Secure Trust Bank

FY22 results and outlook

Lower-risk growth strategy delivers profit beat

Banks

Secure Trust Bank (STB) beat expectations in FY22 as it continued its strategy of growing exposure to prime lending products and utilising its proprietary technology. Driven by prime lending growth, operating income from continuing operations rose 14% to £169.6m which, combined with the ongoing cost efficiency programme, led to 28% pre-impairment PBT growth. PBT from continuing operations fell to £39.0m (£55.9m) as impairments normalised following one-off releases which benefited STB in FY21. STB shows positive signs of increasing its market share in the prime lending segment, which we reflect in our FY23 and FY24 forecasts.

Year end	Operating income (£m)	PBT** (£m)	EPS*** (p)	DPS (p)	P/E (x)	Yield (%)
12/21*	148.9	55.9	239.4	61.1	2.7	9.5
12/22	169.6	39.0	174.7	45.1	3.7	7.0
12/23e	189.3	44.4	167.0	41.7	3.8	6.5
12/24e	204.8	52.0	200.1	50.0	3.2	7.8

Note: *FY21 numbers are restated. **PBT from continuing operations. ***Fully diluted.

Driven by simplification and tech integration

STB achieved performance above expectations in FY22 despite shifting to lower-yielding lending. It began de-risking its loan book several years ago and management is now focused on simplifying the business. STB is also improving its operational systems and customer interaction using proprietary technology. The bank's V12 platform technology provides highly efficient lending solutions to its Consumer Finance clients and it has introduced new electronic documentation technology in its Real Estate Finance segment.

Growth set to accelerate in FY24

FY22 was another year of strong growth, with operating leverage driving pre-impairment profit from continuing operations up 28% y-o-y. So far, there is no evidence of a deterioration in arrears. We raise our FY23 EPS estimate by 2% based on increased lending in the prime segment, while we assume the cost of risk will remain flat at 1.4% in both FY23 and FY24. We introduce FY24 forecasts, which show double-digit growth as impairments remain flat against FY23 estimates.

Valuation: 0.31x P/BV based on FY24 estimates

Based on our assumptions for FY24, STB trades at 0.31x price to book (P/BV) and remains undervalued compared to peers in a modestly valued sector. Based on the peer trend line (Exhibit 22), STB should be trading at c 0.45x P/BV to be fairly valued compared to peers. This represents an upside of 45%. If STB achieves its medium-term return on equity (ROE) target of 14–16%, we expect the shares to trade much closer to book value.

17 May 2023

Price	**642p**
Market cap	**£120m**

Common equity tier 1 (CET1) ratio	14.0%
Shares in issue	18.7m
Free float	89.2%
Code	STB
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(4.8)	(13.2)	(39.2)
Rel (local)	(3.5)	(10.1)	(40.7)
52-week high/low		1,325p	624p

Business description

Secure Trust Bank is a well-established specialist bank addressing niche markets within consumer and commercial banking.

Next events

AGM	18 May 2023

Analysts

Rob Murphy +44 (0)20 3077 5700

Armando Hoxha +44 (0)20 3077 5700

financials@edisongroup.com

Edison profile page

Secure Trust Bank is a research client of Edison Investment Research Limited

Investment summary

Company description

Based in Solihull, Secure Trust Bank (STB) is a leading specialist lender founded in 1952 and part of the Arbuthnot Banking Group from 1985 to 2016. Since inception, the bank has continued to expand through organic lending growth and selective acquisitions. With relatively new management, CEO David McCreadie (appointed on 5 January 2021) and CFO Rachel Lawrence (appointed on 23 September 2020), STB is implementing a lower-risk growth strategy and efficiency improvements to increase its long-term sustainable profitability. Over the last few years STB has been undergoing a simplification process by selling non-core business, including Debt Management Services (sold during 2022), allowing the group to be a more focused specialist lender. Presently, it provides financing services through two divisions: Consumer Finance and Business Finance. Within Consumer Finance, STB provides lending services in retail finance and vehicle finance. Business Finance incorporates Real Estate and Commercial Finance. In FY22, STB achieved record levels of new lending of £2.1bn (FY21: £1.4bn) through the utilisation of its in-house technology and its expanded partnership network. It has been listed on the LSE Main Market since October 2016 (initially on AIM in 2011 as part of the Arbuthnot Banking Group).

Financials

Operating income has grown with the size of STB's lending book. Since FY15, the bank has grown its lending balance three times to £2.92bn and operating income by 2.3x to £169.9m. Despite its strong historical growth, STB is not immune to macroeconomic headwinds and, as the current economic climate remains challenging, we expect lending growth to slow in FY23 and FY24. In Consumer Finance, we forecast that lending will grow by 14.9%in FY23 and 12.8% in FY24, while in Business Finance we expect loan growth of 3.2% in FY23 and 4.2% in FY24. We expect impairments to increase further in FY23 given the weak economic outlook. We now forecast a 17% increase in impairments in FY23 to £44.5m (FY22: £38.2m) or 1.4% of loans, and then to remain flat at 1.4%% of loans in FY24. This leads to our forecast of 14% growth in FY23 PBT to £44.4m and further growth of 17% in FY24 to £52.0m.

Valuation

Recent fear regarding stability in the financials industry has depressed the valuations of companies in this sector, particularly banks. At its current share price of 642p, STB trades at 0.32x P/BV. Based on our peer comparison, a fair value assumption would be for STB to trade at 0.45x P/BV, representing a 45% uplift from the current trading price to c 931p.

Sensitivities

We identify the two key sensitivities to earnings to be Consumer Finance loan growth and overall impairment charges. Consumer Finance is a short-duration product and is therefore more sensitive to changes in loan demand and loan origination. This segment also generates the highest risk-adjusted revenue margin. Overall impairments are the second swing factor which is sensitive to the ability of borrowers to repay loans. Our analysis shows that a 5% decrease in Consumer Finance lending would reduce our FY23 and FY24 continuing PBT estimates by 18.4% and 22.0%, respectively. Meanwhile, a 10% increase in impairment reduces our FY23 and FY24 continuing PBT estimates by 10.0% and 9.3%. Additionally, STB may face some margin pressure from rising funding costs. It currently offers a weighted average of 4.2% on deposits (versus an average of 1.9% in FY22) and recently issued £90m in 10.5-year 13% fixed-rate callable subordinated notes in

February 2023. STB expects to offset most of this by passing through interest rate increases which have been subject to a lag in Consumer Finance.

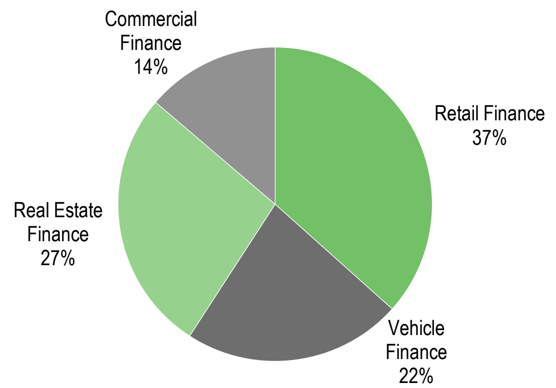
Shifting lending into lower risk but higher growth

In the last few years, STB has focused on shifting its lending towards prime customers, with loan products that are lower yielding and which, in turn, tend to be lower risk. Although the transition to lower-risk lending has been taking place gradually, CEO David McCreadie and CFO Rachel Lawrence have made clear their ambitions to be a growth-orientated, prime lending bank. We highlight that although the bank continues to increase its prime lending activities, it is not exclusively focused on prime lending.

After the disposal of several divisions, STB's business model has been simplified to comprise four segments: Retail Finance, Vehicle Finance (grouped into Consumer Finance), Real Estate Finance and Commercial Finance (grouped into Business Finance).

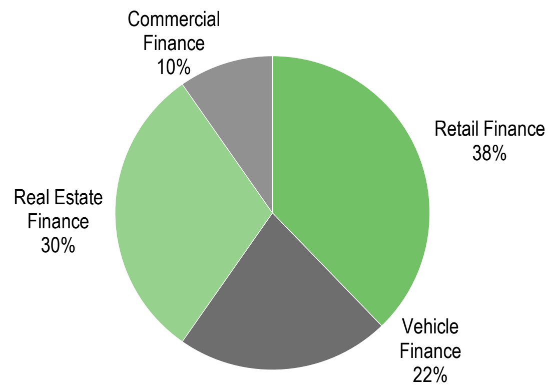
Exhibits 1 and 2 highlight the changes in STB's distribution of revenue. The contribution from Vehicle Finance remained flat, although lending balances increased by 42%. Vehicle Finance also has the highest revenue margin (12.4%) of all the divisions. The contribution from Real Estate Finance fell by 3% to 27%, while Commercial Finance increased to 14%, a 4% change, as business activity rebounded from depressed COVID-19 levels. Retail Finance decreased marginally to 37% and revenue margins dropped to 7.2% (from 8.2%) as the group shifted to lower-yielding lending.

Exhibit 1: FY22 revenue make-up



Source: Secure Trust Bank, Edison Investment Research

Exhibit 2: FY21 revenue make-up



Source: Secure Trust Bank, Edison Investment Research

Consumer Finance: A shift towards prime lending

STB's Retail Finance division contributed 37% or £78m (FY21: £68m) to FY22 group revenues (the total of gross interest income and fees and commissions). Core to this division is STB's utilisation of the V12 Retail Finance platform, which it uses to integrate with its retail partners to provide finance offerings that help consumers purchase lifestyle goods and services.

In FY22, new business grew 46% to £1.12bn (FY21: £0.77bn), driving lending balances to £1.05bn (FY21: £0.77bn). Furniture and jewellery now represent c 65% of the lending portfolio.

STB's retail network is the core of its distribution strength. During the year, the group increased its retail partnerships to more than 1,500 (c 1,200 in November 2021). As a result, the business extended its market share in Retail Finance to 11.4% (from 8.4%) and it serves c one million active customers. Management states that it expects to gain profitable market share following the exit of the number two competitor from the point-of-sale credit market.

Over the past few years, STB has shifted its lending mix to focus on lower-risk, interest-free credit to prime credit quality borrowers (typically higher-income earners with a higher proportion of home ownership compared to near-prime customers). Although consumers in the prime retail finance market do not need credit to make their purchases, in reality the cost of offering the product on credit is already priced in by the retailer; customers simply choose to spread the cost over a defined period, interest-free. Roughly 90% of new lending is now interest-free. As the turnover of the retail book is of relatively short duration, we can assume that most of the lending book in Retail Finance is now prime and interest-free. With the focus on prime customers, the cost of risk remains at historical lows in Retail Finance despite economic headwinds.

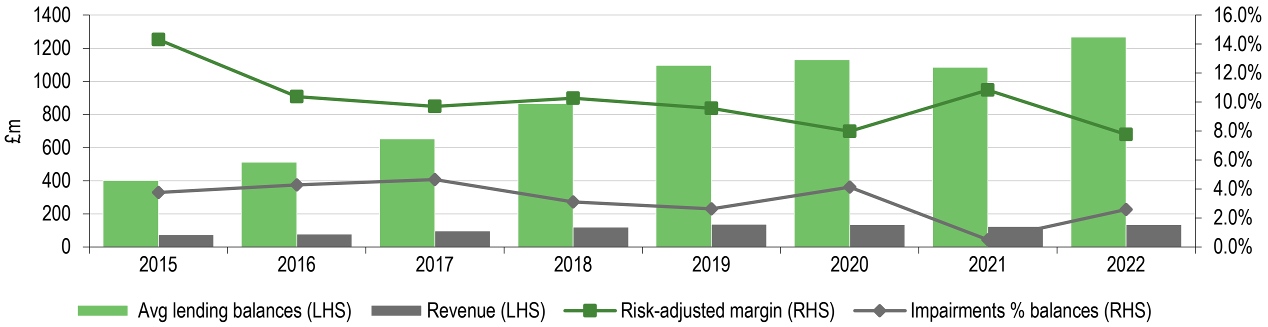
In May 2022, STB completed the acquisition of AppToPay, a technology platform that offers interest-free credit for lower-priced items over short durations. AppToPay is an extension of STB's plan to be increasingly integrated with technology and will help it expand in the Buy Now Pay Later (BNPL) market. The app has now been integrated into the internal V12 platform and is being trialled with 30 retail partners. Credit checks and affordability assessments will be carried out on customers who apply through the app. The acquisition of the platform reflects STB's strategy to enhance its digital platforms, improving its speed of its offering, increasing the margin and reducing costs.

Vehicle Finance offers lending services to customers who purchase vehicles from dealers and to dealers which use credit to purchase their stock. All lending remains secured against the vehicle being purchased. As a part of STB's plan to modernise its operations, for more than two years it has been upgrading the V12 Vehicle Finance platform to expand its lending capabilities, particularly in prime lending. New vehicle finance business grew by 101% in FY22 to £0.4bn (FY21: £0.2bn), mainly due to its dealer network expansion and new product offering. Total lending balances in the year increased by 42% to £0.37bn (FY21: £0.26bn), contributing £48m (£39.3m) in revenues. Impairment charges increased significantly to £21.3m (FY21: £0.1m) following the significant increase in new lending and normalisation of impairment charges following unusual releases in FY21 due to COVID-19.

In 2022, Vehicle Finance increased its dealer network to more than 450 partnerships (from 289 at end FY21), providing a strong platform for growth in FY23. Vehicle finance on the new platform is currently only offered to prime customers. Ongoing developments in technology are underway to serve near-prime customers. Combined with its growing dealer partnerships, serving near-prime customers will provide Vehicle Finance with more opportunities to expand its business. In total, prime lending accounted for 24% (FY21: 7%) of new lending for the year. Market share for vehicle finance increased to 1.1% in the year (FY21: 0.7%).

Exhibit 3 shows the development of Consumer Finance revenues, average lending balances and risk-adjusted margin (revenues-impairments)/average lending). Over time, the risk-adjusted margin has decreased as STB exited some higher-risk business lines and moved to underwriting more prime customers. Although lower return, from an asset risk-adjusted revenue margin point of view, this focus allows more scale and efficiency. Heightened margins in FY21 represent an irregular event where impairment charges were abnormally low due to releases following over-provisioning in the year prior.

Exhibit 3: Consumer Finance – lending balances and revenue



Source: Secure Trust Bank, Edison Investment Research

Business Finance: Navigating macroeconomic headwinds

Real Estate Finance provides lending to professional landlords and developers who are seeking to improve and expand their real estate portfolio. All lending has first charge security over the property asset. Real Estate Finance contributed 27% or £57.7m (FY21: £54.8m) to group revenues in FY22.

New lending for the year grew marginally by 2.2% to £384.5m (FY21: £376.1m), reaching a record for the division. There was higher prepayment activity than expected, although early repayments decreased in H222 as new business slowed, resulting from a persistent inflationary environment and associated higher interest rates. The increases in lending were mainly in residential investments as the group shifted away from development. As interest rates continued to rise in H222, STB focused on helping existing customers manage risk as borrowers became more interest rate sensitive. Total lending balances remained broadly flat at £1.12bn (£1.11bn), while impairment charges increased to £1.3m (FY21: £0.1m).

At end FY22, STB had a collateralised loan book with an average loan to value (LTV) of 56.6% comfortably within its policy of lending at a maximum LTV of 75%, reducing inherent credit risk. At year-end, the lending portfolio consisted of 85% in residential investment facilities and only 15% for development.

To align further with the company's goal of continuing to streamline the business, it introduced electronic documentation execution to improve customer interaction and reduce costs. As macroeconomic uncertainty has continued to settle, STB notes that the pipeline in business opportunity is steadily increasing again.

Commercial Finance contributed £29.3m to revenues in FY22. The division provides working capital finance to UK small and medium-sized enterprises (SMEs) and funds strategic corporate activities. Lending is secured mainly against receivables. The invoice discounting facility will typically fund up to 90% of qualifying invoices. Built organically, the division is run by experienced bankers that have specialised skills in underwriting and work closely with partners in private equity and accounting practices. Contrary to its other lending facilities, in Commercial Finance, SMEs are provided with a revolving credit facility. These credit lines are drawn down often in periods of economic uncertainty.

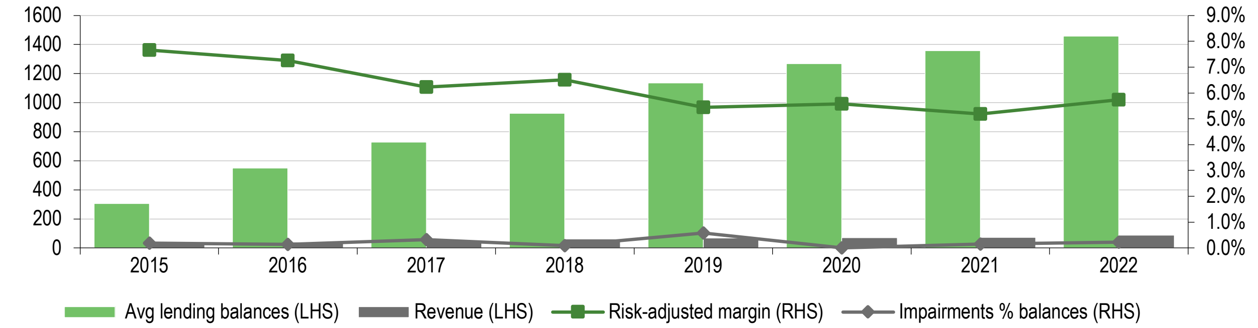
New lending increased by 68% in FY22 to £157m (FY21: £94m) as the group won new clients and increased existing client utilisation as businesses began recovering from the pandemic. Lending balances experienced strong growth, reaching £376m at end Dec 2022 (£313m at end Dec 2021). The group continues to administer government-guaranteed Coronavirus Business Interruption Loans but reduced its total exposure from £42.9m in 2021 to £28.9m. Contribution to revenues increased significantly by 68% to £29.3m (FY21: £17.4m). Impairments increased modestly to

£0.8m against a release of £0.2m in 2021, against a backdrop of lower economic activity and an increase in financial strain caused by inflation.

A small number of customers entered administration in FY22, resulting in related fee income being earned earlier than expected.

Exhibit 4 reflects the relationship between revenues, lending balances and risk-adjusted revenue margins. The business has grown steadily, with the risk-adjusted margin remaining stable in the last few years, experiencing very little loss given the strong collateral backing of the lending facilities.

Exhibit 4: Business Finance – lending balances and revenue



Source: Secure Trust Bank, Edison Investment Research

Increased prime lending leads to PBT beat

STB published its FY22 results on 30 March 2023. Exhibit 5 details the profit and loss account. STB beat the consensus estimate for PBT from continuing operations of £36.6m (achieving £39m) on higher loan balances, despite shifting the lending book towards prime, lower-yielding products. Increased lending drove operating income strongly ahead to £169.6m (FY21: £148.9m), while impairments normalised to £38.2m (FY21: £5.0m). As a result, PBT from continuing operations decreased to £39.0m (FY21: £55.9m). Management remains optimistic about its ability to keep growing the business while simultaneously reducing the cost to income ratio (CiR) to its medium-term target of below 50%.

Exhibit 5: P&L account

£m	FY19	FY20	FY21*	FY22
Interest income	191.4	192.5	163.9	203.0
Interest expense	(46)	(41.6)	(27.7)	(50.4)
Net interest income	**145.4**	**150.9**	**136.2**	**152.6**
Fee & commission income	20.9	16.0	13.3	17.4
Fee & commission expense	(0.8)	(0.8)	(0.6)	(0.4)
Net fees and commissions	**20.1**	**15.2**	**12.7**	**17.0**
Operating income	**165.5**	**166.1**	**148.9**	**169.6**
Impairment charges on loans	(32.6)	(51.3)	(5.0)	(38.2)
Gains on modification of financial assets	0.0	(3.1)	1.5	1.1
Fair value losses on financial instruments	0.0	0.0	(0.1)	(0.3)
Operating expenses	(94.2)	(92.6)	(89.4)	(93.2)
Profit before income tax from continuing operations	**38.7**	**19.1**	**55.9**	**39.0**
Income tax expense	(7.6)	(3.7)	(10.4)	(9.4)
Profit for the year from continuing operations	**31.1**	**15.4**	**45.5**	**29.6**
Profit for the year from discontinued operations	**0.0**	**0.0**	**0.1**	**5.0**
Income tax expense	0.0	0.0	0.0	(0.9)
Profit for the year (net attributable income)	**31.1**	**15.4**	**45.6**	**33.7**
Earnings per share (p)	168.3	82.7	244.7	180.5
Diluted earnings per share (p)	166.4	81.0	239.4	174.7
Dividend per share (p)	87.2	44.0	61.1	45.1
Key ratios				
Common equity tier 1 (CET1) ratio	12.6%	14.0%	14.5%	14.0%
Return on average equity	12.7%	5.9%	15.9%	10.7%
Net interest margin (NIM)	6.5%	6.1%	6.1%	5.7%
Cost to income ratio (CiR)	58.5%	56.6%	60.0%	55.0%

Source: Secure Trust Bank, Edison Investment Research. Note: *FY21 figures have been restated.

Total operating income increased 14% following record new business lending across all divisions totalling £2.1bn (FY21: £1.44bn) and higher lending balances of £2.92bn (FY21: £2.53bn). Within the record lending, the bank continued to shift a higher proportion of its loan book into Consumer Finance, which is now solely focused on prime and near-prime borrowers.

The net interest margin (NIM) fell to 5.7% (6.1%) as the cost of funds increased to 1.9% (1.2%) and STB continued to position more of its loan book into lower-risk, lower-yielding products. However, NIM was flat in H222 as 5.7% base rate increases were passed on (STB typically passes on a maximum 60% of interest rates to deposit holders. NIM still remains above the group target of 5.5% and we expect resiliency in our estimates.

Fee and commission income increased to £17.4m, partly due to fees in Commercial Finance being earned earlier than expected due to some businesses falling into administration.

Operating expenses increased by only 4% to £93.2m (FY21: £89.4m). Under relatively new management, STB is focused on driving greater integration of the business units, streamlining its divisions while enhancing and using technology and disposing of non-core activities, eg Debt Management Services and Asset Finance. This has resulted in reduced headcount in management roles and the ability to drive operating leverage by not having to take on significantly more staff as the business grows.

With technology implementation and efficiency measures in place, STB reduced its CiR to 55% (FY21: 60%). As part of its strategy. Management continues to focus on improving its operational and cost efficiency and targets a CiR of below 50% in the medium term.

PBT in continuing operations decreased by 30% as impairment normalised following 2021, when impairment charges were released due to over-provisioning in the COVID-19 period. However, PBT remains above 2019 and 2020 levels of £38.7m and £19.1m, respectively.

Net attributable income was reported at £33.7m, beating our expectations by 5% (£32.1m). As a result, return on average equity reached 10.7% (FY21: 15.9%). Diluted EPS fell to 174.7p but still remain above reported diluted EPS in 2019 and 2020. In line with the company's policy of paying out 25% in dividends, the board proposed a final dividend of 29.1p, bringing the total for the year to 45.1p/share.

Common equity tier 1 (CET1) ratio decreased to 14.0% (14.5%) due to strong loan growth. The CET1 ratio remains well above the Group target of 12%.

Risk management: De-risking the loan book

Since the appointment of CEO David McCreadie (5 January 2021) and CFO Rachel Lawrence (23 September 2020), management has been implementing its plan of simplifying, streamlining and de-risking the bank. This has included the disposal of non-core divisions, such as consumer mortgages and debt management, while also shifting the core business model to lower-yielding and lower-risk prime lending.

Exhibit 6 illustrates the reduction in risk from a regulatory capital requirement point of view. The declining trend in risk-weighted assets (RWA) is attributed to the changing loan mix. As Consumer Finance has continued to grow significantly and lending in Real Estate has shifted towards residential mortgages (away from development loans), STB's RWA has subsequently declined.

Excluding FY16, RWA as a percentage of total lending balances decreased from 92.9% in FY15 to 80% in FY22. This capital de-risking helps to support ROE by at least partially offsetting the impact of lower risk-adjusted revenue margins.

Exhibit 6: Risk-weighted assets

£m	2015	2016	2017	2018	2019	2020	2021	2022
RWA	999	1,264	1,446	1,825	2,118	2,000	2,087	2,335
Average RWA	824	1,131	1,355	1,635	1,971	2,059	2,044	2,211
RWA as % of total loans	92.9%	95.7%	90.5%	89.9%	86.4%	84.8%	82.4%	80.0%

Source: Secure Trust Bank, Edison Investment Research

Impairments and allowances – stable coverage overall

Exhibits 7 (FY22) and 8 (FY21) show the different stages of the expected credit losses (ECL) and the total provisions made on the outstanding year-end gross loans. Although gross loans for retail finance and vehicle finance increased by 38% and 10% respectively, provision coverage decreased to 2.6% (2.8%) and 10.6% (11.5%). Decreasing provision coverage can be attributed to the increasing focus on lower-risk prime lending. Provision coverage for business finance remained broadly flat. Total group provisions were in line with the previous year at 2.6%.

Exhibit 7: FY22 allowances for impairments of loans and advances

(£m)	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total provision	Gross loans & advances to customers	Provision coverage
Consumer Finance						
Retail Finance	12.7	9.8	5.7	**28.2**	**1,082.7**	**2.6%**
Vehicle Finance*	11.0	16.4	17.0	**44.4**	**417.5**	**10.6%**
Business Finance						
Real Estate Finance	0.3	1.1	2.0	**3.4**	**1,118.9**	**0.3%**
Commercial Finance	0.3	1.3	0.4	**2.0**	**378.4**	**0.5%**
Total	**24.3**	**28.6**	**25.1**	**78.0**	**2,997.5**	**2.6%**

Source: Secure Trust Bank, Edison Investment Research. Note: *Included in stage 1 are write-offs that arise on Vehicle Finance accounts where borrowers have exercised their right to terminate their agreements voluntarily.

Exhibit 8: FY21 allowances for impairments of loans and advances

(£m)	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total provision	Gross loans & advances to customers	Provision coverage
Consumer Finance						
Retail Finance	10.0	7.6	4.1	**21.7**	**786.5**	**2.8%**
Vehicle Finance*	7.9	11.9	14.4	**34.2**	**297.5**	**11.5%**
Debt Management			7.3	**7.3**	**86.9**	**8.4%**
Business Finance						
Real Estate Finance	0.1	0.4	2.7	**3.2**	**1,112.8**	**0.3%**
Commercial Finance	0.5	0.1	0.5	**1.1**	**314.4**	**0.3%**
Total	**18.5**	**20.0**	**29.0**	**67.5**	**2,598.1**	**2.6%**

Source: Secure Trust Bank, Edison Investment Research. Note: *Included in stage 1 are write-offs that arise on Vehicle Finance accounts where borrowers have exercised their right to terminate their agreements voluntarily.

Exhibit 9 shows the components of the allowance for impairments of loans and advances. We analyse stage 3 ECLs here as the most significant losses ultimately arise from stage 3. We usually observe some seasonality in the year as write-offs increase in the second half, although this was not the case in H222. As a percentage of gross loans, write-offs have remained stable with an average write-off rate of 0.5% (over the FY19–22 period) and in H222 were still below H219, which speaks to the risk reduction measures across the portfolio.

Exhibit 9: Reconciliation of opening to closing allowance for impairments of gross loans

(£m)	Stage 3 ECL							
	H119	**H219**	**H120**	**H220**	**H121**	**H221**	**H122**	**H222**
Start of period	22.9	23.5	14.9	21.6	28.3	31.9	29	19.4
Charge to income statement	13	10.6	17.5	21.9	10.8	8.2	9	14.7
Allowance utilised in respect of write offs	**-12.4**	**-19.2**	**-10.8**	**-15.2**	**-7.2**	**-11.1**	**-18.6**	**-9**
End of period	**23.5**	**14.9**	**21.6**	**28.3**	**31.9**	**29**	**19.4**	**25.1**
Gross loans and advances	2,347	2,511	2,456	2,442	2,401	2,598	2,818	2,998
Allowance write-off/gross loans	**0.5%**	**0.8%**	**0.4%**	**0.6%**	**0.3%**	**0.4%**	**0.7%**	**0.3%**

Source: Secure Trust Bank, Edison Investment Research

Credit quality remains solid

Exhibits 10 (FY22) and 11 (FY21) illustrate the credit quality of the portfolio by business segment. In 2022, total stage 2 past due loans were £370.7m, or 12.4% of drawn exposure, down from 14.8% in 2021 (excluding purchased credit impaired in the debt management business which was disposed of). Exposure in stage 2 overdue 30 days jumped to £28.9m, up from £4.8m. This is mainly attributable to the increase in Real Estate Finance where there was no exposure in stage 2 overdue 30 days in 2021. Moreover, overall stage 3 loans fell from £79.8m in 2021 to £47m in 2022 and from 3.2% to 1.6% of drawn exposure excluding purchased credit impaired, respectively.

The group's lending remains well covered by collateralisation. In Real Estate Finance, £16.1m (£50.3m) of collateral has been pledged as security for stage 3 balances of £14.8m (£37.3m), while £11.2m (£8.9m) of collateral has been pledged as security for Vehicle Finance stage 3 balances of £6.6m (£5.0m).

Exhibit 10: Credit quality analysis (FY22)

£m	Stage 1	Stage 2			Stage 3			
		≤30 days past due	>30 days past due	Total	Excluding purchased credit-impaired	Purchased credit-impaired	Total	Total gross loans and advances to customers
Consumer Finance								
Retail Finance	987.4	85.4	3.8	**89.2**	6.1		6.1	**1,082.7**
Vehicle Finance	306.8	83.3	3.8	**87.1**	23.6		23.6	**417.5**
Business Finance								
Real Estate Finance	957.9	122.9	21.3	**144.2**	16.8		16.8	**1,118.9**
Commercial Finance	327.7	50.2		**50.2**	0.5		0.5	**378.4**
Total drawn exposure	**2,579.8**	**341.8**	**28.9**	**370.7**	**47.0**		**47.0**	**2,997.5**
Off balance sheet								
Loan commitments	298.0							**298.0**
Total gross exposure	**2,877.8**	**341.8**	**28.9**	**370.7**	**47.0**	**0.0**	**47.0**	**3,295.5**
Less:								
Impairment allowance	**(24.3)**	**(23.9)**	**(4.7)**	**(28.6)**	**(25.1)**		**(25.1)**	**(78.0)**
Provision for loan commitments	(1.1)							**(1.1)**
Total net exposure	**2,852.4**	**317.9**	**24.2**	**342.1**	**21.9**	**0.0**	**21.9**	**3,216.4**
Impairment coverage		**7.0%**	**16.3%**				**53.4%**	**2.4%**

Source: Secure Trust Bank, Edison Investment Research

Exhibit 11: Credit quality analysis (FY21)

£m	Stage 1	Stage 2			Stage 3			
		≤30 days past due	>30 days past due	Total	Excluding purchased credit-impaired	Purchased credit-impaired	Total	Total gross loans and advances to customers
Consumer Finance								
Retail Finance	659.4	120.1	2.6	**122.7**	4.4		4.4	**786.5**
Vehicle Finance	207.0	68.9	2.2	**71.1**	19.4		19.4	**297.5**
Debt Management					10.8	76.1	86.9	**86.9**
Business Finance								
Real Estate Finance	911.4	161.4		**161.4**	40.0		40.0	**1,112.8**
Commercial Finance	291.7	17.5		**17.5**	5.2		5.2	**314.4**
Total drawn exposure	**2,069.5**	**367.9**	**4.8**	**372.7**	**79.8**	**76.1**	**155.9**	**2,598.1**
Off balance sheet								
Loan commitments	271.0	2.9		**2.9**				**273.9**
Total gross exposure	**2,340.5**	**370.8**	**4.8**	**375.6**	**79.8**	**76.1**	**155.9**	**2,872.0**
Less:								
Impairment allowance	**(18.5)**	**(16.6)**	**(3.4)**	**(20.0)**	**(23.1)**	**(5.9)**	**(29.0)**	**(67.5)**
Provision for loan commitments	(0.9)							**(0.9)**
Total net exposure	**2,321.1**	**354.2**	**1.4**	**355.6**	**56.7**	**70.2**	**126.9**	**2,803.6**
Impairment coverage		**4.5%**	**70.8%**				**18.6%**	**2.4%**

Source: Secure Trust Bank, Edison Investment Research

Loan analysis: Lower risk and shorter duration

Simplifying the loan book

In this section, we look at how the loan book has changed over previous years and the impact that current management has had since appointment (see Exhibit 12). In its 70-year history, STB has grown steadily, both organically and acquisitively. However, in the past, the bank has made acquisitions that have subsequently been disposed of or discontinued. Debt management, Personal Lending, Consumer Mortgages, Everyday Loans Group (ELG) and Asset Finance are no longer activities of the bank, resulting in a much more focused and scalable suite of four key business lines.

Management is implementing a strategy to simplify the business to improve profitability and will only consider acquisitions that complement the bank’s operations. We believe that disposal of the old businesses, coupled with the focus on scaling the remaining four divisions, have put STB in a better position to increase profitability and achieve its medium-term performance targets.

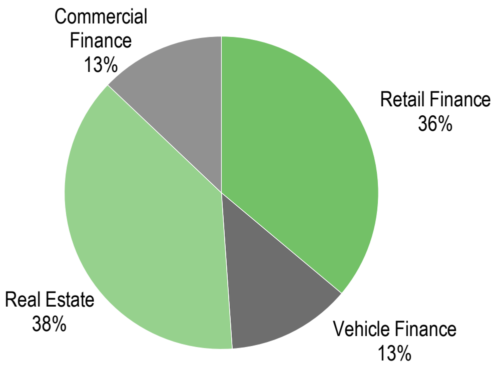
Exhibit 12: Loan balances

£m	2015	2016	2017	2018	2019	2020	2021	2022
Consumer Finance	**575**	**628**	**759**	**990**	**1,201**	**1,062**	**1,108**	**1,428**
Debt Management	-	-	16	32	82	82	80	-
Personal ex ELG	74	66	0	-	-	-	-	-
Consumer Mortgages	-	-	17	85	106	78	-	-
ELG	114	-	-	-	-	-	-	-
Retail Finance	220	326	452	597	689	658	765	1,055
Vehicle Finance	166	236	275	276	324	244	263	373
Business Finance	**468**	**631**	**824**	**1,027**	**1,242**	**1,293**	**1,423**	**1,492**
Real Estate Finance	368	451	581	770	962	1,052	1,110	1,116
Asset Finance	71	117	117	63	28	10	-	-
Commercial Finance	29	63	127	195	252	231	313	376
Other	32	62	15	11	8	4	1	-
Total loan balance	**1,075**	**1,321**	**1,598**	**2,029**	**2,450**	**2,359**	**2,532**	**2,920**

Source: Secure Trust Bank, Edison Investment Research. Note: Empty cells represent business not yet acquired or discontinued.

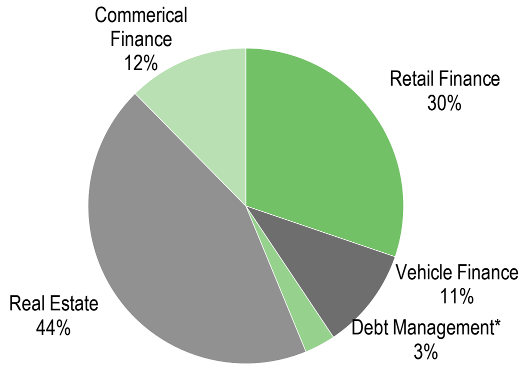
Exhibits 13 and 14 chart the change in loan mix between FY22 and FY21. STB's strategy is to focus on lower-risk lending across the group. Management has stated its aim of continuing to grow the loan book to a point where Consumer Finance accounts for c 45–55% of the total book. Management had successfully lifted this to 49% at end FY22 from 44% at end FY21. In our estimates for FY23 and FY24, we assume that Commercial Finance comprises 53% and 54% of the total loan book, respectively.

Exhibit 13: FY22 loan mix



Source: Secure Trust Bank, Edison Investment Research

Exhibit 14: FY21 loan mix



Source: Secure Trust Bank, Edison Investment Research. Note: *Debt management was reported within Consumer Finance.

Acceleration in Consumer Finance

As the business model has been simplified to provide financing services through four arms, management is focusing on growing the loan book, particularly in the prime lending segment. New lending for the year reached a record £2.1bn, mainly driven by Retail Finance. Since FY16, STB has grown its Consumer Finance loan book by £0.94bn, with £0.56bn (59%) of that growth sourced in FY22. The rapid growth was a result of increasing retail partnerships, a larger appetite among consumers, especially as household incomes are being squeezed by rising interest rates, and the exit of the second largest player from the market, leaving ample room for gaining market share.

New lending for Business Finance grew modestly as Commercial Finance activity picked up following a depressionary period in the COVID-19 era and Real Estate experienced a slowdown in business as customers became cautious about interest rate hikes.

Exhibit 15: New lending

£m	2016	2017	2018	2019	2020	2021	2022
Consumer Finance	**582**	**679**	**863**	**932**	**714**	**971**	**1,526**
Retail Finance	396	520	652	717	615	772	1,124
Vehicle Finance	147	143	141	183	79	200	402
Business Finance	**342**	**390**	**395**	**479**	**316**	**470**	**542**
Real Estate Finance	218	287	303	316	190	376	385
Commercial Finance	40	53	86	162	126	94	157
Other	40	8	5	3	1	-	-
Total new lending	**964**	**1,077**	**1,262**	**1,413**	**1,030**	**1,441**	**2,068**

Source: Secure Trust Bank, Edison Investment Research

We observe that although new lending was £1.12bn for Retail Finance and £0.40bn for Vehicle Finance, lending balances are £1.06bn and £0.37bn (see Exhibit 12), respectively. Between 2016 and 2022, loan duration for the Retail Finance book has been low, with an average ratio of 0.91, but has been longer Vehicle Finance, with a ratio of 1.8 (c 48 months). A ratio below 1 means that all lending in the previous year has matured, hence the lending in the current year is all new lending.

In FY22, Consumer Finance contributed £126m to revenues, a key driver of the business. The short-term characteristics of the Consumer Finance book means that STB must ultimately continue to find new demand to sustain and replenish its loan growth and, subsequently, operating income growth. However, a short-duration book also proves beneficial for STB as it allows risk to be managed far more quickly than a longer-duration loan book.

We highlight that as the Retail Finance book becomes more weighted towards furniture and jewellery lending, combined with new product offerings through Vehicle Finance, STB expects the duration of the loan book to increase.

Despite the high book turnover and a tougher environment for household incomes, consumer demand for financing services, strong retail partnerships and the exodus of a major competitor should provide STB with adequate room to continue growing its Consumer Finance book. Furthermore, the overall loan book is well supported by the longer duration of its Business Finance lending.

Sensitivity analysis

In our view there are two key sensitivities of earnings to be Consumer Finance loan growth and overall impairment charges. Consumer Finance is a relatively short-duration product and therefore will be more sensitive to changes in loan demand and new loan origination. This segment also generates the highest risk-adjusted revenue margin. Overall impairments are the second swing factor, which is sensitive to the ability of borrowers to repay. In Exhibits 16 and 17 we show the sensitivity for PBT in FY23 and FY24 to a 5% decrease in Consumer Finance lending and to a 10% increase in impairments. In Exhibit 16 we highlight the effect of a 5% decrease in Consumer Finance lending for FY23 and FY24. We conservatively assume a proportionate fall in revenues and impairments but no offsetting cost adjustment. Under these assumptions, continuing PBT would be 18.4% and 22% lower than our current estimates in FY23 and FY24. On the other hand, similar earnings leverage would apply to the upside should new lending be stronger than expected.

Exhibit 16: Sensitivity analysis – decreasing Consumer Finance lending by 5%

£m	FY23e	FY23e (with 5% lower Consumer Finance lending)	FY24e	FY24e (with 5% lower Consumer Finance lending)
Gross interest income	**271.2**	**266.4**	**319.7**	**314.2**
Interest expense	(99.9)	(99.9)	(134.2)	(134.2)
Net interest income	171.2	166.5	185.5	180.0
Net fees and commissions	18.1	18.1	19.2	19.2
Operating income	**189.3**	**184.6**	**204.8**	**199.2**
Operating expenses	(100.3)	(100.3)	(104.4))	(104.4)
Impairment charge	(44.5)	(48.0)	(48.4)	(54.3)
PBT continuing operations	**44.4**	**36.3**	**52.0**	**40.5**
Discontinued operations	(1.5)	(1.5)	(0.5)	(0.5)
PBT reported	**42.9**	**34.8**	**51.5**	**40.0**
Change in:				
PBT continuing operations		-18.4%		-22.0%
PBT reported		-19.1%		-22.3%

Source: Secure Trust Bank, Edison Investment Research. Note: Impairments have also been adjusted appropriately while other figures have remained constant.

Exhibit 17 outlines the impact of a 10% increase in impairments, with all else equal, based on our forecasts for FY23 and FY24. An increase of 10% causes continuing PBT to decline by 10% and 9% in FY23 and FY24. Due to the nature of the prime lending business, impairments remain low relative to revenues and, hence, PBT is resilient to increases in charges. We conclude that, despite normalising impairment levels, STB appears more sensitive to changes in Consumer Finance volumes than impairments. The greater risk (and upside opportunity) for STB seems to lie in procuring new business and not necessarily the cost of risk.

Exhibit 17: Sensitivity analysis – increasing impairments by 10%

£m	FY23e	FY23e (impairments +10%)	FY24e	FY24e (impairments +10%)
Operating income	189.3	189.3	204.8	204.8
Operating expenses	(100.3)	(100.3)	(104.4)	(104.4)
Impairment charge*	**(44.5)**	**(49.0)**	**(48.4)**	**(53.2)**
PBT continuing operations	**44.4**	**40.0**	**52.0**	**47.1**
Discontinued operations	(1.5)	(1.5)	(0.5)	(0.5)
PBT reported	**42.9**	**38.5**	**51.5**	**46.6**
Change in:				
PBT continuing operations		-10.0%		-9.3%
PBT reported		-10.4%		-9.4%

Source: Secure Trust Bank, Edison Investment Research. Note: *Impairments have been increased by 10% based on our estimates for FY23 and FY24.

Financials

Exhibit 18 shows our forecasts for the loan book. Compared to our previous FY23 estimates, we have reduced our growth estimates marginally by 2% as persistent UK inflation and the potential for tighter policy could have an impact on demand. While we have decreased our estimates for Business Finance and Vehicle Finance, we have increased our estimates for loan growth in Retail Finance. We believe that Retail Finance will continue to grow faster in comparison to the other segments following the exit of a major player in the market and expansion into the BNPL segment. We assume in our forecasts that consumer demand for such products will hold up as households look to spread the cost of purchases.

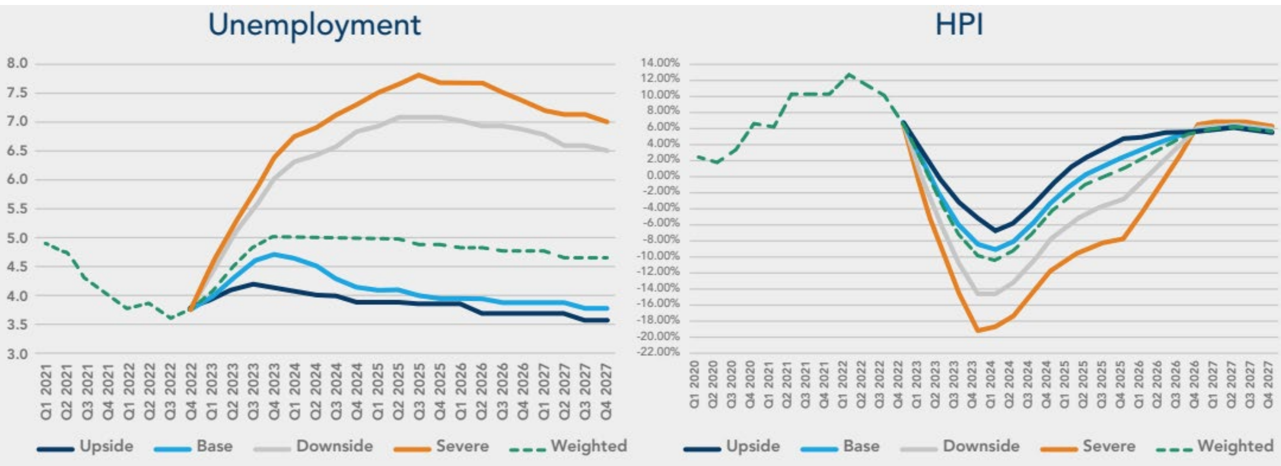
We expect further growth in FY24 but at a slower pace and note that UK unemployment is not expected to fall significantly until well into 2025 (see Exhibit 19). Our expectations for growth in Real Estate Finance in FY24 remain flat compared with FY23 estimates, while we anticipate an acceleration in commercial lending following a deceleration in FY23. We anticipate continued growth in Vehicle Finance into FY24 as the bank continues to deliver new products. We assume a slight deceleration in Retail Finance growth after the strong expansion in FY23 and against still elevated unemployment expectations.

Exhibit 18: Loan book balance estimates

£m unless stated	FY21	FY22	FY23e	FY24e	Old FY23 estimate	Change in FY23 estimate
Real Estate Finance	1,110	1,116	1,140	1,165	1,140	0%
Commercial Finance	313	376	400	440	392	2%
Business Finance	**1,423**	**1,492**	**1,540**	**1,605**	**1,532**	**1%**
Vehicle Finance	263	373	420	490	443	-5%
Retail Finance	765	1,055	1,220	1,360	1,095	115
Debt Management	80	0	0	0	0	0%
Consumer Finance	**1,108**	**1,428**	**1,640**	**1,850**	**1,538**	**7%**
Total	**2,532**	**2,920**	**3,180**	**3,455**	**3,070**	**4%**
Y-o-y change						
Real Estate Finance	5.5%	0.5%	2.2%	2.2%		
Commercial Finance	35.8%	20.1%	6.3%	10.0%		
Vehicle Finance	8.0%	41.7%	12.6%	16.7%		
Retail Finance	16.2%	37.9%	15.7%	11.5%		
Total loans	**7.3%**	**15.4%**	**8.9%**	**8.6%**		

Source: Secure Trust Bank, Edison Investment Research

Exhibit 19: Unemployment and House Price Index (HPI) assumptions



Source: Secure Trust Bank analyst presentation

On the basis of the expected macroeconomic environment and the shift in lending mix towards Consumer Finance, we have increased our estimates for impairments, now showing them increasing from £38.2m FY22 to £44.5m in FY23e. However, as the book becomes more weighted to prime lending, and the abnormal pattern during and after the pandemic evens out, we assume that the rate of change in impairments will stabilise in FY24.

Exhibit 20: Loan impairments estimates

Impairments % average loans	FY21	FY22	FY23e	FY24e	Old FY23 estimate	Change in FY23 estimate
Real estate finance	0.0%	0.1%	0.2%	0.2%	0.2%	0%
Commercial finance	0.1%	0.2%	0.3%	0.3%	0.0%	0.3%
Vehicle loans	0.0%	6.7%	5.8%	5.6%	5.5%	0.3%
Retail finance	0.7%	1.6%	1.6%	1.6%	1.6%	0%
Total loans	**0.2%**	**1.4%**	**1.4%**	**1.4%**	**1.4%**	**0%**
Impairments (£m)	**(5.0)**	**(38.2)**	**(44.5)**	**(48.4)**	**(41.5)**	**7%**

Source: Secure Trust Bank, Edison Investment Research

We summarise our estimate changes in Exhibit 21. We also introduce estimates for FY24. In FY23, we expect slight margin pressure from rising funding costs mostly offset by passing interest rate increases through to borrowers. Combining this with our flat cost of risk assumption of 1.4%, our new continuing PBT estimate is 3% higher than our previous estimates. Based on a two-year forward rate of 3.7%, and a lag in pass-on rates in retail finance, we expect margins to stabilise into FY24. We also assume an increase in fee and commission income predominantly from Commercial Finance continued volume growth.

Exhibit 21: Estimate changes

£m unless stated otherwise	FY22			FY23e				FY24e	
	Forecast	Actual	Change	Old	New	Change	y-o-y change	New	y-o-y change
Operating income	168.0	169.6	1%	184.6	189.3	3%	12%	204.8	8%
Normalised PBT	37.4	39.4	5%	41.6	43.3	4%	10%	51.6	19%
Continuing PBT	37.1	39.0	5%	43.1	44.4	3%	14%	52.0	17%
Normalised EPS (p)	145.5	154.1	6%	164.2	167.0	2%	8%	200.1	20%
Diluted EPS (p)	146.6	174.7	19.2%	171.9	167.0	-3%	-4%	200.1	20%
DPS (p)	41.6	45.1	8%	40.4	41.7	3%	-8%	50.0	20%

Source: Edison Investment Research

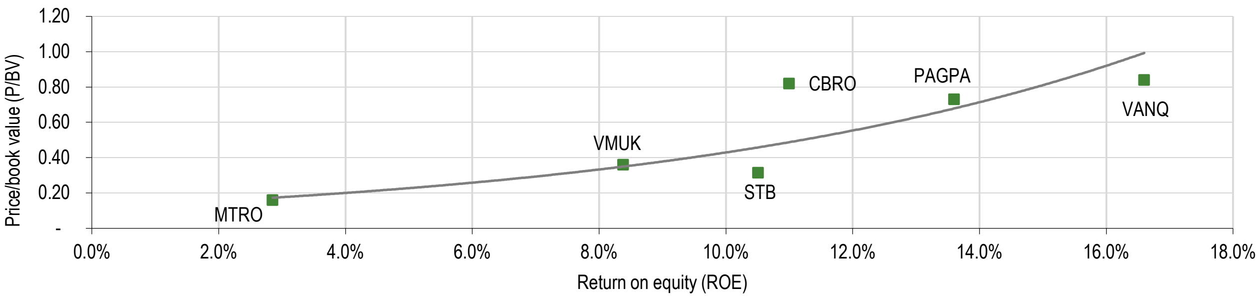
Valuation

Based on our assumptions for FY24, STB is currently trading at 0.31x price to book (P/BV) and remains undervalued compared to peers in a currently lowly-valued sector. Based on the peer trend line (Exhibit 22), STB should be trading at c 0.45x P/BV in order to be fairly valued compared to peers. This represents an upside of 45%. If STB achieves its medium-term ROE target of 14–16%, we would expect the shares to trade much closer to book value.

Our methodology (see Exhibit 22) is to examine the consensus estimates for P/BV and ROE of peers for FY24. We have selected peers that provide similar lending services to STB, albeit noting that STB has a smaller market cap than most of these.

We plot the ROE against P/BV and use an exponential line of best fit to compare how peers are valued based on their respective P/BV and ROE. At the time of writing, the share price of STB is 642p. Applying the derived values to our own estimates for FY24, we calculate that the P/BV of STB would be 0.31x (based on current price) and it has an ROE of 10.5%.

Exhibit 22: Peer group P/BV versus ROE based on FY24 estimates

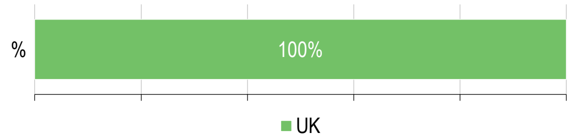


Source: Refinitiv, Edison Investment Research. Note: MTRO (Metro Bank), VMUK (Virgin Money UK), CBRO (Close Brothers Group), PAGPA (Paragon Banking Group), VANQ (Vanquis Banking Group). Priced 17 May 2023.

Exhibit 23: Financial summary

Year-end 31 December (£m except where stated)	2019	2020	2021	2022	2023e	2024e
Profit and loss						
Net interest income	145.4	150.9	136.2	152.6	171.2	185.5
Net commission income	20.1	15.2	12.7	17.0	18.1	19.2
Total operating income	165.5	166.1	148.9	169.6	189.3	204.8
Total G&A expenses (excluding non-recurring items below)	(94.2)	(92.6)	(89.4)	(93.2)	(100.3)	(104.4)
Operating profit pre impairments & exceptionals	71.3	73.5	59.5	76.4	89.0	100.3
Impairment charges on loans	(32.6)	(51.3)	(5.0)	(38.2)	(44.5)	(48.4)
Losses on modification of financial assets	0.0	(3.1)	1.5	1.1	0.0	0.0
Other income	0.0	0.0	0.0	0.0	0.0	0.0
PBT before non-recurring	38.7	19.1	56.0	39.3	44.4	52.0
Non-recurring items	0.0	0.0	(0.1)	(0.3)	0.0	0.0
PBT continuing operations	38.7	19.1	55.9	39.0	44.4	52.0
Corporation taxes	(7.6)	(3.7)	(10.4)	(9.4)	(11.1)	(13.0)
Profit after tax - continuing basis	31.1	15.4	45.5	29.6	33.3	39.0
PBT - discontinued businesses	0.0	0.0	0.1	5.0	(1.5)	(0.5)
Tax on discontinued businesses	0.0	0.0	0.0	(0.9)	0.4	0.1
PBT - total reported		19.1	56.0	44.0	42.9	51.5
Profit after tax - total reported	31.1	15.4	45.6	33.7	32.2	38.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net attributable income – reported	**31.1**	**15.4**	**45.6**	**33.7**	**32.2**	**38.6**
PBT – normalised	38.7	19.1	56.1	39.4	43.3	51.6
Net attributable income underlying	31.1	15.4	45.7	29.5	32.2	38.6
Average basic number of shares in issue (m)	18.5	18.6	18.6	18.7	18.7	18.7
Average diluted number of shares in issue (m)	18.7	19.0	19.0	19.3	19.3	19.3
Reported diluted EPS (p)	166.4	81.0	239.4	174.7	167.0	200.1
Normalised EPS (p)	179.5	81.0	242.6	154.1	167.0	200.1
Ordinary DPS (p)	87.2	44.0	61.1	45.1	41.7	50.0
Net interest/average loans (NIM)	6.5%	6.1%	6.1%	5.7%	5.6%	5.6%
Cost of risk	1.44%	2.28%	0.14%	1.36%	1.40%	1.40%
Cost income ratio	58.5%	56.6%	60.0%	55.0%	53.0%	51.0%
Balance sheet						
Net customer loans	2,450.1	2,358.9	2,530.6	2,919.5	3,180.0	3,455.0
Other assets	230.6	302.3	355.3	460.8	475.2	493.6
Total assets	2,680.7	2,661.2	2,885.9	3,380.3	3,655.2	3,948.6
Total customer deposits	2,020.3	1,992.5	2,103.2	2,514.6	2,694.9	2,953.0
Other liabilities	408.4	401.1	480.3	538.8	607.8	613.5
Total liabilities	2,428.7	2,393.6	2,583.5	3,053.4	3,302.7	3,566.5
Net assets	252.0	267.6	302.4	326.9	352.5	382.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	252.0	267.6	302.4	326.9	352.5	382.1
Reconciliation of movement in equity						
Opening shareholders' equity	237.1	252.0	267.6	302.4	326.9	351/6
Equity restatement adjustment	(2.1)	0.0	0.0	0.0	0.0	0.0
Profit in period	31.1	15.4	45.6	33.7	32.2	36.6
Other comprehensive income	0.0	(0.2)	0.1	(0.2)	0.0	0.0
Ordinary dividends	(15.5)	0.0	(11.9)	(10.7)	(7.5)	(8.8)
Special dividend	1.2	0.0	0.0	0.0	0.0	0.0
Share based payments	0.3	(0.7)	1.0	2.0	0.0	0.0
Share repurchases	0.0	0.0	0.0	(0.3)	0.0	0.0
Issue of shares	0.0	1.1	0.0	0.0	0.0	0.0
Share issuance costs	0.0	0.0	0.0	0.0	0.0	0.0
Closing shareholders' equity	252.0	267.6	302.4	326.9	351.6	379.4
Other selected data and ratios						
Period end shares in issue (m)	18.5	18.6	18.6	18.7	18.7	18.7
NAV per share (p)	1,364	1,438	1,623	1,751	1,888	2,046
Tangible NAV per share (p)	1,315	1,396	1,586	1,715	1,855	2,014
Return on average equity (normalised)	12.7%	5.9%	16.2%	9.4%	9.5%	10.5%
Return on average TNAV	14.7%	6.4%	18.6%	11.4%	11.8%	13.3%
Average loans	2,258.9	2,389.0	2,444.8	2,725.1	3,049.8	3,317.5
Average deposits	1,967.8	2,010.3	2,002.8	2,308.9	2,604.8	2,824.0
Loans/deposits	121.3%	118.4%	120.3%	116.1%	118.0%	117.0%
Risk exposure	2,118.1	1,999.7	2,087.4	2,335.0	2,434.6	2,665.8
Common equity tier 1 ratio (CET1)	12.6%	14.0%	14.5%	14.0%	14.1%	13.9%

Source: Secure Trust Bank, Edison Investment Research

Contact details	Revenue by geography
One Arleston Way Shirley, Solihull West Midlands B90 4LH, UK +44 121 693 9100 www.securetrustbank.com	

Management team

Chairman: The Rt Hon Lord Forsyth	CEO: David McCreadie
Michael Forsyth served in government for 10 years and as an MP for 14 years before joining the House of Lords in 1999. A director of J&J Denholm and Denholm Logistics, he has also held a number of other directorships. Lord Forsyth was appointed to the board in 2014 and as chairman in October 2016.	David McCreadie was appointed to the board on 17 December 2019 and appointed CEO on 5 January 2021. Previously he was an executive director and managing director of Tesco Bank, with a responsibility for the banking and insurance business, from 2015 to 2019. David joined Tesco Personal Finance in 2008 and was a member of the executive team that built Tesco Bank. He was the previous CEO of Kroger Personal Finance and spent 22 years at The Royal Bank of Scotland (RBS) holding roles in branch banking, consumer finance and several group central functions.
CFO: Rachel Lawrence	
Rachel Lawrence was appointed CFO in September 2020. She has considerable experience in finance and banking start-ups gained from a career spanning more than 20 years. She has held senior finance roles at Metro Bank, Shawbrook and Pearl Assurance. Her previous position was at AIB Group (UK), where she held the position of CFO from 2016 to 2020. She is a qualified chartered management accountant.	

Principal shareholders	(%)
Ameriprise Financial	16.5%
Fidelity International (FIL)	9.9%
CPV Holdings	8.1%
Invesco	7.1%
Unicorn Investment Funds	5.9%
Premier Miton	5.6%
Wellington Management	5.2%

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London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom