

Secure Trust Bank

Asset disposal

Drawing the line under mortgages exit

Secure Trust Bank (STB) announced on 23 July it has agreed the sale of its entire residential mortgage loan book to Jacqali Designated Activity Company, a financing vehicle created in 2021 by an undisclosed global financial institution. STB estimates the sale price at £54.6m and above net book value. Mortgages represent 2% of loan book so the sale is not needie moving – we estimate 10–20bp might be added to our FY21 forecast tier 1 capital ratio of 13.6%. STB stopped writing new business before the pandemic started in 2020, viewing market conditions as creating unattractive risk adjusted margins in this segment. This sale simplifies the group structure and draws a line under STB's exit from the business. The capital will be reallocated to STB's remaining business and general corporate businesses. We forecast STB's loan growth to be 5.1% in FY21 and for it to increase to 15.3% in FY22.

Year end	Operating income (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/19	165.5	38.7	180.2	87.2	6.7	7.2
12/20	166.1	20.1	85.2	44.0	14.3	3.6
12/21e	165.7	27.4	115.2	46.1	10.5	3.8
12/22e	190.8	41.5	175.0	70.0	6.9	5.8

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

We maintain our estimates and our fair value is unchanged at 2,163p per share using a net asset value approach. The details of our valuation are set out in our outlook note, [Solid FY20, ready for growth](#), published on 9 April 2021. The 2,163p value implies an FY21e P/BV of 1.4x. STB is trading on a P/BV ratio of 0.8x.

Banks

26 July 2021

Price 1,215p

Market cap £226m

Net debt/cash (£m) N/M

Shares in issue 18.6m

Free float 84.5%

Code STB

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Secure Trust Bank is a well-established specialist bank addressing niche markets within consumer and commercial banking. Former parent Arbutnot Banking Group's shareholding is now less than 10%.

Analysts

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