost of risk.** Cost of risk reduced to 0.9% (FY24: 1.7%) but remains elevated by the impact of one specific case in the portfolio.

STB – Commercial Finance

	Full year to 31 December		
	2024	2025	% change
Interest income	29.8	27.6	-7%
Interest expense	(17.6)	(15.5)	-12%
Net interest income	12.2	12.1	-1%
Fee and commission income	14.6	10.1	-31%
Fee and commission expense	(0.1)	0.0	
Net fee and commission	14.5	10.1	-30%
Total operating income	26.7	22.2	-17%
Net impairment charge	(5.9)	(3.4)	-42%
Other gains/ losses	0.0	0.0	
FV and other gains/(losses) on FI	0.0	0.0	
Operating expenses	(8.1)	(7.8)	-4%
Profit before tax & exceptionals	12.7	11.0	-13%
Exceptional items	0.0	0.0	
Profit before tax	12.7	11.0	-13%
Loans	351.0	362.4	3%
Average loans	353.0	361.5	2%
Interest yield	8.4%	7.6%	-80bps
Funding cost	5.0%	4.3%	-70bps
Net interest margin	3.5%	3.3%	-20bps
Net revenue margin	7.6%	6.1%	-150bps
Cost of risk	1.7%	0.9%	-80bps
Risk adjusted margin	5.9%	5.2%	-70bps

Source: STB and Progressive Equity Research

FY26 guidance: a transitional year

STB management describes FY26 as a transitional year to launch new product initiatives and to deliver an accelerated cost-reduction programme that will ultimately deliver STB's revised strategic ambition of a 35%-40% cost income ratio. STB is therefore guiding to a 47% cost income ratio. FY26 guidance is as follows:-

- **Net lending:** 8%-10% growth
- **Risk Adjusted Margin:** circa 10bps improvement (FY25 was 4.2%)
- **Costs:** Cost income ratio circa 47%
- **Capital:** CET 1 ratio c.13.5%
- **Distributions:** Progressive dividend policy maintained and intends to initiate a share buyback programme
- **Discontinued activities:** Breakeven at the pre-exceptional PBT level

Beyond FY26: targeted growth for higher returns

Ian Corfield became CEO of STB in August 2025. Since then, STB's Consumer VF business has been sold and a number of changes and new appointments have been made to STB's senior management. The strategy reset presentation was the new CEO's first opportunity to fully engage with investors and analysts. The appeal of the strategy reset is its simplicity and clarity. Focused on targeted growth for higher returns, STB's medium-term target for FY28 is to deliver circa 10% annual loan growth in the continuing businesses and a Return on Average Equity of 16%.

There are three pillars to the revised strategy: product expansion, effective digital solutions and capital discipline. Each division elaborated on their plans in these areas.

Retail Finance – a fintech within a bank

- **Product expansion.** Retail Finance, has a 15.5% market share and is the third largest player in an addressable market of circa £9-11bn. There is significant headroom for growth. The business has a high market share in the furniture and jewellery sectors, with medium shares in healthcare and leisure. It has a low market share in home improvements, a sector with a £3bn addressable market. STB sees the sector as a large investable opportunity with a similar risk profile to furniture and jewellery.
- **Effective digital solutions.** Investment in eligibility checker technology will enable consumers to apply for credit with confidence, and retailers to upsell.
- **Capital discipline.** STB highlighted that the home improvements market's similar credit profiles with 10+ year tenors will drive sustainable growth and high returns.

Business Finance – significant opportunities in adjacent segments

- **Product expansion.** Given the size of the addressable market, a marginal increase in STB Business Finance's current market share would have a profound financial impact. STB Business Finance currently has loan balances of c.£1.9bn in an addressable market of ~£70bn. STB has additionally identified the Bridging Finance and Speciality Finance sectors as having significant potential with addressable markets of £18-20bn.
- **Effective digital solutions.** Developing the loan submission portal and increasing operational efficiencies will support entry into the Bridging Finance and Speciality Finance sectors
- **Capital discipline.** Bridging Finance and Specialty Finance offer predictable income in higher returning segments.

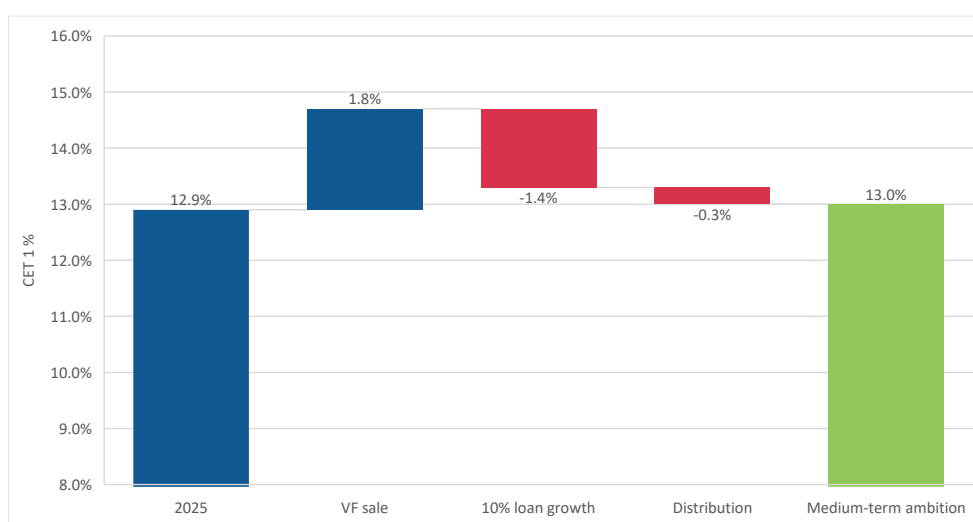
Savings – 0.2% share of a £2.1tn UK household savings market

- **Product expansion.** There is an immediate opportunity to gain share of savings resulting from the increase in FSCS insurance limits from £85k to £120k. STB sees substantial potential in the £300bn deposit pools of charities and educational institutions.
- **Effective digital solutions.** Continual improvement in the digital proposition will drive greater customer self-service for scalable growth.
- **Capital discipline.** Improving the customer relationship and loyalty will facilitate growth of a stronger funding base at a lower cost.

The risk guiderails that will be applied are:

- Strong capital base, with a new circa 13.0% CET 1 medium-term ambition combined with a robust capital allocation framework. STB outlined its capital allocation process, alighting on the optimal mix of investing in higher-returning continuing divisions and enhancing dividends or share buybacks where appropriate. STB’s FY25 CET 1 ratio was 12.9%, and 14.7% on a pro forma basis including the estimated £9m VF net gain on sale and £293.2m of risk-weighted assets reduction. STB estimates (illustrated below) that the 1.7% buffer above its new 13% ambition would fund 10% annual loan growth (reducing CET 1 by 1.4%) and a £10m share buyback (a further 0.3% reduction), bringing the CET 1 down to its new medium-term target of 13%.

STB – CET 1 capital allocation illustration



Source: STB and Progressive Equity Research

- Maintain risk-adjusted margins (RAM) through credit discipline and credit insights
- Stable RWA mix for sustainable returns
- High operating leverage with lower cost income ratio improving cost to income jaws

FY26/27E revisions and new FY28E

Continuing operations

- FY26E.** Loan growth rates are unchanged – we forecast continuing loan book growth of 9% to £3,592.4m. We forecast income of £181.8m (unchanged) and, slightly above STB’s guidance, a 47.9% cost income ratio. Cost of risk is forecast at 0.9% compares with 1.0% in FY25, which was impacted by a small number of isolated issues in Business Finance.
- FY27E.** We forecast loan growth of 9.4% to £3,931.7m. Income of £199.6m is unchanged and we forecast a reduction in the cost income ratio to 43.6% from 47.9% in FY26E. Cost of risk is forecast to fall further to 0.8%.
- FY28E new forecast.** 10% loan growth to £4,324.9m with net interest margin at 4.9% and cost of risk held at 0.8%. Income growth of a 11.8% and a 39.8% cost income ratio (within management’s 35%-40% target range) results in a PBT forecast of £100.3m.

STB – Continuing operations F26/27E revisions and new FY28E

	Previous			Revised			New FY28	Change (%)		
	FY25E	FY26E	FY27E	FY25	FY26E	FY27E		FY25	FY26E	FY27E
Net loans										
Retail Finance	1,466.4	1,587.3	1,761.9	1,466.5	1,598.5	1,758.3	1,934.2	0%	1%	0%
Real Estate Finance	1,467.4	1,607.5	1,784.4	1,466.9	1,598.9	1,742.8	1,917.1	0%	-1%	-2%
Commercial Finance	362.0	405.5	450.2	362.4	395.0	430.6	473.6	0%	-3%	-4%
Total net loans	3,295.8	3,600.4	3,996.5	3,295.8	3,592.4	3,931.7	4,324.9	0%	0%	-2%
Net interest income	150.6	164.6	178.8	151.1	166.4	182.5	204.1	0%	1%	2%
Fees and commissions	15.3	17.6	20.2	14.1	15.4	17.1	18.8	-8%	-12%	-15%
Total operating income	165.8	182.2	198.9	165.2	181.8	199.6	223.0	0%	0%	0%
Net impairments charge	(30.0)	(27.0)	(27.3)	(31.4)	(31.4)	(29.7)	(34.0)	5%	16%	8%
Operating expenses	(72.4)	(72.0)	(72.4)	(74.7)	(87.1)	(87.1)	(88.6)	3%	21%	20%
Other				0.2						
Profit before tax and exceptionals	63.4	83.2	99.2	59.3	63.3	82.9	100.3	-7%	-24%	-16%
Exceptionals	-	-	-	-	(5.0)	(7.0)		na	na	na
Profit before tax	63.4	83.2	99.2	59.3	58.3	75.9	100.3	-7%	-30%	-24%
Income tax	(13.7)	(20.8)	(24.8)	(14.7)	(14.6)	(19.0)	(25.1)	7%	-30%	-24%
Profit after tax	49.7	62.4	74.4	44.6	43.7	56.9	75.2	-10%	-30%	-24%
Net interest margin	4.7%	4.7%	4.7%	4.7%	4.8%	4.8%	4.9%	+5bps	+9bps	+13bps
Cost income ratio	43.7%	39.5%	36.4%	45.2%	47.9%	43.6%	39.8%	+153bps	+840bps	+724bps
Cost of risk	0.9%	0.8%	0.7%	1.0%	0.9%	0.8%	0.8%	+5bps	+13bps	+7bps

Source: Progressive Equity Research estimates

Discontinued operations

- **FY26E.** VF sale completion in February FY26. We forecast a modest profit after exceptionals (estimated £9m gain on VF sale).

STB – Discontinued operations F26/27E revisions and new FY28E

	Previous			Revised			New FY28	Change (%)		
	FY25E	FY26E	FY27E	FY25	FY26E	FY27E		FY25	FY26E	FY27E
Net loans										
Vehicle Finance	391.0	320.0	262.4	390.8	0.0	0.0	0.0	0%	-100%	-100%
Other										
Total net loans	391.0	320.0	262.4	390.8	0.0	0.0	0.0	0%	-100%	-100%
Net interest income	44.7	33.1	26.6	47.5	-	-	-	6%	-100%	-100%
Fees and commissions	0.7	0.8	0.9	0.8	1.5	-	-	19%	94%	-100%
Total operating income	45.4	33.9	27.5	48.3	1.5	-	-	6%	-96%	-100%
Net impairment charge	(26.5)	(13.7)	(10.8)	(26.6)	-	-	-	0%	-100%	-100%
Operating expenses	(31.7)	(31.5)	(31.7)	(29.5)	(7.0)	-	-	-7%	-78%	-100%
Other	-	-	-							
Loss before tax and exceptionals	(12.8)	(11.3)	(14.9)	(7.8)	(5.5)	-	-	-39%	-51%	-100%
Exceptionals	(25.0)	-	-	(24.1)	9.0	-	-			
Profit/(loss) before tax	(37.8)	(11.3)	(14.9)	(31.9)	3.5	-	-	-16%	-131%	-100%
Income tax	4.6	2.8	3.7	4.8	(0.9)	-	-			
Loss after tax	(33.2)	(8.5)	(11.2)	(27.1)	2.6	-	-	-18%	-131%	-100%
Net interest margin	9.3%	9.2%	9.1%	9.1%	0.0%	0.0%	0.0%	-19bps	-920bps	-914bps
Cost of risk	5.53%	3.80%	3.70%	5.12%	0.00%	0.00%	0.00%	-41bps	-380bps	-370bps

Source: Progressive Equity Research estimates

STB combined operations

- **FY26E.** Combined PBT of £61.8m compared with previous forecast of £71.9m. EPS (continuing) of 235.3p versus previous forecast of 258.7p.
- **FY27E.** Pre-tax and exceptionals profit forecast of £75.9m is 10% below prior forecasts. EPS (continuing) of 310.7p per share compares with previous forecast of 335.1p.
- **FY28E new.** 10% loan growth to £4,324.9m with net interest margin at 4.9% and cost of risk held at 0.8%. Income growth of a 11.7% and a 39.8% cost income ratio (within management's 35%-40% target range) results in a PBT forecast of £100.3m

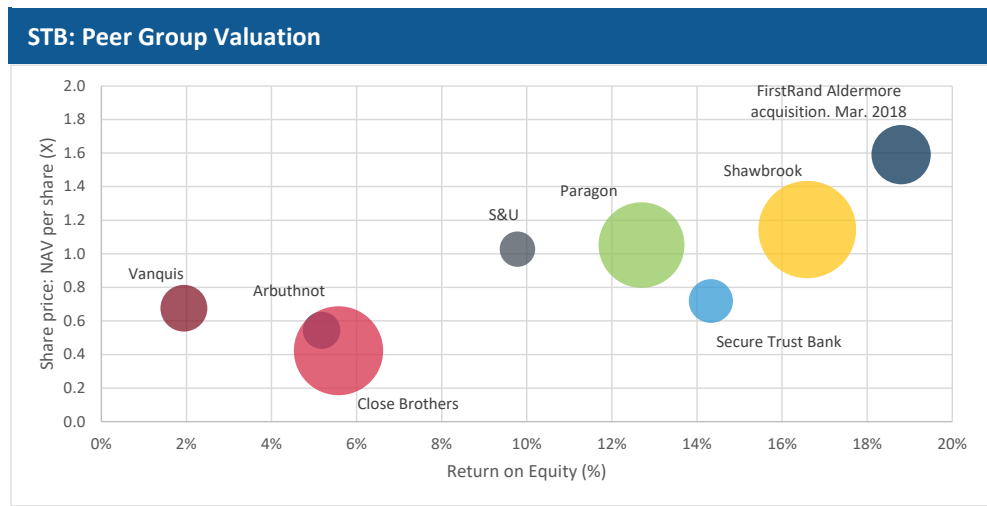
STB – Combined operations F26/27E revisions and new FY28E

	Previous			Revised			New FY28	Change (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E		FY25	FY26E	FY27E
Net loans										
Retail Finance	1,466.4	1,587.3	1,761.9	1,466.5	1,598.5	1,758.3	1,934.2	0%	1%	0%
Real Estate Finance	1,467.4	1,607.5	1,784.4	1,466.9	1,598.9	1,742.8	1,917.1	0%	-1%	-2%
Commercial Finance	362.0	405.5	450.2	362.4	395.0	430.6	473.6	0%	-3%	-4%
Continuing operations	3,295.8	3,600.4	3,996.5	3,295.8	3,592.4	3,931.7	4,324.9	0%	0%	-2%
Vehicle Finance	391.0	320.0	262.4	390.8	0.0	0.0	0.0	0%	-100%	-100%
Total net loans	3,686.8	3,920.4	4,258.9	3,686.6	3,592.4	3,931.7	4,324.9	0%	-8%	-8%
Net interest income	195.3	197.7	205.4	198.6	166.4	182.5	204.1	2%	-16%	-11%
Fees and commissions	15.9	18.3	21.1	14.9	16.9	17.1	18.8	-6%	-8%	-19%
Total operating income	211.2	216.0	226.5	213.5	183.3	199.6	223.0	1%	-15%	-12%
Net impairment charge	(56.5)	(40.7)	(38.1)	(58.0)	(31.4)	(29.7)	(34.0)	3%	-23%	-22%
Operating expenses	(104.1)	(103.4)	(104.1)	(104.2)	(94.1)	(87.1)	(88.6)	0%	-9%	-16%
Other	-	-	-	0.2	-	-	-			
Profit before tax and exceptionals	50.6	71.9	84.3	51.5	57.8	82.9	100.3	2%	-20%	-2%
Exceptionals	(25.0)	-	-	(24.1)	4.0	(7.0)	-	na	na	na
Profit before tax	25.6	71.9	84.3	27.4	61.8	75.9	100.3	7%	-14%	-10%
Income tax	(9.1)	(18.0)	(21.1)	(9.9)	(15.5)	(19.0)	(25.1)	8%	-14%	-10%
Profit after tax	16.5	53.9	63.2	17.5	46.4	56.9	75.2	6%	-14%	-10%
Basic EPS (p) total	86.1	280.6	327.3	94.2	249.4	310.7	412.6	9%	-11%	-5%
Basic EPS (p) continuing	223.9	258.7	335.1	238.8	235.3	310.7	412.6	7%	-9%	-7%
Dividend per share (p)	35.4	37.2	39.1	35.5	37.3	39.1	41.1	0%	0%	0%
CET1 (%)	12.7%	13.6%	14.5%	12.9%	13.7%	13.9%	14.5%	+23bps	+2bps	-65bps
TNAV per share	1,918.6	2,165.1	2,454.9	1,972.7	2,195.1	2,480.8	2,846.6	3%	1%	1%

Source: Progressive Equity Research estimates

Valuation – peer group comparison

STB’s share price has more than doubled over the last 12 months. Having reported a 14.3% return on average equity (ROAE) in the continuing businesses and setting out a strategy to achieve a 16% ROAE, STB still trades at around 0.7x tangible net asset value per share (FY25: 1,973p). The peer group comparison below would indicate that as STB moves towards its 16% ROAE target, its shares should continue to rerate up to tangible book value per share and beyond.



Source: Progressive Equity Research estimates

Financial Summary: Secure Trust Bank

Year end: December (£m unless shown)

	2024	2025	2026E	2027E	2028E
PROFIT & LOSS					
Net interest income	137.3	151.1	166.4	182.5	204.1
Total operating income	155.5	165.2	181.8	199.6	223.0
Net impairment charge	(23.2)	(31.4)	(31.4)	(29.7)	(34.0)
Operating expenses	(72.2)	(74.7)	(87.1)	(87.1)	(88.6)
PBT & excepts- continuing	60.9	59.3	63.3	82.9	100.3
PBT continuing	59.4	59.3	58.3	75.9	100.3
Basic EPS (p) total	103.4	94.2	249.4	310.7	412.6
Basic EPS (p) continuing	227.7	238.8	235.3	310.7	412.6
Dividend per share (p)	33.8	35.5	37.3	39.1	41.1
CASH FLOW & BALANCE SHEET					
Loans and advances to customers	3,050.2	3,295.8	3,592.4	3,931.7	4,324.9
Total assets	4,116.7	4,316.0	4,202.4	4,570.9	4,995.4
Deposits from customers	3,244.9	3,509.6	3,784.9	4,087.6	4,414.7
Total liabilities	3,756.2	3,941.7	3,792.2	4,114.6	4,470.0
Equity	360.5	374.3	410.2	456.3	525.4
CET 1 capital	351.4	364.8	399.5	444.5	512.5
Total RWAs	2,855.7	2,827.5	2,923.8	3,201.0	3,527.3
CET 1 ratio (%)	12.3%	12.9%	13.7%	13.9%	14.5%
Total capital ratio (%)	14.6%	15.1%	15.8%	15.9%	16.3%
Cash and cash equivalents closing	469.0	564.9	593.1	622.8	653.9
NAV AND RETURNS					
Net Asset Value (NAV)	360.5	374.3	410.2	456.3	525.4
NAV per share (pence)	1,890	2,000	2,223	2,509	2,874
Tangible NAV (TNAV)	355.5	369.2	405.1	451.2	520.3
TNAV per share (pence)	1,864	1,973	2,195	2,481	2,847
ROE cont. normalised	14.6%	14.3%	11.3%	13.6%	16.3%
ROE continuing	12.2%	12.0%	11.1%	13.1%	15.3%
METRICS (%)					
Net int. margin continuing	4.7%	4.7%	4.8%	4.8%	4.9%
Risk adj. margin cont.	4.5%	4.2%	4.3%	4.5%	4.6%
Yield on average loans continuing	9.7%	9.2%	9.3%	9.3%	9.3%
Cost to income ratio continuing	46.4%	45.2%	47.9%	43.6%	39.8%
Cost of risk continuing	0.8%	1.0%	0.9%	0.8%	0.8%
Basic EPS growth total	(20.2%)	(8.9%)	164.8%	24.6%	32.8%
Basic EPS growth continuing	84.1%	4.8%	(1.5%)	32.0%	32.8%
VALUATION					
PER (x) - total	12.86	14.1	5.3	4.30	3.21
PER (x) continuing	5.82	5.5	5.6	4.3.6	3.21
Price/NAV per share (x)	0.7075	0.6670	0.6061	0.5354	0.4647
Price/ TNAV per share (x)	0.7176	0.6771	0.6062	0.5354	0.4747
Dividend yield (%)	2.6%	2.7%	2.8%	3.0%	3.1%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

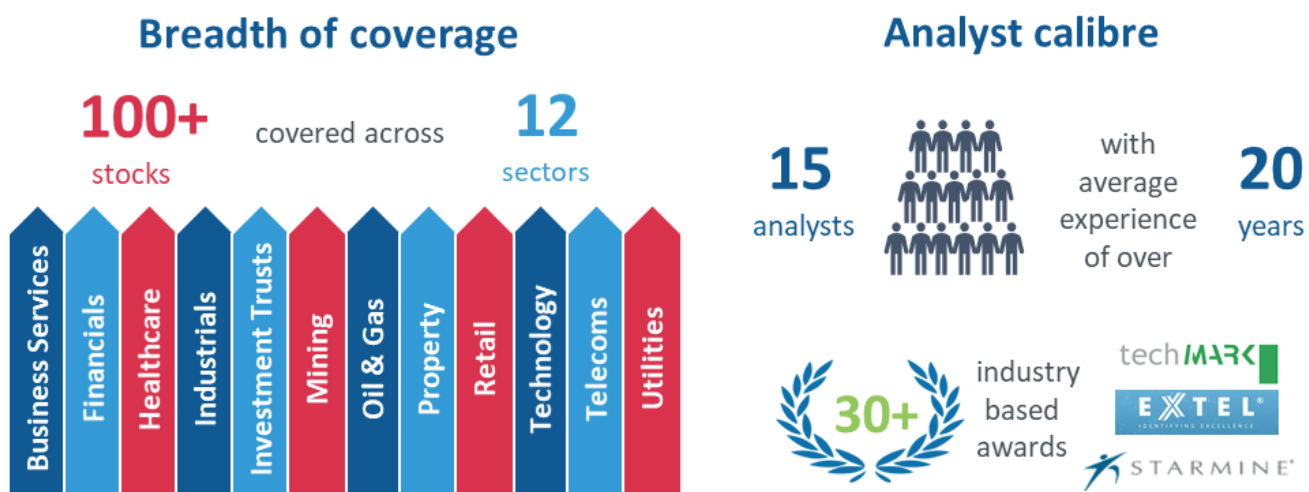
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