Secure Trust Bank

Annual Report & Accounts 2012

A unique approach to simple, straightforward banking

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Introduction

Secure Trust Bank is a longstanding established UK bank Its core business is to provide banking services including a range of lending solutions and deposits It also provides fee-based current accounts to UK customers who may not be adequately served by other banks

The Company, which was incorporated in 1954, operates from its head office in Solihull, West Midlands, had 293 employees as at 31 December 2012, and has been a subsidiary of Arbuthnot Banking Group since 1985 The Company successfully listed on AIM on 2 November 2011

On 8 June 2012 the Company acquired Everyday Loans Holdings Limited ("Everyday Loans") and its subsidiaries Everyday Loans is a provider of unsecured loans operating through a national network of 26 branches where loans are advanced, serviced and collected

In September 2012 the Company became the first bank in the UK to be awarded the Customer Service Excellence Award, whilst in the following month the Company was awarded a 4 star Fairbanking Mark for its current account

On 7 December 2012 the Company placed 1,481,482 shares on AIM, raising gross proceeds of £20 0 million The proceeds will be used for potential acquisitions and also to fund increased organic growth

Subsequent to the year end the Company acquired the V12 Finance Group as well as the trade and assets of the Debt Managers Group

The Company's diversified lending portfolio focuses on unsecured personal loans, motor finance and retail point of sale finance Its lending is entirely funded by customer deposits, with no exposure to wholesale funding This reflects the Company's cautious approach to risk

Personal unsecured lending – fixed rate, fixed term products with payments received monthly Loan terms are between 12 months and 60 months with advances varying from £500 to £15,000

Motor finance – includes a multi-channel offering through motor dealers and brokers Fixed rate, fixed term hire purchase agreements secured mainly against used cars with finance term periods ranging from 24 to 60 months with a maximum loan size of £15,000

Retail point of sale finance – includes lending solutions for store and online retailers and an "e"-tailer proposition distributed through partnership with Pay4Later Unsecured, fixed rate and fixed term loans with payments received monthly Loans vary in term from six months to 48 months and range from £250 to £12,000

Current account – combines a current account with a prepaid card The account charges a monthly fee of £12 50 but customers have the ability to earn rewards at participating retailers

Savings – a combination of instant access accounts, notice deposits and deposit bonds with competitive interest rates

Group highlights

Secure Trust Bank has shown significant growth in 2012, both organically and through acquisition This growth has been achieved alongside prudent capital management

Net interest margin	15 0%	(2011 14 0%)
Operating income	£47 0m	(2011 £28 5m)
Profit before tax	£17 2m	(2011 £7 3m)
Earnings per share	108 9p	(2011 39 6p)
Total assets	£474 6m	(2011 £307 8m)
Core Tier 1 capital ratio	23 3%	(2011 20 5%)
Total capital ratio	23 3%	(2011 23 3%)
Loan to deposit ratio	75%	(2011 57%)
Customer numbers	231,713	(2011 145,174)

Personal lending

Personal lending showed controlled organic growth in 2012, with new business personal lending volumes growing by over 125% to £78 million The acquisition of Everyday Loans in June 2012 has significantly broadened the Group's reach to a wider market

Motor and retail lending

New business lending volumes grew by 29% to £125 million and the Company has increased lending in all segments The Company now services the majority of the Top 100 UK car dealer groups

Current accounts

The fee-based current account has undergone progressive enhancements during 2012 and has also shown significant growth, continuing the momentum from its introduction in late 2010 On average 920 new accounts were opened per month during the year

Savings

The Bank continues to be entirely funded by customer deposits Deposit balances grew by 47% during 2012 to £398 9 million

Chairman's statement

Secure Trust Bank PLC marked its 60th year in business by achieving profits before tax of £17 2m, a record for the bank, and a clear demonstration that our principles and philosophies have served us well The successful IPO has allowed the business to seize the opportunities that are available to a well funded and robust bank

Significantly, we were able to complete the acquisition of Everyday Loans in the first half of the year This was the result of many months of hard work and we were delighted to welcome the management team and business to the Group Our relationship with them dates back to 2007 when we agreed to refer lending opportunities to them in order to help their business get started As a result, we have worked closely with them and respect their knowledge and experience of the market within which they operate I am confident that both, they and the business will play a significant role in the future growth of the Group

I have been pleased with the progress made across the whole bank in serving our customers and in particular, I would draw attention to the contribution made by our lending operations Loan balances have increased by 93% as we have played our part in promoting growth by lending money to support the UK economy For example, at a time when the retail sector has been struggling, we have enabled UK businesses to sell over 100,000 of their products, with the help of our retail point of sale operations We believe we were the largest financiers of musical equipment and cycles during the year Indeed the levels of demand for new cycles reached record levels, stimulated by the success of the Olympics and Paralympics

Many commentators have noted that the UK banking industry needs to promote more competition and allow smaller banks to challenge the dominance of the larger players Many factors have developed to leave the smaller banks at a competitive disadvantage, not least of which is the regulatory environment The advantage afforded the larger banks via their sophisticated advanced capital models should not be underestimated I and others have many times called for regulators to take a more judgemental approach towards all banks and reward them for their previous good performance and management This would go some way to creating a level playing field and promote further competition

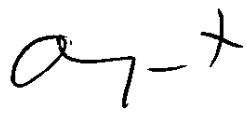
Encouragingly, I have detected positive signals from the newly created Prudential Regulatory Authority (PRA), which has indicated that it is in favour of judgemental regulation I hope this will be to the long term benefit of Secure Trust Bank PLC and the economy as a whole

These results reflect the dedication and commitment of our employees who have done well in the current environment On behalf of the Board, I would like to extend our thanks to all our staff for their contributions to the Group in 2012

With the benefit of strong capital and funding, the opportunities arising for organic growth coupled with the benefits from the acquisitions completed in 2012 and early 2013, I am confident that Secure Trust Bank PLC will continue to demonstrate profitable and sustainable growth over the coming period A levelling of the competitive landscape, were it to happen, should allow us to achieve faster progress However, we are not immune to developments in the wider economy The Board proposes to pay a final dividend of 43p per share If approved the dividend will be paid on 10 May 2013 to shareholders on the register as at 12 April 2013

Henry Angest

Chairman



20 March 2013

Chief Executive's statement

2012 was a very important year for Secure Trust Bank (STB) marking as it did our 60th anniversary and our first full year as a public company I am pleased with the financial performance detailed in this report and feel that we delivered on the commitments made at the time of our flotation in November 2011 The magnitude of the growth of the business over the last 12 months clearly demonstrates the scale of the opportunity that lies ahead

Our reputation with our customers

A bank's reputation is the by-product of the behaviour of its staff, which in turn is influenced by its leadership and culture In 2012, just as in the 59 years before, Secure Trust Bank has striven to provide customers with simple straightforward banking solutions coupled with great service delivered by friendly and professional staff This is evident in the way we interact with our customers and the fact that every week we reward 'customer service heroes' for going the extra mile for their customers

As a result of an 18 month long programme, in September 2012 we became the first bank in the UK to receive the Customer Service Excellence award (CSE) This award was introduced by the Cabinet Office in 2010 to replace the Kite Mark The CSE is a strong independent endorsement of the way customer focus is embedded in the culture of the business and the improvements we are making to our products and services The quote from the 60 page final CSE assessment below is insightful

> *There is absolutely no doubt that the culture of this organisation is to treat its customers as pivotal to their success Without exception, the assessor was impressed with staff and their levels of knowledge their empathic handling of customer issues and their involvement in developing policies and procedures All customers spoken to were highly complementary about staff and one customer even named an individual for special mention This attitude is clearly driven from the very top and the commitment to customers is the first message to appear on their website*

We followed up the CSE award by becoming the only UK bank to be granted a 4 star mark from the Fairbanking Foundation in respect of our current account product This represented an upgrade from the previous 3 star mark and reflected the investment we have made in our Internet and SMS Banking platforms during 2012 These have made it much easier for customers to interact with us at times of their choosing and should enable us to achieve good growth in this product this year

Whilst we were delighted to receive the CSE award and Fairbanking mark, we know we are not perfect and will continue to invest in people, systems and processes to improve our service and products still further

Ultimately all of these words and awards are meaningless unless they are reflected in the experience customers have when dealing with us I am therefore pleased to note improving trends in our internal customer satisfaction (from a high base) and reductions in customer complaint levels (from a low base) This in turn has helped us to increase like for like customer numbers by 42% from 145,174 in 2011 to 206,273 Inclusive of Everyday Loans (EDL) customers, the overall Secure Trust Bank Group customer base at the end of 2012 was 231,713 representing an increase of 60% on the prior period

Controlling growth

The Board's on-going top strategic priority is to protect the reputation and sustainability of the bank via prudent balance sheet management, investment for growth and robust risk and operational controls During 2012 we have continued to invest in our risk control and governance capabilities to reflect the growth in the business Specifically we have made new appointments in the roles of Chief Risk Officer, Chief Operating Officer, Deputy Finance Director and Group Head of Compliance to strengthen our senior team We have also recruited additional staff with internal audit and operational risk experience gained at larger financial institutions

Stronger Funding Profile

Throughout 2012 we have further enhanced our funding profile As at 31 December we had no direct exposure to wholesale funding or interbank markets All of our lending activities continued to be funded by customer deposits To achieve a broadly matched asset liability position we increased the average tenor of our deposits over the year This treasury management has largely removed the bank's exposure to interest rate basis risk whilst improving our resilience in the event of unexpected major market shocks Our year-end Loan to Deposit ratio was a modest 75% The bank continues to enjoy strong demand for its deposit products and is in the position of having a waiting list of people looking to lodge their savings with us

Chief Executive's statement

Substantial Capital surpluses

We were delighted to complete a very successful placing in December This raised £19 2 million of core tier one capital after costs, which allowed us to repay a £5 million subordinated loan from Arbuthnot Banking Group and boost our capital reserves The placing coupled with robust capital levels at the beginning of the year and the profits generated during 2012 results in a very strong year end Tier 1 Capital ratio of 23 3% Comparing the relative balance sheet strength of individual banks is extremely difficult due to the differing methodologies used under Basel II which can lead to a picture of seemingly similar capital ratios despite the underlying gross leverage positions being wildly different As at 31 December the Secure Trust Bank Gross Leverage (total customer lending divided by equity capital) was only 5 8x The leverage ratios disclosed by the major UK banks over recent weeks are considerably higher which highlights the scope we have to increase our lending activities whilst remaining modestly leveraged on a comparable basis

Robust profit growth

The statutory pre-tax profits for 2012 of £17 2 million are 136% higher than the £7 3 million recorded in 2011

Costs continue to be rigorously controlled and the enlargement of the Group should increase our negotiating position with key suppliers going forward It is imperative that we do not allow the pace of growth to exceed our ability to manage the risks associated with increased business volumes We are investing in all areas of the business, especially in Risk and Finance, to ensure we are suitably resourced to grow in a sustainable manner We have enhanced our Project Management capability to help us take advantage of opportunities as they arise without deflecting management focus from the core business This investment in our organisational capabilities inevitably means the short term cost to income ratio is higher than if the business was growing more slowly

Claims management companies are acting indiscriminately

In various briefings and media interviews during 2012 I have referred to us being inundated with high volumes of baseless claims alleging mis-selling of payment protection insurance (PPI) This issue is common to both STB and EDL as detailed in note 21 The majority of the claims we are receiving are from people who have never been sold PPI Many are loyal longstanding customers who are being duped into authorising unscrupulous claims management companies to submit claims on their behalf During 2012 we have had to deal with allegations that we mis-sold PPI on credit cards and mortgages despite the fact that we have never provided these products We have had customers who have received more in successful claims than they ever paid in premiums alleging mis-selling We have even had the quite surreal instance of the emergency telephone in our office's lift receiving a call from a claims management company advising it could reclaim £2,500 for mis-sold PPI! It is useful to note that every 6 months the Financial Ombudsman Service (FOS) publishes data, available to all, that shows the levels of mis-selling allegations they find in favour of complainants and the levels they find in favour of the financial institution STB has not featured in this data EDL has a record of approximately 92% of cases being found in its favour in the second half of 2012 Putting this in context during 2012 EDL paid less than £10,000 in compensation as a result of FOS cases going against them The fact is that despite the FOS supporting EDL in the vast majority of cases it has still cost us well in excess of £1 million to deal with claims management companies and the baseless claims they are submitting A simple solution to this problem is for the FOS to oblige claims management companies to pay a fee, which would be refunded if the case is won This would immediately free us of the scourge of unwanted texts or cold calls when we are trying to eat tea at home of an evening It would also mean that rather than wasting significant resources for no benefit we would instead be making larger profits enabling us to increase our lending further and to pay more tax

Lending portfolio performing as expected

We monitor all aspects of risk extremely closely with particular attention to the performance of our lending book In absolute quantum terms our impairment levels have risen as we expected given our growing and maturing lending portfolio These remained below the level which we had assumed within our pricing models when writing the business in both the core STB and the EDL portfolios We continue to adopt a robust and dynamic formulaic approach to impairment provisioning We do not seek to manage our impairments via forbearance activities The Group has however looked to support customers who are in financial difficulty and we seek to engage in early communication with borrowers experiencing difficulty in meeting their repayments The 2012 impairment numbers are lower than expectations at origination which we believe is due to two factors the first is that in the light of the deteriorating economic outlook in late 2011 we tightened our lending criteria, which had a modest impact on new business volumes but protected the quality of the book Secondly we have migrated all of the STB collections activity onto a single common operating platform which has improved efficiency

Chief Executive's statement

Lending operations

2012 saw continued strong, controlled, organic growth Overall new business lending volumes excluding Everyday Loans grew 28% to £173 6 million (2011 £135 9 million) which translated to an increase of 44% in overall balance sheet lending assets to £223 8 million (2011 £154 6 million) Including the year-end Everyday Loans portfolio of £73 8 million, the overall STB lending balances of £297 6 million increased by 93% during 2012

Motor finance which is our most mature lending book increased lending, net of provisions, to £89 6 million at 31 December 2012 (2011 £63 4 million) This business, which focuses on the near prime market segment now services the majority of the Top 100 UK car dealer groups We were delighted to be named 'Motor Finance Provider of the Year' by the Institute of Transport Management in 2012

Personal unsecured lending also evidenced strong growth with the 31 December 2012 balance sheet increasing to £68 2 million (2011 £43 6 million) The bank has broadened its distribution capabilities in this segment and entered into a number of significant new introducer relationships during the year including Shop Direct

Retail Point of sale business grew strongly driven by retailer demand for our in store and online services with balances at 31 December 2012 increasing to £64 2 million (2011 £42 6 million) The acquisition of V12 Finance Group on 2 January 2013 should enable us to accelerate the growth rate of this portfolio

The portfolios of books acquired in 2009 have now been collected as expected and the remaining balances are negligible

Positive contribution from Everyday Loans division

We were delighted to acquire the Everyday Loans Group (EDL) on 8th June 2012 after almost 18 months working on a transaction with the management team and vendors As part of the post-acquisition integration project either Paul Marrow (who chairs the EDL Board) or I have visited the vast majority of the 26 branches We have been very impressed with the quality of the staff and their commitment to doing the right thing for their customers The integration was completed rapidly and without issue and the EDL management are now contributing to the development of the wider STB Group

As EDL only provides loans to customers after a full face to face income and expenditure review it is able to tailor loans to non-standard borrowers enabling them to borrow at affordable interest rates whilst ensuring that the loans are an acceptable risk for the bank to take The branch staff incentive scheme is biased in favour of the safe repayment of loans which means the staff are focused on prudent rather than volume lending

The EDL portfolio credit quality remained stable throughout 2012 despite the underlying difficulties in the economy The portfolio derived from the branch based lending model comprises a wide spread of unsecured personal loan customers with a relatively low average balance (£2,700) geographically spread across the U K thereby minimising any concentration of risk

EDL has performed robustly albeit the accounting differentials between UKGAAP and IFRS are such that it will take time for this upside to be reported in the STB accounts The lending balances as at 31 December 2012 were 5% higher than as at 30 June 2012 The underlying profits have exceeded target despite the higher than expected costs of dealing with baseless PPI mis-selling allegations The performance criteria for the payment of the deferred consideration of £1 5 million and the agreed management bonuses have been met and the costs of these payments have been accrued for in the 2012 accounts

We have now begun the process of investing in the future growth of the business and opened a new office in Middlesbrough in the fourth quarter of 2012 I am pleased to report that this is already breaking even A new office was opened in Belfast in January and a minimum of a further two offices are likely to open during 2013

Fee based accounts

During 2012 we have made substantial improvements to our current account product These included the launch of a new internet banking platform in the second quarter and SMS banking modules in the fourth quarter In addition we have spent a significant amount of time working with our card processor, Fidelity Information Services, to improve the robustness and scalability of their systems and processes Whilst this work was on-going we did not proactively sell the current account product Nevertheless customer numbers grew by 22% with 20,962 current account holders at the end of the year (2011 17,178) Our new iApply module

Chief Executive's statement

is scheduled for launch in the first quarter of 2013 which will support increased promotion of this product through digital marketing channels which should lead to increased new business volumes

As expected the OneBill customer numbers continue to decline over time £8 9 million of income was generated in 2012 compared to £9 6 million in 2011 The reduction in income would have been somewhat lower but for the increased costs of handling large volumes of baseless PPI claims during the second half of 2012 The project to develop a next generation OneBill product was deferred whilst we completed work on the current account product and the acquisitions of V12 Finance Group and Debt Managers This project has now resumed and we expect to launch customer trials in the coming months

The acquisition of Debt Managers and planned growth of this business will serve to increase our revenue from commission based activities in the periods ahead which is consistent with our strategy to grow both lending and non-lending income

Our people

We were identified as 'one to watch' in the Sunday Times Best Companies to Work For 2012 survey We believe this reflects positively on our expansion which is creating new jobs and our investment in overall staff proposition Our 2012 new joiners were aged between 16 and 66 bringing with them a wide variety of skills and experience We continue to place considerable focus on the training and development of our people and we are currently supporting over 25% of STB staff to undertake some form of academic qualification ranging from modern apprenticeships to master's degrees I am delighted that so many staff are willing to invest in their own development which I am sure will improve their day to day performance and give them the skills needed to take on the larger roles that will inevitably arise as the business continues to expand STB staff numbers, excluding Everyday Loans, at 31 December 2012 increased by 30 last year representing 11% growth on the prior period

Secure Trust Bank employees have remained heavily involved in charitable activities during the year Numerous events took place ranging from participation in the annual 'movember' campaign in aid of prostate cancer charities through to supporting Sports Relief to raise over £100,000 I am especially proud of all the work done to help those less fortunate than ourselves and I applaud my colleagues for both their charitable work and the sheer commitment to delivering great service in a very friendly manner to our customers throughout the year

The benefits of doing the basics right

Secure Trust Bank is a UK only business We have continued to create jobs for young and old We have substantially increased our net lending balances thereby supporting consumers and businesses just as the Government has been calling on banks to do We have made profits and paid our taxes thus contributing to the public purse We have worked hard to maintain our reputation as a simple, straightforward bank to deal with I believe that we could make an even greater contribution to the recovery of the UK economy if the Government and Regulators take steps to reduce the competitive disadvantages we continue to face relative to the larger banks especially in relation to capital requirements and funding costs I completely support the Chairman's comments in this regard and will continue to work with him and my peers to try to achieve progress here

Current developments

There has been no material change to the underlying performance of the business in the early months of 2013 We continue to see strong demand for all of our core products We have a clear growth strategy and the pipeline of new business opportunities outlined in the Chairman's letter in our circular in November 2012 is being progressed as evidenced by the acquisitions of V12 Finance Group and Debt Managers in January 2013

With the economic outlook remaining very difficult to predict it is appropriate for us to exercise prudence and caution We have therefore positioned the bank to continue to grow at a good pace and in a sustainable manner whilst maintaining low balance sheet leverage and robust capital and funding positions This will allow us to achieve strong organic new business volumes and leave scope for new product or business development opportunities should these arise, possibly as a consequence of regulatory or competitive changes Against our expectations of a broadly flat economy, we are very confident of making further positive progress with our strategic plan during 2013

Paul Lynam

Chief Executive Officer

20 March 2013

Culture

Employee support

The success enjoyed by the Company, which is fuelling strong growth, is also creating numerous opportunities for our staff as evidenced by employee numbers increasing from 263 to 293 during 2012 Financial support and study time allowances are also helping over a quarter of the Company's employees to take academic qualifications ranging from apprenticeships to master's degrees The majority of promotions continue to go to internal staff which evidences the range of career paths within the Company As the size of the Group grows, these opportunities will further expand

The Company celebrates exceptional performance by awarding regular Customer Service hero awards Individuals are also recognised through the annual 'Outstanding Achievers' award Every employee who achieved 100% attendance in 2012 was recognised for team orientated behaviour and awarded an additional day's annual leave to be taken in 2013 Furthermore on a quarterly basis the Chief Executive reviews all the employee suggestions for improving performance, efficiency and effectiveness and awards a cash prize for the best suggestion

Employee Council

The Company operates an Employee Council, which has Employee Representatives from each department within the Company and operates within a structured Terms of Reference The Council meets on a regular basis to encourage a two way process of communication between employees and directors The aim of the Employee Council is to promote employee engagement and give Employee Representatives the opportunity to represent the views of the employees in a forum which can make a positive difference

Brand values

It is our objective to be the Best Bank in Britain and to help us achieve that we have chosen 5 values which underpin the way we do business and the behaviour we expect from all our staff They are

- Customer Focused
- Innovative
- Team Orientated
- Performance Driven
- Risk Aware

They are used in evaluating individual's personal performance and their contribution to the overall vision of the Company

Treating customers fairly

Lending balances have almost doubled over the year and the Company has continued to enjoy strong demand for its deposit accounts Overall customer numbers went through the 200,000 barrier in June 2012 which was a significant milestone On the back of the great service we have provided to our customer base as a whole we have won a number of prestigious awards including the Customer Service Excellence Award from the Cabinet Office and the 4 star mark for Current Account from the Fairbanking Foundation It is not by accident that Secure Trust Bank has avoided being drawn into the various scandals surrounding many of the other banks It goes to show just why treating customers fairly and providing simple, straightforward banking is so important

Active partners for business

The Company has again shown the importance of being a partner for business through its strong and successful relationships The Company won the Business partner of the year award from the Association of Cycle Traders as well as Motor Finance provider of the year award from the Institute of Transport Management This reflects positively on our staff and our aim to be a strong supporter of UK business

Environmental consideration

The Company tries to limit its footprint on the environment through the use of energy saving initiatives, recycling consumables and encouraging greener travel methods for its employees

Business review

Personal Lending – a distinct market territory

The Bank's lending operations continued to grow in a controlled way, with new personal lending volumes in the year, including Everyday Loans, increasing to £77 8 million from £34 5 million in the previous year This generated an increase in personal lending assets during the year which at the year-end, including Everyday Loans totalled £142 0 million (December 2011 £43 6 million) The growth in new business volumes has again not been at the expense of price or quality

The business utilises highly automated underwriting systems which, in addition to providing significant cost advantages, ensure that very consistent credit decisions are made which improves ongoing performance monitoring and future policy decision making Differential pricing that reflects the credit risk of the underlying customer is standard These systems have enabled the business to control risk whilst retaining the speed of service needed to support our introducers

The bad debt performance on all of the books has been better than the expectations set in the pricing models and this continues to be frequently scrutinised To support this further the business has continued to invest in a new collections system that is more appropriate for the balance sheet size the business now operates

Personal lending

Secure Trust Bank is well established in personal unsecured lending having been lending for nearly 35 years Net outstanding loans, excluding Everyday Loans, totalled £68 2 million at 31 December 2012 (31 December 2011 £43 6 million) Following the decision in 2007 materially to reduce new lending in response to deteriorating lending conditions the portfolio reduced to less than £10 million However new lending was strategically increased in 2009 and since then has delivered annual growth Net new lending volumes amounted to £48 9 million in the twelve months to 31 December 2012, from £34 5 million in the previous year

Personal unsecured loans are fixed rate, fixed term products with payments received monthly in arrears Loan terms are between 12 months and 60 months with advances varying from £500 to £15,000 Loans are provided to customers for a variety of purposes which might include, for example, home improvements, personal debt consolidation and the purchase of vehicles Distribution of unsecured personal loans is through brokers, existing customers and Affinity Partners, and targeted to UK-resident customers who are either employed or self-employed

Everyday Loans

During the year, the Company acquired Everyday Loans and this represents a significant strategic development for Secure Trust Bank Everyday Loans is a provider of unsecured loans to a customer base predominantly in lower income groups and it operates through a network of offices where loans are originated, serviced and collected The business will continue to operate through the well known brand name of Everyday Loans and will enable it to expand whilst creating synergistic benefits for the Group Net new lending volumes amounted to £28 9 million in the period since acquisition, with a net lending position of £73 8 million at the end of December 2012

£ million	
Personal lending portfolio	
2012	142 0
2011	43 6
2010	22 4
Personal lending revenue	
2012	24 2
2011	6 0
2010	3 8

Business review

Retail and Motor Lending – premium products

New business lending volumes for motor and retail lending increased to £124 7 million, an increase of 29% on the previous year This generated a significant increase in lending assets during the year, which at the year-end totalled £153 8 million (December 2011 £106 0 million) The growth in new business volumes has not been at the expense of price or quality

Motor finance

Secure Trust Bank's motor finance business started lending in 2009 At 31 December 2012, it represented the Company's largest lending portfolio with net outstanding motor finance loans of £89 6 million (£63 4 million as at 31 December 2011)

Motor finance loans are fixed rate, fixed term hire-purchase agreements and are secured against the vehicle being financed Only passenger vehicles with certain features including an engine size of less than three litres, an age ranging from new to a maximum of ten years old by the end of the hire-purchase agreement and with a maximum mileage of 100,000 miles are financed The majority of vehicles are used cars Finance term periods range from 24 months to 60 months with a maximum loan of £15,000

The Company distributes its motor finance products via UK motor dealers and motor dealer brokers New dealer relationships are established by our UK-wide motor finance sales team with all introducers subject to a strict vetting policy

Retail finance

Secure Trust Bank's retail point of sale finance business commenced lending in 2009 and provides point of sale finance for in-store and online retailers The portfolio at 31 December 2012 totalled £64 2 million (£42 6 million as at 31 December 2011)

Retail point of sale finance products are unsecured, fixed rate and fixed term loans with payments received monthly in arrears Loans range in term from 6 months to 48 months and the size of the loans vary from £250 to £12,000 depending on the type of product being financed The loans are either interest bearing or have promotional credit subsidised by retailers or suppliers Secure Trust Bank does not pay retailers commissions and lending is restricted to UK-residents who are either employed or self-employed

The Group focuses on ten sub-markets The three largest of these at 31 December 2012 are the provision of point of sale finance for the purchase of musical instruments, cycles and the leasing of computer equipment The latter of these is transacted through the subsidiary company STB Leasing Limited Cycle finance has seen positive new business levels undoubtedly as a consequence of the Olympics and Paralympics

Other markets in which the Company provides finance include gym equipment, motor parts, outdoor pursuits, furniture, leisure, jewellery and funerals Secure Trust Bank provides finance through a range of retailers including household names such as Evans Cycles, PC World and DFS The Company has arrangements in place with a number of Affinity Partners including the Arts Council, ACTSmart and RentSmart

In addition to in-store finance, Secure Trust Bank has an online e-tailer proposition which is distributed in conjunction with Pay4Later Limited ("Pay4Later"), a UK provider of web interfaces for online point of sale credit Retailers on the Pay4Later platform include Andertons Music, bathtek com, Power Plate, SuperFit, The Great Furniture Trading Company, Toolstop and WorldStores

£ million

Motor finance portfolio		**Motor finance revenue**	
2012	89 6	2012	16 9
2011	63 4	2011	9 9
2010	31 3	2010	3 4

Retail finance portfolio		**Retail finance revenue**	
2012	64 2	2012	5 8
2011	42 6	2011	3 6
2010	21 6	2010	2 1

Business review

Current Accounts – clear and transparent

The Secure Trust Bank Current Account is a refreshingly simple and transparent bank account

In late 2010, Secure Trust Bank relaunched its current account product At 31 December 2012, the current account product had been taken up by almost 21,000 customers with the account experiencing new account openings averaging over 920 per month for the twelve months to 31 December 2012 The Current Account generated income of over £3 9 million in the year, which represented growth of 34% over the previous year The growth in the current account volumes has continued to outstrip the reduction in OneBill accounts OneBill generated income of £8 9 million in the year, but the Company has closed this product to new customers

Current accounts are distributed via the Company's website, price comparison websites, including Moneysupermarket and Comparepreprepaid, Debt Management Companies and through a direct outbound sales team

The business has developed an on-line capability to both service and sign up accounts It is now possible for a customer to open an account on-line, be provided with the new account details and automatically to transfer all of their direct debits and standing orders in minutes The account charges a monthly fee of £12 50 but as part of this the customers get rewarded for using their card by selected retailers and this is between 3% and 4% of the amount spent Any cash rebated as a consequence of customer spending at the retailers on the scheme can, in effect, help to reduce or offset the monthly account charge

A real Current Account with a Prepaid Card

The Current Account helps the customers control their finances and manage their budget by only letting them spend the money they have available each month This is because the account does not have an overdraft facility so the account holder cannot spend money that isn't there

The account comes with a Prepaid Card, onto which money must be loaded before it can be used similar to a 'Pay as You Go' mobile 'phone top-up This way, it can help the customers manage their money more effectively because the money set aside on the Prepaid Card is separated from the money in their Current Account, so they can shop safe in the knowledge that the bills will be paid from the money kept aside in the Current Account

Customers generally make sure that they have enough money in their Current Account to cover Direct Debits, Standing Orders and any other regular payments, and the remaining money can be transferred onto their Prepaid Card to spend at over 30 million outlets and for online and telephone purchases and to make cash withdrawals at ATMs showing the MasterCard® acceptance mark

Rewards

The Current Account gives the customer the ability to earn cash rewards of up to 4% paid back into the account on purchases made with their Prepaid Card, both online and in store, at over 30 participating major high street retailers
The account holder can have additional Prepaid Cards linked to their account for family members at home or abroad, at no extra monthly fee, with all cards eligible to earn Rewards Participating retailers include well known stores such as Asda, Argos, Boots, Debenhams, B&Q and M&S

Putting the account holder in control

Our Current Account is designed to help customers to manage their money and keep control of what they are spending, giving them the peace of mind that the money they spend is money they actually have Once the account is opened the account holder can register for our online and telephone banking service which gives access to their account 24 hours a day, 7 days a week and allows the movement of money to and from the Current Account and Prepaid Card free of charge

Clear and transparent charges

In addition, there are no charges should a Direct Debit or Standing Order payment fail - our fees are simple and transparent, there are no hidden or unexpected charges So, unlike most high street banks, if a Direct Debit or Standing Order payment is returned unpaid, there isn't a penalty fee

Customer numbers		Revenue (£'000)	
2012 year-end	20,962	2012	£3,948
2011 year-end	17,178	2011	£2,919
2010 year-end	9,576	2010	£1,360
2009 year-end	2,740	2009	£ 211

Business review

Savings – attractive products

The Company continues to manage its liquidity on a conservative basis with none of its funding coming from the wholesale markets All of the lending is entirely funded by way of customer deposits

Secure Trust Bank's deposit activities comprise deposit accounts and fee-based accounts, being fee-based current accounts and the OneBill accounts At 31 December 2012 customer deposits totalled £398 9 million This represents an increase of £126 8 million since the last year end

The Bank's deposit accounts consist of instant access accounts, notice accounts and fixed term, fixed price bonds

Competitive rates

At Secure Trust Bank, savings accounts offer a simple way to save money Interest rates offered are very competitive and provide real value for money Methods of attracting deposits include product information on price comparison websites (such as Moneysupermarket), Best Buy tables and newspaper articles about the deposit accounts offered by the Company

By virtue of a focus on higher margin lending, the absence of large fixed overheads in the form of a branch network and a policy of not cross-subsidising loss making products with profitable ones, the Bank is able to offer competitive rates and has been very successful in attracting term deposits from a wide range of personal and non-personal customers

Notice deposits

The deposit account notice periods range from 60 days to 183 days, with the majority at the 120 day term This provides a secure funding profile which again gives additional financial security to the business The Bank's notice deposits totalled £211 5 million at the year end (December 2011 £170 million), an increase of £41 5 million or 24% A new 120 day notice account was introduced in June 2012 and was highly successful, raising additional new deposits of £35 8 million during the second half of the year

Introduction of further deposit bonds

During the year, the Bank launched further fixed rate deposit bonds in two, three, four, five and six year maturities These again were very successful as the Company raised new deposits of £85 million achieving its desired funding maturity profile at that time At the year end term deposit balances totalled £155 2 million

The Bank is a member of the Financial Services Compensation Scheme (FSCS)

(£'000)

Current / demand accounts

2012	£ 32,158
2011	£ 31,197
2010	£ 27,514
2009	£ 26,418

Term deposits

2012	£366,733
2011	£240,866
2010	£126,264
2009	£ 66,924

Total deposits

2012	£398,891
2011	£272,063
2010	£153,778
2009	£ 93,342

Financial review

Secure Trust Bank adopts a conservative approach to risk taking and seeks to maximise long term revenues and returns

Summarised income statement

	2012 £million	2011 £million	Variance £million
Income by income stream			
Personal lending	8 7	6 0	2 7
Everyday Loans	15 5	-	15 5
Motor finance	16 9	9 9	7 0
Retail finance	5 8	3 6	2 2
Current account	3 9	2 9	1 0
One Bill	8 9	9 6	(0 7)
Acquired portfolios	0 4	1 7	(1 3)
Other	0 6	1 8	(1 2)
Interest, fee and commission expense	(13 7)	(7 0)	(6 7)
Operating income	47 0	28 5	18 5
Impairment losses	(8 9)	(4 6)	(4 3)
Net operating expenses	(29 3)	(16 1)	(13 2)
Gain from a bargain purchase	9 8	-	9 8
Cost arising from acquisitions	(1 4)	-	(1 4)
Share listing costs	-	(0 5)	0 5
Profit before tax	17 2	7 3	9 9

Operating income increased by 65% to £47 0 million The acquisition of Everyday Loans in June 2012 generated a fair value adjustment of £9 8 million The amortisation of this fair value reduced income by £1 2 million and also increased expenses by £0 7 million in the year £1 7 million, including employer's national insurance, has also been accrued in relation to management bonuses as agreed at acquisition An additional £12 5 million of operating income was generated for the Group during the period of ownership Organic growth was achieved through increased levels of activity in the lending business, which has three main product areas asset finance, personal lending and acquired portfolios Income from motor finance increased by over 70%, whilst income from retail finance increased by 61% Secure Trust Bank intends to create diversified and balanced growth in our lending books which will serve the business well when the market becomes more competitive

Income from the current account with a prepaid card increased by 34%, and this offsets the expected decline in the OneBill account following its closure to new accounts in 2009 The current account closed this year with 20,962 open accounts (2011 17,178), and OneBill ended the year with 26,154 open accounts (2011 28,698)

Net operating expenses have increased, in line with expectations, as a result of the Everyday Loans acquisition as well as the organic growth of the business

Financial review

Summarised balance sheet

	2012 £million	2011 £million
Assets		
Loans and advances to customers		
Asset finance		
Motor finance	89 6	63 4
Retail finance	64 2	42 6
Personal lending	68.2	43 6
Everyday Loans	73 8	-
Acquired portfolios	0 2	2 5
Other	1.7	2 5
Loans and advances to banks	155 3	139 5
Other assets	21 6	13 7
	474 6	307 8
Liabilities and equities		
Deposits from customers	398.9	272 1
Other liabilities	19 8	11 9
Share capital and retained earnings	55 9	23 8
	474.6	307 8

The total assets of the Group increased by 54% due to the continued growth in the lending business and the acquisition of Everyday Loans, total assets are now almost half a billion pounds Customer deposits grew by 47% to close at £398 9 million The Group continues with its conservative funding policy, remaining entirely funded by customer deposits and closed with a loan to deposit ratio of 75% (2011 57%)

During the year the asset finance business increased its portfolio size by 45% to close at £153 8 million, being predominantly due to a growth in motor vehicle finance of £26 2 million Personal lending, excluding Everyday Loans, grew by £24 6 million as the business was able to source new business from online brokers and offer new financing to customers from the acquired portfolios The acquisition of Everyday Loans has increased the Group's lending by an additional £73 8 million The acquired portfolios reduced to £0 2 million as customers continued to repay their loans according to our expectations

Capital

The Group's capital management policy is focused on optimising shareholder value over the long term There is a clear focus on delivering organic growth and ensuring capital resources are sufficient to support planned levels of growth The Board reviews the capital position at every Board Meeting

In accordance with the EU's Capital Requirements Directive (CRD) and the required parameters set out in the FSA Handbook (BIPRU 2 2), the Arbuthnot Banking Group's Individual Capital Adequacy Assessment Process (ICAAP), of which the Group is a major component, is embedded in the risk management framework of the Group and is subject to ongoing updates and revisions where necessary, but as a minimum an annual review as part of the business planning process The ICAAP is a process which brings together the risk management framework and the financial disciplines of business planning and capital management

Not all material risks can be mitigated by capital, but where capital is appropriate the Board has adopted a "Pillar I plus" approach to determine the level of capital the Group needs to hold This method takes the Pillar I capital formula calculations as a starting point, and then considers whether each of the calculations deliver a sufficient capital sum adequate to cover anticipated risks Where it is considered that the Pillar I calculations did not reflect the risk, an additional capital add-on in Pillar II is applied

Financial review

The Group's regulatory capital is divided into

Tier 1, comprises shareholders' funds and non-controlling interest, after deducting intangible assets

Tier 2 comprises qualifying subordinated loan capital and revaluation reserves This tier cannot exceed 50% of tier 1 capital

The ICAAP includes a summary of the capital required to mitigate the identified risks in its regulated entities and the amount of capital that the group has available All regulated entities have complied with all of the externally imposed capital requirements to which they are subject

Net Core Tier 1 capital	£ 51 6 million	23 3% of Basel II Risk Weighted Assets
Tier 2 capital	£ 0 1 million	
Total capital	£ 51 7 million	23 3% of Basel II Risk Weighted Assets

Risk and Uncertainties

The Group regards the monitoring and controlling of risks as a fundamental part of the management process Consequently, senior management are involved in the development of risk management policies and in monitoring their application

The principal risks inherent in the Company's business are credit, liquidity, market, operational and regulatory risks A detailed description of the risk management policies in these areas is set out in Note 4 to the financial statements

Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due This risk is managed through the Company's internal controls and its credit risk policies as well as through the Credit Committee, with significant exposures also being approved by the Group's Risk Committee

Liquidity risk is the risk that the Group cannot meet its liabilities as they fall due The Group takes a conservative approach to managing its liquidity profile and is entirely funded by retail customer deposits, placing no reliance on the wholesale lending markets The loan to deposit ratios are maintained at prudent levels The Assets and Liabilities Committee ('ALCO'), comprising senior executives of the Company, is the formal body that has the responsibility for liquidity risk management The ALCO meet formally on a monthly basis to review liquidity risk against set thresholds and risk indicators including early warning indicators, liquidity risk tolerance levels and ILAA metrics

Market risk arises in relation to movements in interest rates Arbuthnot Latham & Co , Limited's treasury function operates on behalf of the Company and it does not take significant unmatched positions in any market for its own account The Company also has no significant exposure to currency fluctuations

Operational risk is the risk that the Group may be exposed to financial losses from failures of its systems and processes The Group maintains clear compliance guidelines and provides ongoing training to all staff The Group's overall approach to managing internal control and financial reporting is described in the Corporate Governance section of the Annual Report

Capital risk is the risk that the Group will have insufficient capital resources to support the business The Group adopts a conservative approach to managing its capital and at least annually assesses the robustness of the capital requirements as part of ICAAP Stringent stress tests are performed to ensure that capital resources are adequate over a future three year horizon

Conduct risk is the risk that the Group does not comply with regulatory requirements including, for example, the way it conducts its business or treats its customers The Group reviews performance against key customer and conduct risks on a monthly basis

Exceptional items

During the year there were exceptional costs of £1 4 million relating to costs arising on the acquisition of Everyday Loans and the post balance sheet acquisitions During the previous year, there were exceptional items totalling £0 5 million, relating to the transaction costs on the AIM market share listing in November 2011

Financial review

Taxation

The full effective tax rate on underlying profit before tax is 9% (2011 30%) reflecting the effects of non-taxable income during the year, primarily the gain from a bargain purchase, as well as the benefit of the lowering of the UK corporation tax rate

Distribution to shareholders

The directors recommend the payment of a final dividend of 43 pence per share which, together with the interim dividend of 14 pence per share paid on 21 September 2012, represents a total dividend for the year of 57 pence per share (2011 final dividend of 4 2 pence per share following a special interim dividend of £7 million)

Earnings per share

Detailed disclosures of earnings per share are shown in note 10 of the financial statements Basic earnings per share increased by 175% to 108 9p per share (2011 39 6p)

Neeraj Kapur

Chief Financial Officer

20 March 2013

Lending portfolio composition %

Motor finance	30 1
Retail finance	21 6
Personal lending	22 9
Everyday Loans	24 8
Other	0 6

Lending portfolio composition % prior year

Motor finance	41 0
Retail finance	27 6
Personal lending	28 2
Acquired portfolios	1 6
Other	1 6

Total customer base

2012	231,713
2011	145,174
2010	96,446

Board of directors

Henry Angest LLL, Hon F UHI - Non-Executive Chairman

Henry Angest is Chairman and Chief Executive of Arbuthnot Banking Group PLC and Chairman of Arbuthnot Latham and Co , Limited He gained extensive national and international experience as an executive of The Dow Chemical Company and Dow Banking Corporation He was chairman of the Banking Committee of the London Investment Banking Association and a director of the Institute of Directors He is a Past Master of the Worshipful Company of International Bankers

Paul Lynam ACIB, AMCT, FIfs - Chief Executive Officer

Paul Lynam joined Secure Trust Bank in September 2010, having spent 22 years working for NatWest and RBS He is an Associate of the Chartered Institute of Bankers and the Association of Corporate Treasurers Paul was the Managing Director, Banking, running RBS/NatWest's SME banking business across the UK and spent four years as the Managing Director of Lombard North Central PLC, running the largest asset finance and leasing business in Europe

Neeraj Kapur BEng, ACGI, FCA, CF, FCIBS - Chief Financial Officer

Neeraj Kapur has over 23 years financial services experience spent in both the accounting and banking industries He is a Chartered Banker, a fellow of the Institute of Chartered Accountants in England & Wales, and Council and Vice Chair of the ICAEW Financial Services Faculty Neeraj spent 11 years working in professional practice before joining RBS in 2001 and has undertaken a number of roles which included Chief Financial Officer of Lombard North Central PLC

Andrew Salmon ACA - Non-Executive Director

Andrew Salmon joined Arbuthnot Banking Group in 1997 and is currently the Chief Operating Officer and Head of Business Development of Arbuthnot Banking Group PLC He was previously a director of Hambros Bank Limited and qualified as a Chartered Accountant with KPMG

Paul Marrow ACIB - Independent Non-Executive Director

Paul Marrow has over 36 years banking experience and has over the last decade been responsible for the Commercial Banking and Specialist Corporate Banking business divisions of RBS Group in the UK Prior to retiring from RBS in July 2009, Paul was involved in a change programme in the RBS UK banking business Paul is currently the Chairman of JCB Finance Limited, a joint venture between J C Bamford Excavators Limited and RBS Group

Carol Sergeant BA, MBA, CBE - Independent Non-Executive Director

Carol Sergeant has extensive banking experience gained over a 37 year career with the Bank of England, the Financial Services Authority (which she helped to set up) and latterly as the Chief Risk Officer and a member of the Group Executive Committee of Lloyds Banking Group PLC Carol holds a BA from Cambridge University and a MBA from the CASS Business School

Jeremy Kaye FCIS - Company Secretary

Group Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012

Principal activities and review

The principal activity of the Group is retail banking A business review in accordance with Section 417 of the Companies Act 2006 forming part of this report is set out in the Business Review

Results and dividend

The results for the year are shown on page 28 The profit for the year after taxation amounted to £15 5 million (2011 £5 1 million) The directors recommend the payment of a final dividend of 43 pence per share which, together with the interim dividend of 14 pence per share paid on 21 September 2012, represents a total dividend for the year of 57 pence per share (2011 final dividend of 4 2 pence per share following a special interim dividend of £7 million) The final dividend, if approved by members at the Annual General Meeting, will be paid on 10 May 2013 to shareholders on the register at the close of business on 12 April 2013

Acquisitions during the year

On 8 June 2012 the Company acquired the issued capital of Everyday Loans Holdings Limited and its subsidiaries for £1 with a further payment of £1 5 million to be made in April 2013 if the management team of Everyday Loans achieved performance targets in 2012 The provision of a loan facility to Everyday Loans has enabled the acquired company to repay about £34 million of subordinated debt

Share capital

On 6 December 2012 the Company placed 1,481,482 ordinary shares at 1350 pence per share

At the Annual General Meeting shareholders will be asked to approve one Ordinary and two Special Resolutions The Ordinary Resolution seeks to give directors general authority to allot shares up to 5% of the Company's existing ordinary share capital during the period expiring on 31 May 2014, or if earlier on the conclusion of the next Annual General Meeting of the Company

The first Special Resolution provides for the Articles of Association to be amended so that equity shares may be issued either on a pre-emptive basis pro rata to existing shareholdings or subject to a limited account namely, 5% of the present issued share capital otherwise than to existing shareholders pro rata to their holdings The directors have no present intention of issuing any shares and will not issue shares which would effectively change the control of the Company without prior approval of shareholders in general meeting

The second Special Resolution renews the authority of the directors to make market purchases of shares not exceeding 10% of the existing share capital The directors will keep the position under review in order to maximise the Company's resources in the best interests of shareholders

Substantial Shareholders

The Company was aware at 20 March 2013 of the following substantial holdings in the ordinary shares of the Company

Arbuthnot Banking Group PLC	11,066,205 shares	70 7%
Cazenove Capital Management Limited	818,955 shares	5 2%
Axa Investment Management (UK) Limited	792,757 shares	5 1%
Miton Group plc	548,300 shares	3 5%
Ruffer LLP	480,967 shares	3 1%
Quantum Partners LP	470,410 shares	3 0%

Directors

The directors who served during the year and up to the date of signing these financial statements were as follows

H Angest	Non-Executive Chairman
P A Lynam	Chief Executive Officer
N Kapur	Chief Financial Officer
P Marrow	Independent Non-Executive Director
A A Salmon	Non-Executive Director
C F Sergeant	Independent Non-Executive Director

Mr Angest, Mr Lynam and Mr Salmon are directors of the ultimate parent company Arbuthnot Banking Group PLC and their interests in the share capital and share options of group companies are shown in the Directors' Report of that company

Group Directors' Report

According to the information kept under Section 3 of the Disclosure and Transparency Rules 2006, the interests of the directors and their families in the ordinary 40p shares of the Company at the dates shown were as follows

	At 1 January 2012	Acquired during the year	At 31 December 2012 and 20 March 2013
N Kapur	-	1,000	**1,000**
P A Lynam	6 600	2 200	**8,800**
P Marrow	-	5,440	**5,440**
A A Salmon	-	7 500	**7,500**
C F Sergeant	6 600	-	**6,600**

On 2 November 2011, Mr Lynam and Mr Salmon were both granted an option to subscribe between 2 November 2014 and 1 November 2021 for 141,666 ordinary 40p shares in the Company at 720 pence a share, as well as an option to subscribe between 2 November 2016 and 1 November 2021 for 141,667 ordinary 40p shares in the Company at 720 pence a share

On 2 November 2011, Mr Kapur was granted an option to subscribe between 2 November 2014 and 1 November 2021 for 35,416 ordinary 40p shares in the Company at 720 pence a share, as well as an option to subscribe between 2 November 2016 and 1 November 2021 for 35,417 ordinary 40p shares in the Company at 720 pence a share

During 2012 the Share Option Scheme was modified to become cash-settled rather than equity-settled (see note 26)

Apart from the interests disclosed above, no director was interested at any time in the year in the share capital of Group companies

Board Committees

The report of the Remuneration Committee on pages 24 to 25 will be the subject of an Ordinary Resolution at the Annual General Meeting

Information on the Audit and Nomination Committees is included in the Corporate Governance section of the Annual report on pages 22 to 23

Employees

The Company gives due consideration to the employment of disabled persons and is an equal opportunities employer It also regularly provides employees with information on matters of concern to them, consults on decisions likely to affect their interests and encourages their involvement in the performance of the Company

Charitable donations

The Company supports a local charity, the Queen Alexandra College and made total donations in the year to this and other charities of £1,436 (2011 £3,230)

Supplier payment policy

The Company's supplier payment policy is to make payment in line with terms agreed with individual suppliers, payments being effected on average within 6 days of receipt of invoice (2011 6 days)

Forbearance

The Group has always looked to support customers who are in financial difficulty We seek to engage in early communication with borrowers experiencing difficulty in meeting their repayments The Company may at its discretion agree to reducing or deferring payments but will not revise the contractual payment plan (see note 4)

Post balance sheet events

On 2 January 2013 the Company acquired 100% of the ordinary share capital of V12 Finance Group Limited, which along with its wholly owned subsidiaries V12 Retail Finance Limited and V12 Personal Finance Limited provide retail point of sale loans, typically for 12 months on an unsecured basis to consumers who are predominantly classified as prime borrowers The acquisition is complementary to the Group's existing retail finance proposition and the V12 management team will continue in the business The cash consideration of £3 5 million was paid on completion and the Company provided funding such that the V12 Group could redeem £7 million of subordinated debt and also repay existing bank finance amounting to £28 5 million

Group Directors' Report

On 15 January 2013 the Company acquired the trade and assets of Debt Managers Holdings Limited and its subsidiaries Debt Managers (AB) Limited and Debt Managers Limited These companies collect delinquent debt on behalf of a range of clients including banks and utility companies The Company acquired Debt Managers for an initial cash payment of £364,000 paid on completion of the transaction which includes payment for the estimated book value of the net assets of £14,000 In addition deferred consideration of up to £400,000 in cash is payable by the Company one year after completion subject in part to the Business achieving certain income criteria The assets acquired are expected to be fair valued at circa £760,000 after completion

Going concern

After making appropriate enquiries which assessed strategy, profitability, funding and capital resources, the directors are satisfied that the Company and the Group have adequate resources to continue in operation for the foreseeable future The financial statements are therefore prepared on the going concern basis

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements were to apply to the Company The directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Services Authority in relation to those matters

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Statement of disclosure of information to auditor

The directors confirm that, so far as each of the directors are aware, there is no relevant audit information of which the Company's auditor is unaware and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Annual General meeting

The next Annual General Meeting of the Company will be held on 8 May 2013

Group Directors' Report

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

J R Kaye

Secretary

20 March 2013

Corporate governance statement

AIM companies are not required to comply with The UK Corporate Governance Code Nevertheless, the Board endorses the principles of openness, integrity and accountability which underlie good corporate governance and intends to take into account the provisions of The UK Corporate Governance Code in so far as they are appropriate to the Group's size and circumstances

The Board

The Group is led and controlled by an effective Board of Directors which comprises Henry Angest (Non-Executive Chairman), Paul Lynam (Chief Executive Officer), Neeraj Kapur (Chief Financial Officer), and three other non-executive directors Under the Company's Articles and pursuant to the relationship agreement in place between the Company and Arbuthnot Banking Group PLC ("ABG"), one third of the directors will be appointed by ABG, one third of the directors will be full-time executive directors, and one third of the directors will be independent directors

The Board meets regularly throughout the year Substantive agenda items have briefing papers, which are circulated in a timely manner before each meeting The Board will ensure that it is satisfied that it is supplied with all the information that it requires and requests, in a form and of a quality to enable it to fulfil its duties The Company Secretary is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision making All directors have access to the Company Secretary's advice and services and there is an agreed procedure for directors to obtain independent professional advice in the course of their duties, if necessary, at the Company's expense The Board has delegated certain of its responsibilities to Committees, which are summarised below Each of these Committees has written terms of reference

Audit Committee

Membership of the Audit Committee is limited to Non-Executive directors and the current Audit Committee comprises Paul Marrow as Chairman, Andrew Salmon and Carol Sergeant

The primary responsibilities of the Audit Committee are to review arrangements established by the Directors for compliance with regulatory and financial reporting requirements, monitor the integrity of the Group and subsidiary statutory accounts, oversee the work of external auditors, monitor and review the scope, results and effectiveness of the Company's internal audit function and liaise with the Audit Committee of ABG

The Audit Committee's responsibilities include reviewing the Group's system of internal control and the process for evaluating and monitoring risk The Committee also considers any other matters which might have a financial impact on the Company, including the Group's arrangement by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters The Audit Committee has the authority to obtain any information it requires from any employee or external party, and at least once a year will meet with the Company's external auditors and internal audit function without any Executive Directors being present

The Committee also reviews the appointment, terms of engagement and objectivity of the external auditors, including the level of non-audit services provided, and ensures that there is an appropriate audit relationship The Audit Committee provides a forum for discussing with the Group's external auditors their report on the annual accounts

Risk Committee

The Risk Committee is chaired by Andrew Salmon Other members are Paul Lynam and Paul Marrow

The primary responsibilities of the Risk Committee is to approve specific risk policies for the Company and its subsidiaries, approve trading positions in excess of the limits set by the management of the Group, oversee the development, implementation and maintenance of the Group's overall risk management framework and its risk appetite, strategy, principles and policies, oversee the Group's risk exposures, risk/return and proposed improvements to the Group's risk management framework, oversee adherence to Group risk principles, policies and standards, and at all times act in adherence with and with regard to the risk principles, policies and standards adopted by ABG and keep ABG regularly informed of any risk issues or breaches faced by the Group which may affect the ABG Group

Corporate governance statement

Remuneration Committee

Details of the Remuneration Committee and directors' remuneration are set out in the separate Remuneration report

Nomination Committee

The Nomination Committee is chaired by Henry Angest and its other members are Paul Marrow and Carol Sergeant

The primary responsibilities of the Nomination Committee are to review the number of Directors and the balance between Executive and Independent Directors, recommend new Independent Director and Executive Director appointments to the Board and the length of term for which a Non-Executive Director may be expected to serve, and have regard to provisions of the Relationship Agreement when performing its duties Before a Board appointment is made the skills, knowledge and experience required for a particular appointment are evaluated The Nomination Committee also follows the ICSA Guidance on Terms of Reference for Nomination Committees

Shareholder Communications

The Company maintains a regular dialogue with its shareholders and makes full use of the Annual General Meeting and any other General Meetings to communicate with investors

The Company aims to present a balanced and understandable assessment in all its reports to shareholders, its regulators and the wider public Key announcements and other information can be found at www securetrustbank com

Internal control and financial reporting

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against the risk of material misstatement or loss

The directors and senior management of the Group have formally adopted a Group Risk and Controls Policy which sets out the Board's attitude to risk and internal control Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board Key business risks are also identified, evaluated and managed by operating management on an ongoing basis The Board also receives regular reports on any risk matters that need to be brought to its attention Significant risks identified in connection with the development of new activities are subject to consideration by the Board

The effectiveness of the internal control system is reviewed regularly by the Board and the Audit Committee, which also receives reports of reviews undertaken by the internal audit function which is outsourced to Ernst & Young The Audit Committee also receives reports from the external auditors, KPMG Audit Plc, which includes details of internal control matters that they have identified Certain aspects of the system of internal control are also subject to regulatory supervision, the results of which are monitored closely by the Board

Remuneration report

Remuneration Committee

Membership of the Remuneration Committee is limited to Non-Executive Directors The present members of the Committee are Henry Angest, Chairman, Paul Marrow and Carol Sergeant

The Committee has responsibility for producing recommendations on the overall remuneration policy for Directors and for setting the remuneration of individual Executive Directors, both for review by the Board Remuneration is set having regard to any roles that may be performed by such Directors as Directors of any other Group companies in the corporate Group of which the Company forms a part The Committee applies the Company's remuneration code and monitors its implementation, reviews the Directors' Remuneration Report, considers and if thought fit awards any incentives to be offered under the Share Option Scheme and pension arrangements, subject to the achievement of specific criteria The Remuneration Committee also follows the ICSA Guidance on Terms of Reference for Remuneration Committees Members of the Committee do not vote on their own remunerations

Remuneration Policy

The Remuneration Committee determines the remuneration of individual directors having regard to the size and nature of the business, the importance of attracting, retaining and motivating management of the appropriate calibre without paying more than is necessary for this purpose, remuneration data for comparable positions, the need to align the interests of executives with those of shareholders, and an appropriate balance between current remuneration and longer term performance–related rewards The remuneration package can comprise a combination of basic annual salary and benefits (including pension), a discretionary annual bonus award related to the Committee's assessment of the contribution made by the executive during the year and longer term incentives, including executive share options Pension benefits take the form of annual contributions paid by the Company to individual money purchase schemes The Remuneration Committee reviews salary levels each year based on the performance of the Group during the preceding financial period This review does not necessarily lead to increases in salary levels During 2012 the Group implemented all the provisions required under the FSA Remuneration Code The Group and its subsidiaries are all considered to be Tier III institutions, due to the size of their relevant total assets

Directors' Service Contracts

Mr Lynam and Mr Kapur each have service contracts terminable at any time on 12 months' notice in writing by either party Mr Marrow and Mrs Sergeant have service contracts terminable at any time on 3 months' notice in writing by either party Mr Angest and Mr Salmon have service contracts with Arbuthnot Banking Group and their details are disclosed in the financial statements of that Company

Share Option Scheme

On 17 October 2011 the Company established The Secure Trust Bank Share Option Scheme which is administered by the Remuneration Committee

On 2 November 2011, Mr Lynam and Mr Salmon were both granted an option to subscribe between 2 November 2014 and 1 November 2021 for 141,666 ordinary 40p shares in the Company at 720p a share, as well as an option to subscribe between 2 November 2016 and 1 November 2021 for 141,667 ordinary 40p shares in the Company at 720p a share

On 2 November 2011, Mr Kapur was granted an option to subscribe between 2 November 2014 and 1 November 2021 for 35,416 ordinary 40p shares in the Company at 720p a share, as well as an option to subscribe between 2 November 2016 and 1 November 2021 for 35,417 ordinary 40p shares in the Company at 720p a share

During 2012 the Share Option Scheme was modified to become cash-settled rather than equity-settled

The market price for each ordinary share at the year end was 1,570p The highest and lowest market price for each ordinary share during the year was 830 pence and 1,570p

A detailed description of the Share Option Scheme, including Scheme Conditions, is contained in Note 26 of the financial statements

Remuneration report

Directors' emoluments

This part of the remuneration report is audited information	2012	2011
	£000	£000
Fees (including benefits in kind)	18	47
Salary payments (including bonuses and benefits in kind)	1,234	1 032
Pension contributions	60	104
	1,312	**1,183**

	Salary	Bonus *	Benefits	Pension	Fees	**Total 2012**	Total 2011
	£000	£000	£000	£000	£000	**£000**	£000
N Fielden (to 3 June 2011)	-	-	-	-	-	**-**	94
K Hayes (between 17 June and 9 September 2011)	-	-	-	-	-	**-**	28
N Kapur (from 31 May 2011)	175	100	19	25	-	**319**	219
P Lynam	413	400	22	35	-	**870**	686
P Marrow (from 3 March 2011)	60	-	-	-	18	**78**	33
D Nield (to 9 September 2011)	-	-	-	-	-	**-**	109
C Sergeant (from 8 September 2011)	45	-	-	-	-	**45**	14
	693	**500**	**41**	**60**	**18**	**1,312**	1,183

* These bonus awards are at this time indicative The Remuneration committee, at its meeting on 22 January 2013, placed certain conditions which require final approval by the committee prior to the award becoming unconditional and payable This is anticipated to take place in the second quarter of 2013 The Remuneration Committee awarded the above directors bonuses on a preliminary basis, pending finalisation of the year end audit Once the year end audit is completed and the year end accounts approved, the Remuneration Committee will meet again to finalise and approve the bonuses

The cost of the provision of the services of Mr Angest and Mr Salmon of £60,000 and £45,000 respectively, have been recharged to the Company in accordance with the Services and Relationship Agreements created at the time of the IPO (2011 Mr Angest £139,000, of which £129,000 relates to the period prior to the IPO and £10,000 relates to the period after the IPO Mr Salmon £216,000, of which £209,000 relates to the period prior to the IPO and £7,000 relates to the period after the IPO)

The emoluments of the highest paid director were £870,000 (2011 £686,000), including pension contributions of £35,000 (2011 £35,000)

Retirement benefits are being paid for 2 directors who served during 2012 (2011 2)

Henry Angest
Chairman of the Remuneration Committee
20 March 2013

Independent Auditor's Report

to the members of Secure Trust Bank PLC

We have audited the financial statements of Secure Trust Bank PLC for the year ended 31 December 2012 set out on pages 28 to 78 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the directors have decided to prepare (in addition to that required to be prepared) as if the company were required to comply with the requirements of Schedule 8 to the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410) made under the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and, in respect of the separate opinion in relation to the Directors' Remuneration Report and reporting on corporate governance, on terms that have been agreed Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and, in respect of the separate opinion in relation to the Directors' Remuneration Report, those matters that we have agreed to state to them in our report, and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements
In our opinion

• the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,

• the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,

• the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006,

• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006 and under the terms of our engagement
In our opinion

• the part of the Directors' Remuneration Report which we were engaged to audit has been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies act 2006, as if those requirements were to apply to the company, and

• the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and

Independent Auditor's Report

to the members of Secure Trust Bank PLC

Matters on which we are required to report by exception
We have nothing to report in respect of the following

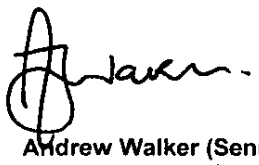
Under the Companies Act 2006 and under the terms of our engagement we are required to report to you if, in our opinion

• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

• the parent company financial statements and the part of the Directors' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit



Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

20 March 2013

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Interest and similar income		44 893	22,836
Interest expense and similar charges		(10 467)	(5 609)
Net interest income	6	**34,426**	**17,227**
Fee and commission income		15 788	12 662
Fee and commission expense		(3 206)	(1 429)
Net fee and commission income		**12,582**	**11,233**
Operating income		**47,008**	**28,460**
Impairment losses on loans and advances	13	(8 946)	(4 601)
Gain from a bargain purchase	30	9 830	-
Other income		37	36
Costs arising from acquisitions		(1,397)	-
Share listing transaction costs	25	-	(536)
Operating expenses	7	(29 367)	(16 079)
Profit before income tax		**17,165**	**7,280**
Income tax expense	9	(1,628)	(2,216)
Profit for the year		**15,537**	**5,064**
Other comprehensive income, net of income tax			
Hedging reserve			
- Effective portion of changes in fair value		(34)	(333)
- Net amount transferred to profit or loss		-	4
Other comprehensive income for the year, net of income tax		**(34)**	**(329)**
Total comprehensive income for the year		**15,503**	**4,735**
Profit attributable to			
Equity holders of the Group		**15,537**	**5,064**
Total comprehensive income attributable to			
Equity holders of the Group		**15,503**	**4,735**
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed in pence per share)			
Basic and diluted earnings per share	10	108 9	39 6

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated statement of financial position

	Note	At 31 December 2012 £000	2011 £000
ASSETS			
Derivative financial instruments	18	25	58
Loans and advances to banks	11	155 301	139 498
Loans and advances to customers	12	297 631	154 585
Current tax assets		-	351
Property, plant and equipment	17	5 414	4 926
Intangible assets	15	5,231	686
Deferred tax assets	23	5 031	212
Other assets	19	5 966	7 524
Total assets		**474,599**	**307,840**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from customers	20	398 891	272 063
Debt securities in issue	22	-	3 000
Current tax liabilities		340	12
Deferred tax liabilities	23	1 145	97
Other liabilities	21	18,302	8 853
Total liabilities		**418,678**	**284,025**
Equity attributable to owners of the parent			
Share capital	25	6 259	5,667
Share premium		28 206	9 547
Retained earnings		21,679	8 790
Cash flow hedging reserve		(363)	(329)
Revaluation reserve		140	140
Total equity		**55 921**	**23,815**
Total liabilities and equity		**474,599**	**307,840**

The financial statements on pages 28 to 78 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf by:

P Lynam - Chief Executive Officer

N Kapur - Chief Financial Officer

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Company statement of financial position

	Note	At 31 December 2012 £000	2011 £000
ASSETS			
Derivative financial instruments	18	25	58
Loans and advances to banks	11	153,634	139 498
Loans and advances to customers	12	197 519	137 613
Current tax assets		-	351
Property, plant and equipment	17	948	760
Intangible assets	15	795	686
Investments	16	-	101
Deferred tax assets	23	616	212
Other assets	19	98,091	23 394
Total assets		**451,628**	**302,673**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from customers	20	398 891	272,063
Debt securities in issue	22	-	3 000
Current tax liabilities		334	-
Other liabilities	21	8 672	6,028
Total liabilities		**407,897**	**281,091**
Equity attributable to owners of the parent			
Share capital	25	6,259	5,667
Share premium		28 206	9 547
Retained earnings		9 629	6 697
Cash flow hedging reserve		(363)	(329)
Total equity		**43,731**	**21,582**
Total liabilities and equity		**451,628**	**302,673**

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Parent Company profit and loss account The profit for the Parent Company for the year is presented in the Statement of Changes in Equity

The financial statements pages on 28 to 78 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf by

P [illegible]nam - Chief Executive Officer

N Kapur - Chief Financial Officer

Registered number 00541132

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

	Share capital	Share premium	Revaluation reserve	Cash flow hedging reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2012	**5,667**	**9,547**	**140**	**(329)**	**8,790**	**23,815**
Total comprehensive income for the period						
Profit for 2012	-	-	-	-	15,537	15 537
Other comprehensive income, net of income tax						
Cash flow hedging reserve						
- Effective portion of changes in fair value	-	-	-	(34)	-	(34)
Total other comprehensive income	**-**	**-**	**-**	**(34)**	**-**	**(34)**
Total comprehensive income for the period	**-**	**-**	**-**	**(34)**	**15 537**	**15,503**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends	-	-	-	-	(2 578)	(2 578)
Credit for share based payments	-	-	-	-	(70)	(70)
Issue of ordinary shares	592	19 408	-	-	-	20,000
Transaction costs on issue of shares	-	(749)	-	-	-	(749)
Total contributions by and distributions to owners	**592**	**18,659**	**-**	**-**	**(2,648)**	**16,603**
Balance at 31 December 2012	**6,259**	**28,206**	**140**	**(363)**	**21,679**	**55,921**

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity continued

	Share capital	Share premium	Revaluation reserve	Cash flow hedging reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2011	**5,000**	**-**	**142**	**-**	**10 654**	**15,796**
Total comprehensive income for the period						
Profit for 2011	-	-	-	-	5,064	5 064
Other comprehensive income, net of income tax						
Revaluation reserve						
- Amount transferred to profit and loss	-	-	(2)	-	2	-
Cash flow hedging reserve						
- Effective portion of changes in fair value	-	-	-	(333)	-	(333)
- Net amount transferred to profit and loss	-		-	4	-	4
Total other comprehensive income	**-**	**-**	**(2)**	**(329)**	**2**	**(329)**
Total comprehensive income for the period	**-**	**-**	**(2)**	**(329)**	**5,066**	**4,735**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends	-	-	-	-	(7 000)	(7,000)
Charge for share based payments	-	-	-	-	70	70
Issue of ordinary shares	667	11,333				12 000
Transaction costs on issue of shares	-	(1 786)				(1,786)
Total contributions by and distributions to owners	**667**	**9,547**	**-**	**-**	**(6,930)**	**3,284**
Balance at 31 December 2011	**5,667**	**9,547**	**140**	**(329)**	**8,790**	**23,815**

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Company statement of changes in equity

	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2011	5 000	-	-	9 200	14,200
Total comprehensive income for the period					
Profit for 2011	-	-	-	4 427	4 427
Other comprehensive income, net of income tax					
Cash flow hedging reserve					
- Effective portion of changes in fair value	-	-	(333)	-	(333)
- Net amount transferred to profit or loss	-		4	-	4
Total other comprehensive income	-	-	**(329)**	-	**(329)**
Total comprehensive income for the period	-	-	**(329)**	**4,427**	**4,098**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends	-	-	-	(7 000)	(7 000)
Charge for share based payments	-	-	-	70	70
Issue of ordinary shares	667	11 333	-	-	12,000
Transaction costs on issue of shares	-	(1 786)	-	-	(1 786)
Total contributions by and distributions to owners	**667**	**9,547**	-	**(6,930)**	**3,284**
Balance at 1 January 2012	**5,667**	**9 547**	**(329)**	**6,697**	**21,582**
Total comprehensive income for the period					
Profit for 2012	-	-	-	5 580	5 580
Other comprehensive income, net of income tax					
Cash flow hedging reserve					
- Effective portion of changes in fair value	-	-	(34)	-	(34)
Total other comprehensive income	-	-	**(34)**	-	**(34)**
Total comprehensive income for the period	-	-	**(34)**	**5 580**	**5,546**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends	-	-	-	(2,578)	(2 578)
Credit for share based payments	-	-	-	(70)	(70)
Issue of ordinary shares	592	19 408	-	-	20 000
Transaction costs on issue of shares	-	(749)	-	-	(749)
Total contributions by and distributions to owners	**592**	**18,659**	-	**(2,648)**	**16,603**
Balance at 31 December 2012	**6,259**	**28,206**	**(363)**	**9,629**	**43,731**

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Cash flows from operating activities			
Profit for the year		15,537	5 064
Adjustments for			
Income tax expense		1 628	2,216
Depreciation		596	467
Amortisation		876	139
Profit on sale of property, plant and equipment		-	(3)
Gain from a bargain purchase	30	(9 830)	-
Provisions against amounts due from customers		8 946	4,601
Share based compensation		(70)	70
Cash flows from operating profits before changes in operating assets and liabilities		17 683	12 554
Changes in operating assets and liabilities			
- net increase in loans and advances to customers		(80 727)	(69 704)
- net decrease/(increase) in derivative financial instruments		33	(58)
- net decrease in other assets		4 521	9,328
- net increase in loans and advances to banks		(41 333)	(19 953)
- net increase in amounts due to customers		126 828	118,285
- net increase/(decrease) in other liabilities		6 714	(986)
Income tax paid		(1 446)	(1 815)
Net cash inflow from operating activities		**32,273**	**47,651**
Cash flows from investing activities			
Borrowings repaid on acquisition of subsidiary undertaking	30	(71 618)	-
Cash acquired on purchase of subsidiary undertaking		991	-
Purchase of computer software	15	(256)	(42)
Purchase of property, plant and equipment	17	(603)	(98)
Proceeds from sale of property, plant and equipment		10	3
Net cash from investing activities		**(71,476)**	**(137)**
Cash flows from financing activities			
(Decrease)/increase in subordinated loan		(3 000)	600
Net inflow on issue of share capital		19,251	10 214
Dividends paid		(2 578)	(7,000)
Net cash used in financing activities		**13,673**	**3,814**
Net (decrease)/increase in cash and cash equivalents		(25,530)	51,328
Cash and cash equivalents at 1 January		119 545	68 217
Cash and cash equivalents at 31 December	27	**94,015**	**119,545**

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Company statement of cash flows

	Note	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Cash flows from operating activities			
Profit for the year		5 580	4 427
Adjustments for			
Income tax expense		1 377	1 983
Depreciation		367	389
Amortisation		147	139
Profit on sale of property, plant and equipment		-	(3)
Release of a provision against investments		-	(100)
Provisions against amounts due from customers		6 225	4 616
Share based compensation		(70)	70
Cash flows from operating profits before changes in operating assets and liabilities		13 626	11 521
Changes in operating assets and liabilities			
- net increase in loans and advances to customers		(66,131)	(57 956)
- net decrease/(increase) in derivative financial instruments		33	(58)
- net increase in other assets		(2,978)	(1 298)
- net increase in loans and advances to banks		(41,333)	(19 953)
- net increase in amounts due to customers		126,828	118 285
- net increase/(decrease) in other liabilities		2,610	(1 075)
Income tax paid		(1 096)	(1 815)
Net cash inflow from operating activities		**31,559**	**47,651**
Cash flows from investing activities			
Borrowings repaid on acquisition of subsidiary undertaking	30	(71 618)	-
Purchase of computer software	15	(256)	(42)
Purchase of property, plant and equipment	17	(555)	(98)
Proceeds from sale of property, plant and equipment		-	3
Net cash from investing activities		**(72,429)**	**(137)**
Cash flows from financing activities			
(Decrease)/increase in subordinated loans		(3,000)	600
Net inflow on issue of share capital		19,251	10 214
Dividends paid		(2 578)	(7 000)
Net cash used in financing activities		**13 673**	**3,814**
Net (decrease)/increase in cash and cash equivalents		(27 197)	51 328
Cash and cash equivalents at 1 January		119 545	68,217
Cash and cash equivalents at 31 December	27	**92 348**	**119 545**

The notes on pages 36 to 78 are an integral part of these consolidated financial statements

Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

1 1 Reporting entity
Secure Trust Bank PLC is a company domiciled in the United Kingdom (referred to as the "Company) The registered address of Secure Trust Bank PLC is One Arleston Way, Solihull, B90 4LH The consolidated financial statements of Secure Trust Bank PLC as at and for the year ended 31 December 2012 comprise Secure Trust Bank PLC and its subsidiaries (together referred to as the Group' and individually as 'subsidiaries ') The Group is primarily involved in banking and financial services

1 2 Basis of presentation
The Group's consolidated financial statements and the Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) (as adopted and endorsed by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial instruments at fair value through profit or loss and liabilities for cash settled share based payments arrangements measured at fair value

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2

The Directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern The Directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future For this reason, they continue to adopt the 'going concern' basis for preparing accounts

The consolidated financial statements were authorised for issue by the board of directors on 20 March 2013

a) Standards, interpretations and amendments effective in 2012 – relevant to the Group

- IFRS 7 (Revised), Disclosures - Transfers of Financial Assets' (endorsed for use in the EU on 22 November 2011) The revised standard requires additional disclosures for transfers of financial assets and where there are a disproportionate amount of transactions undertaken around the period end

- Improvements to IFRSs Sets out minor amendments to IFRS standards as part of annual improvements process

The above changes did not have any material impact on the financial statements

b) Standards, amendments and interpretations to existing standards (applicable to the Group) that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods but the Group has not early adopted them

- IAS 1 (Revised), Presentation of Financial Statements - Presentation of items of other comprehensive income (effective 1 July 2012) The revised standard requires that an entity present separately the items of other comprehensive income that may subsequently be reclassified to profit or loss from those items that will not be reclassified to profit or loss

- IFRS 7 (Revised) Disclosures - Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2013) The revised standard amend the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity s recognised financial assets and recognised financial liabilities on the entity's financial position

- IFRS 10, Consolidated Financial Statements and IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013) IFRS 10 supersedes IAS 27 and SIC-12, and provides a single model to be applied in the control analysis for all investees There are some minor clarifications in IAS27, and the requirements of IAS 28 and IAS 31 have been incorporated into IAS 27

- IFRS 11, Joint Arrangements' (effective 1 January 2013) This standard replaces the existing accounting for subsidiaries and joint ventures (now joint arrangements) and removes the choice of equity or proportionate accounting for jointly controlled entities as was the case under IAS 31

- IFRS 12, 'Disclosure of Interests in Other Entities (effective 1 January 2013) This standard replaces the existing accounting for subsidiaries and joint ventures (now joint arrangements) and contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities

- IFRS 13, 'Fair Value Measurement (effective 1 January 2013) This standard replaces the existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements

- IAS 32 (Revised), Offsetting Financial Assets and Financial Liabilities' (effective 1 January 2014) This standard was amended to clarify the offsetting criteria, specifically when an entity currently has a legal right of set off, and when gross settlement is equivalent to net settlement

  The above standards are unlikely to have a material impact on the Group

- IFRS 9 Financial instruments' (effective from 1 January 2015) Phase one of this standard deals with the classification and measurement of financial assets and will replace IAS 39 The requirements of this standard represent a significant change from the existing requirements in IAS 39 The standard contains two primary measurement categories for financial assets amortised cost and fair value The standard eliminates the existing IAS 39 categories of 'held to maturity', 'available for sale' and 'loans and receivables' The potential effect of phase one of this standard is currently being evaluated but it is not expected to have a pervasive impact on the Group's financial statements, due to the nature of the Group's operations Further development phases for IFRS 9 are scheduled to cover key areas such as impairment and hedge accounting The impact of these future developments is likely to be material to the Group once it becomes effective [1]

[1] *This standard has not yet been endorsed by the EU*

1 3 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date that control ceases

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group The cost of an acquisition is measured as the fair value of the assets given equity instruments issued and liabilities incurred or assumed at the date of exchange Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions balances and unrealised gains on transactions between group companies are eliminated Unrealised losses are also eliminated Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

1 4 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost and held to maturity using the effective interest method

The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying

amount of the financial asset or financial liability When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument but does not consider future credit losses The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

1 5 Net fee and commission income

Fees and commissions which are not included in the effective interest rate are generally recognised on an accruals basis when the service has been provided Fees and commissions income consists principally of weekly and monthly fees from the One Bill and Current Account products, arrears fees in the Everyday Loans business along with associated insurance commissions Fees and commissions expense consists primarily of referral fees and broker commission

1 6 Financial assets and financial liabilities

The Group classifies its financial assets in the following categories at fair value through profit and loss loans and receivables and held-to-maturity investments and its financial liabilities as other financial liabilities Management determines the classification of its investments at initial recognition A financial asset or financial liability is measured initially at fair value At inception transaction costs that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability

(a) Financial assets at fair value through profit or loss

This category comprises interest rate caps All caps at 31 December 2012 are in qualifying hedge relationships These cash flow hedges are used to hedge against fluctuations in future cash flows from interest rate movements on variable rate customer deposits On initial purchase the derivative is valued at fair value and then the effective portion of the change in the fair value of the hedging instrument is recognised in equity (cash flow hedging reserve) until the gain or loss on the hedged item is realised, when it is amortised, the ineffective portion of the hedging instrument is recognised in the statement of comprehensive income immediately Fair values are based on quoted market prices in active markets and where these are not available, using valuation techniques such as discounted cashflow models (See also 1 7)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable Loans are recognised on origination Loans and receivables are carried at amortised cost (see (e) below)

(c) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments Other financial liabilities are recognised when cash is received from the depositors Other financial liabilities are carried at amortised cost using the effective interest method The fair value of other liabilities repayable on demand is assumed to be the amount payable on demand at the balance sheet date

(d) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset There have not been any instances where assets have only been partially derecognised The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire

(e) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

Principal accounting policies

(f) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date The fair value of assets and liabilities traded in active markets are based on current bid and offer prices respectively If the market is not active the Group establishes a fair value by using appropriate valuation techniques These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis

1 7 Hedge accounting – cash flow hedges
On initial designation of the hedge the Group formally documents the relationship between the hedging instruments and the hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125% The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss

If a hedging derivative expires or is sold, terminated, or exchanged or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment

1 8 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

1 9 Impairment of financial assets
Assets carried at amortised cost
On an ongoing basis the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired Objective evidence is the occurrence of a loss event after the initial recognition of the asset that impacts on the estimated future cash flows of the financial asset or group of financial assets and can be reliably estimated

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include, but are not limited to, the following
- Delinquency in contractual payments of principal or interest,
- Cash flow difficulties experienced by the borrower, and
- Initiation of bankruptcy proceedings

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred the amount of the loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income If a loan or held-to-maturity investment has a variable interest rate the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract

The Group considers evidence of impairment for loans and advances at both a specific asset and collective level All individually significant loans and advances are assessed for specific impairment Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be significantly different to historic trends

When a loan is uncollectible, it is written off against the related provision for loan impairment Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income

1 10 Intangible assets

(a) Goodwill arising on business combinations

Goodwill represents the excess of the acquisition cost over the fair value of the net identifiable assets acquired at the date of acquisition Goodwill is held at cost less accumulated impairment losses Goodwill is deemed to have an infinite life

Goodwill is tested at least annually for impairment or when events or changes in economic circumstances indicate that impairment may have taken place Impairment losses are recognised in the statement of comprehensive income if the carrying amount exceeds the recoverable amounts

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised on the basis of the expected useful lives (three to five years)

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred in line with IAS 38

(c) Other intangibles

The acquisition of subsidiaries is accounted for in accordance with IFRS 3 'Business Combinations , which requires the recognition of the identifiable assets acquired and liabilities assumed at their acquisition date fair values As part of this process it is necessary to recognise certain intangible assets which are separately identifiable and which are not included on the acquiree's balance sheet

The intangible assets recognised as part of the EDL acquisition have been recorded at fair value and are being amortised over their expected useful lives, which is four years

1 11 Property, plant and equipment

Property is held at historic cost as modified by revaluation less depreciation The Group has elected under IAS 16 31 to measure its property at fair value Revaluations are kept up to date such that the carrying amount does not differ materially from its fair value as required by IAS 16 34 Revaluation of assets and any subsequent disposal are addressed through the revaluation reserve and any changes are transferred to retained earnings

Plant and equipment is stated at historical cost less depreciation Historical cost includes expenditure that is directly attributable to the acquisition of the items Depreciation is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives applying the following annual rates, which are subject to regular review

Land	not depreciated
Freehold buildings	2%
Leasehold improvements	shorter of life of lease or 12 5%
Other equipment	5% to 15%
Computer equipment	20% to 33%

Gains and losses on disposals are determined by comparing proceeds with carrying amounts These are included in the statement of comprehensive income

1 12 Leases

(a) As a lessor

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership with or without ultimate legal title, are classified as finance leases When assets are held subject to finance leases, the present value of the lease payments is recognised as a receivable The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases When assets are held subject to operating leases, the underlying assets are held at cost less accumulated depreciation The assets are depreciated down to their estimated residual values on a straight line basis over the lease term Lease rental income is recognised on a straight line basis over the lease term

(b) As a lessee
Rentals made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease

1 13 Cash and cash equivalents
For the purposes of the statement of cash flows cash and cash equivalents comprise cash in hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition including certain loans and advances to banks and building societies and short-term highly liquid debt securities

1 14 Employee benefits
(a) Post-retirement obligations
The Group contributes to a defined contribution scheme and to individual defined contribution schemes for the benefit of certain employees The schemes are funded through payments to insurance companies or trustee-administered funds at the contribution rates agreed with individual employees The Group has no further payment obligations once the contributions have been paid The contributions are recognised as an employee benefit expense when they are due Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available There are no post-retirement benefits other than pensions

(b) Share based payment transactions
During 2012 the scheme was changed to become cash-settled In accordance with IFRS2, the valuation technique adopted by the Company in calculating the fair value of the share options includes a number of inputs including the exercise price of the option, the current share price, the expected life of the option, the expected volatility, the expected dividend yield, a risk-free interest rate and incorporates an assessment of the probability of pay out

The fair value of the liability is remeasured at each reporting date and at each settlement date and is recognised on a straight line basis over the vesting period

1 15 Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments Costs associated with the listing of shares are expensed immediately

1 16 Income taxation
Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised

1 17 Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are approved

1 18 Significant items
Items which are material by both size and nature (i e outside of the normal operating activities of the Group) are treated as significant items and disclosed separately on the face of the statement of comprehensive income The separate reporting of these items helps to provide an indication of the Group's underlying business performance

2. Critical judgements and estimates

The Group makes critical judgements and estimates which affect its reported assets, liabilities and profits Estimates are calculated using various assumptions and judgements Critical judgements and the assumptions used in calculating estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

2 1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a half-yearly basis The basis for evaluating impairment losses is described in accounting policy 1 9 In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group Loans and advances are identified as impaired by taking account of the age of the debt's delinquency and the product type The impairment provision is calculated by applying a percentage rate to the balance of different ages and categories of impaired debt The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

Where financial assets are individually evaluated for impairment, management uses their best estimates in calculating the net present value of future cash flows Management has to make judgements on the financial position of the counterparty and the net realisable value of collateral (where held), in determining the expected future cash flows

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be significantly different to historic trends

To the extent that the default rates differ from that estimated by 10%, the allowance for impairment on loans and advances would change by an estimated £1 6 million

2 2 Acquisition accounting

The Group recognises identifiable assets and liabilities at their acquisition date fair values The exercise of attributing a fair value to the balance sheet of the acquired entity requires the use of a number of assumptions and estimates, which are documented at the time of the acquisition These fair value adjustments are determined from the estimated future cash flows generated by the assets

Loans and advances to customers

The methodology of attributing a fair value to the loans and advances to customers involves discounting the estimated future cashflows after impairment losses using a risk adjusted discount factor A fair value adjustment is then applied to the carrying value in the acquiree s balance sheet

Intangible assets

Identifying the separately identifiable intangible assets of an acquired company is subjective and based upon discussions with management and a review of relevant documentation During the year the acquisition of Everyday Loans indicated that there were four separately identifiable intangible assets which met the criteria for separation from goodwill these being Trademarks, Customer Relationships, Broker Relationships and Technology

Trademarks are valued by estimating the fair value of the estimated costs savings resulting from the ownership of trade names as opposed to licensing them Customer Relationships are valued through the application of a discounted cashflow methodology to net anticipated renewal revenues The valuation of Broker Relationships are derived from a costs avoided methodology, by reviewing costs incurred on non-broker platforms versus costs which are incurred in broker commission Technology is valued by the market derived royalty rate applied to the related cash flows to arrive at estimated savings resulting from the use of the acquired credit decisioning technology

2 3 Share Option Scheme valuation

The cost of the cash settled share option scheme is determined by reference to a range of factors aimed at estimating the fair value of the liability at the balance sheet date In deriving that fair value, the Directors have also considered the probability of the

options vesting In the opinion of the Directors the terms of the scheme are such that there remain a number of key uncertainties to be considered when calculating the probability of pay out, which are set out below

Much of the bank's lending is in the near and sub-prime categories with performance of the book heavily influenced by employment trends The UK economy remains fragile, with stagnant growth, high street closures and a triple dip recession a realistic possibility The impact of a further downturn would be increasing unemployment, potentially causing impairments to rise and new business levels to fall, thereby affecting the bank's ability to sustain the levels of dividend growth required under the terms of the scheme Depending on the product type market and customer demographics, the bank's current product range includes expected lifetime losses of between 1% and 20%

Uncertainties in the regulatory environment continue, with pressure on the government to further constrain the activities of banks following the well reported catalogue of recent issues in the industry Further uncertainty exists with the forthcoming demise of the FSA and the likely additional scrutiny following its replacement, with effect from 1 April 2013, by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) Any tightening of capital requirements will impact on the ability of the Company to exploit future market opportunities and furthermore may inhibit its ability to maintain the required growth in distributions

One participant in the share option scheme left the Company during the year and was consequently withdrawn from the scheme The Directors consider that there is further uncertainty surrounding whether the remaining participants will all still be in situ and eligible at the vesting date

Having taken all of the above risk factors into account, the Directors are of the opinion that there is currently a probability of 70% that the 2014 options will vest and a probability of 50% that the 2016 options will vest A change in the probability percentage of 10% across the two option dates would result in a £269,000 movement in the charge for the year

In establishing an estimated share price at the vesting dates, an average market consensus valuation has been taken, by reference to a number of share investment research analysts The average valuations as at 31 December 2012 were determined as £15 61 per share and £15 56 per share for 2014 and 2016 respectively The highest and lowest estimates were within 10% of these average prices

2 4 Average life of lending

IAS 39 requires interest earned from lending to be measured under the effective interest rate method The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset

Management must therefore use judgement to estimate the expected life of each instrument and hence the expected cash flows relating to it The accuracy of the effective interest rate would therefore be affected by unexpected market movements resulting in altered customer behaviour inaccuracies in the models used compared to actual outcomes and incorrect assumptions

2 5 Valuation of financial instruments

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices If the market is not active the Group establishes a fair value by using appropriate valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis The objective of valuation techniques is to determine the fair value of the financial instrument at the reporting date as the price that would have been agreed between active market participants in an arm's length transaction

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices)
- Level 3 Inputs for the asset or liability that is not based on observable market data (unobservable inputs)

Fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices Observable market prices are available in the market for simple over the counter derivatives like interest rate caps and their availability reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values

The consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads, assist in the judgement as to whether a market is active If in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs the instrument in its entirety is classified as valued using significant unobservable inputs Unobservable in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would be likely to occur It generally does not mean that there is no market data available at all upon which to base a determination of fair value (consensus pricing data may for example, be used)

At 31 December 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial instruments	-	25	-	25
Total	-	**25**	-	**25**

At 31 December 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial instruments	-	58	-	58
Total	-	**58**	-	**58**

3. Maturity analysis of consolidated assets and liabilities

The table below shows the contractual maturity analysis of the consolidated assets and liabilities as at 31 December 2012

At 31 December 2012	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Derivative financial instruments	-	25	25
Loans and advances to banks	155,301	-	155 301
Loans and advances to customers	105,639	191,992	297,631
Property, plant and equipment	-	5 414	5 414
Intangible assets	-	5 231	5 231
Deferred tax assets	-	5 031	5 031
Other assets	5 966	-	5,966
Total assets	**266,906**	**207,693**	**474,599**
LIABILITIES			
Deposits from customers	268,187	130,704	398,891
Current tax liabilities	340	-	340
Deferred tax liabilities	-	1 145	1,145
Other liabilities	13 843	4 459	18 302
Total liabilities	**282,370**	**136,308**	**418,678**

The table below shows the contractual maturity analysis of the consolidated assets and liabilities as at 31 December 2011

At 31 December 2011	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Derivative financial instruments	-	58	58
Loans and advances to banks	139 498	-	139 498
Loans and advances to customers	52 316	102 269	154 585
Current tax assets	351	-	351
Property, plant and equipment	-	4 926	4 926
Intangible assets	-	686	686
Deferred tax assets	-	212	212
Other assets	7,524	-	7 524
Total assets	**199,689**	**108,151**	**307,840**
LIABILITIES			
Deposits from customers	200,945	71,118	272,063
Debt securities in issue	-	3 000	3 000
Current tax liabilities	12	-	12
Deferred tax liabilities	-	97	97
Other liabilities	5 924	2 929	8 853
Total liabilities	**206,881**	**77 144**	**284,025**

The Directors do not consider that the behavioural maturity is significantly different to the contractual maturity

The table below shows the contractual maturity analysis of the Company assets and liabilities as at 31 December 2012

At 31 December 2012	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Derivative financial instruments	-	25	25
Loans and advances to banks	153 634	-	153 634
Loans and advances to customers	65 158	132 361	197,519
Property, plant and equipment	-	948	948
Intangible assets	-	795	795
Deferred tax assets	-	616	616
Other assets	98 091	-	98 091
Total assets	**316,883**	**134,745**	**451,628**
LIABILITIES			
Deposits from customers	268 187	130 704	398 891
Current tax liabilities	334	-	334
Other liabilities	8 672	-	8 672
Total liabilities	**277,193**	**130,704**	**407,897**

The table below shows the contractual maturity analysis of the Company assets and liabilities as at 31 December 2011

At 31 December 2011	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Derivative financial instruments	-	58	58
Loans and advances to banks	139 498	-	139 498
Loans and advances to customers	43 951	93 662	137,613
Current tax assets	351	-	351
Property, plant and equipment	-	760	760
Intangible assets	-	686	686
Investments	-	101	101
Deferred tax asset	-	212	212
Other assets	23 394	-	23 394
Total assets	**207 194**	**95,479**	**302,673**
LIABILITIES			
Deposits from customers	200 945	71 118	272 063
Debt securities in issue	-	3 000	3,000
Other liabilities	6 028	-	6 028
Total liabilities	**206,973**	**74,118**	**281 091**

The Directors do not consider that the behavioural maturity is significantly different to the contractual maturity

4 Financial risk management

Strategy
The directors and senior management of the Group have formally adopted a Risk and Controls Policy which sets out the Board s attitude to risk and internal controls Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties The Board also receives regular reports on any risk matters that need to be brought to its attention Significant risks identified in connection with the development of new activities are subject to consideration by the Board There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data A more detailed description of the risk governance structure is contained in the Corporate Governance Statement on pages 22 to 23

The principal non-operational risks inherent in the Group s business are credit, market and liquidity risk

(a) Credit risk
The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due A formal Credit Risk Policy has been agreed by the Board whilst credit risk is monitored on a monthly basis by the Credit Risk Committee which reviews performance of key portfolios including new business volumes collections performance, provisioning levels and provisioning methodology

The Group structures the levels of credit risk by placing limits on the amount of risk accepted in relation to individual borrowers or groups of borrowers Such risks are monitored on a revolving basis and subject to an annual or more frequent review The limits on the level of credit risk are approved periodically by the Board of Directors and actual exposures against limits monitored daily

Impairment provisions are provided for losses that have been incurred at the statement of financial position date Significant changes in the economy could result in losses that are different from those provided for at the statement of financial position date Management therefore carefully manages its exposures to credit risk as they consider this to be the most significant risk to the business

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate The assets undergo a scoring process to mitigate risk and are monitored by the Board Disclosures relating to arrears on loans and advances to customers are disclosed in note 12

The Board monitors the ratings of the counterparties in relation to the Group s loans and advances to banks Disclosures of these at the year end are contained in note 11 There is no direct exposure to the Eurozone and peripheral Eurozone countries

Motor finance loans the largest lending balance by value are secured against motor vehicles Details of the collateral held in respect of these loans are detailed in note 12

The Group's maximum exposure to credit risk is as follows

	2012 £000	2011 £000
Credit risk exposures relating to on-balance sheet assets are as follows		
Loans and advances to banks	155 301	139 498
Loan and advances to customers	297,631	154 585
Amounts due from related companies	2 002	4 795
Derivative financial instruments	25	58
Credit risk exposures relating to off-balance sheet assets are as follows		
Loan commitments	1 218	924
At 31 December	**456,177**	**299,860**

The Company's maximum exposure to credit risk is as follows

	2012 £000	2011 £000
Credit risk exposures relating to on-balance sheet assets are as follows		
Loans and advances to banks	153 634	139,498
Loan and advances to customers	197 519	137 613
Amounts due from related companies	96,938	21,332
Derivative financial instruments	25	58
Credit risk exposures relating to off-balance sheet assets are as follows		
Loan commitments	943	787
At 31 December	**449,059**	**299,288**

The above table represents the maximum credit risk exposure (net of impairment) to the Group and Company at 31 December 2012 and 2011 without taking account of any collateral held or other credit enhancements attached For on-balance-sheet assets, the exposures are based on the net carrying amounts as reported in the statement of financial position

Forbearance
Secure Trust Bank does not reschedule contractual arrangements where customers default on their repayments Under its Treating Customers Fairly (TCF) policies however, the company may offer the customer the option to reduce or defer payments for a short period If the request is granted the account continues to be monitored in accordance with the Group's impairment provisioning policy Such debts retain the customer s normal contractual payment due dates and will be treated the same as any other defaulting cases for impairment purposes Arrears tracking will continue on the account with any impairment charge being based on the original contractual due dates for all products

In June 2012, the group acquired Everyday Loans whose policy on forbearance is that a customer s account may be modified to assist customers who are in or, have recently overcome, financial difficulties and have demonstrated both the ability and willingness to meet the current or modified loan contractual payments These may be modified by way of a reschedule or deferment of repayments Rescheduling of debts retains the customers contractual due dates, whilst the deferment of repayments extends the payment schedule up to a maximum of four payments in a 12 month period As at 31 December 2012 the gross balance of rescheduled loans included in the consolidated statement of financial position was £12 3 million, with an allowance for impairment on these loans of £1 2 million The gross balance of deferred loans was £2 9 million with an allowance for impairment on these of £0 4 million

(b) Market risk
Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements

Currency risk
The Group and Company have no significant exposures to foreign currencies

Interest rate risk
Interest rate risk is the potential adverse impact on the Group's future cash flows from changes in interest rates and arises from the differing interest rate risk characteristics of the Group s assets and liabilities In particular, fixed rate products expose the Group to the risk that a change in interest rates could cause either a reduction in interest income or an increase in interest expense relative to variable rate interest flows The Group seeks to "match interest rate risk on either side of the statement of financial position However, this is not a perfect match and interest rate risk is present on money market deposits of a fixed rate nature The Group monitors the interest rate mismatch on a daily basis in conjunction with liquidity and capital

The interest rate mismatch is monitored, throughout the maturity bandings of the book on a parallel scenario for 50, 100 and 200 basis points movements The Group consider the 50 and 100 basis points movement to be appropriate for scenario testing given the current economic outlook and industry expectations This typically results in a pre-tax mismatch of £0 1m or less (2011

£0 2m or less) for the Company and Group, with the same impact to equity pre-tax In 2011 the Group put interest rate caps in place primarily to hedge the exposure to cash flow variability from interest rate movements on variable rate customer deposits

Interest rate sensitivity gap

The following tables summarise the repricing periods for the assets and liabilities in the Group, including derivative financial instruments which are principally used to reduce exposure to interest rate risk Items are allocated to time bands by reference to the earlier of the next contractual interest rate and the maturity date

Group As at 31 December 2012	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Derivative financial instruments	-	-	-	-	-	25	25
Loans and advances to banks	126 836	28 465	-	-	-	-	155,301
Loans and advances to customers	65 044	29 740	60,068	153,879	122	(11,222)	297 631
Other assets	-	-	-	-	-	21 642	21,642
Total assets	**191,880**	**58,205**	**60,068**	**153,879**	**122**	**10,445**	**474,599**
LIABILITIES							
Deposits from customers	107 402	128 628	-	128 866	1 838	32 157	398,891
Other liabilities	-	-	-	-	-	19 787	19 787
Equity	-	-	-	-	-	55,921	55,921
Total liabilities	**107,402**	**128,628**	**-**	**128,866**	**1,838**	**107,865**	**474,599**
Impact of derivative instruments	(20 000)	-		20,000			
Interest rate sensitivity gap	**64,478**	**(70 423)**	**60,068**	**45,013**	**(1,716)**	**(97,420)**	
Cumulative gap	**64,478**	**(5,945)**	**54,123**	**99,136**	**97,420**	**-**	

Group As at 31 December 2011	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Cash	-	-	-	-	-	58	58
Loans and advances to banks	124 532	14 966	-	-	-	-	139 498
Loans and advances to customers	16,658	14,796	23 849	103 936	-	(4,654)	154 585
Other assets	-	-	-	-	-	13,699	13 699
Total assets	**141,190**	**29,762**	**23,849**	**103,936**	**-**	**9,103**	**307,840**
LIABILITIES							
Deposits from customers	200 945	-	-	71,118	-	-	272 063
Debt securities in issue	3,000	-	-	-	-	-	3 000
Other liabilities	-	-	-	-	-	8,962	8 962
Equity	-	-	-	-	-	23 815	23 815
Total liabilities	**203,945**	**-**	**-**	**71,118**	**-**	**32,777**	**307,840**
Impact of derivative instruments	(40 000)	20,000	-	20 000	-	-	
Interest rate sensitivity gap	**(102,755)**	**49,762**	**23,849**	**52,818**	**-**	**(23 674)**	
Cumulative gap	**(102 755)**	**(52,993)**	**(29,144)**	**23,674**	**23,674**	**-**	

Company As at 31 December 2012	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Derivative financial instruments	-	-	-	-	-	25	25
Loans and advances to banks	125 169	28 465	-	-	-	-	153,634
Loans and advances to customers	21,381	19 674	33,100	136 827	108	(13 571)	197 519
Other assets	72 115	-	-	-	-	28 335	100 450
Total assets	**218,665**	**48,139**	**33,100**	**136,827**	**108**	**14,789**	**451,628**
LIABILITIES							
Deposits from customers	107 402	128 628	-	128 866	1 838	32 157	398,891
Other liabilities	-	-	-	-	-	9 006	9 006
Equity	-	-	-	-	-	43 731	43,731
Total liabilities	**107,402**	**128,628**	**-**	**128,866**	**1,838**	**84,894**	**451,628**
Impact of derivative instruments	(20 000)	-		20,000			
Interest rate sensitivity gap	**91,263**	**(80,489)**	**33,100**	**27,961**	**(1,730)**	**(70,105)**	
Cumulative gap	**91 263**	**10,774**	**43,874**	**71,835**	**70,105**	**-**	

Company As at 31 December 2011	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Derivative financial instruments	-	-	-	-	-	58	58
Loans and advances to banks	124 532	14,966	-	-	-	-	139 498
Loans and advances to customers	14 588	12 693	19 657	95 329	-	(4 654)	137 613
Other assets	-	-	-	-	-	25 504	25,504
Total assets	**139,120**	**27,659**	**19,657**	**95,329**	**-**	**20,908**	**302,673**
LIABILITIES							
Deposits from customers	200,945	-	-	71 118	-	-	272,063
Debt securities in issue	3 000	-	-	-	-	-	3 000
Other liabilities	-	-	-	-	-	6 028	6 028
Equity	-	-	-	-	-	21 582	21 582
Total liabilities	**203,945**	**-**	**-**	**71,118**	**-**	**27,610**	**302,673**
Impact of derivative instruments	(40 000)	20 000	-	20 000	-	-	
Interest rate sensitivity gap	**(104,825)**	**47,659**	**19,657**	**44,211**	**-**	**(6,702)**	
Cumulative gap	**(104,825)**	**(57,166)**	**(37,509)**	**6,702**	**6,702**	**-**	

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation The liquidity requirements of the Group are met through short-term repayments of its deposits with Arbuthnot Latham & Co , Limited's treasury department to cover any short term fluctuations and longer term, funding to address any structural liquidity requirements

The Company has a formal governance structure in place to manage and mitigate liquidity risk on a day to day basis The Board sets and approves the Company's liquidity risk management strategy The Asset and Liability Committee ('ALCO'), comprising senior executives of the Company, monitors liquidity risk Key liquidity risk management information is reported by the finance team and monitored by the Chief Executive Officer and Chief Financial Officer on a daily basis The ALCO meets monthly to review liquidity risk against set thresholds and risk indicators including early warning indicators, liquidity risk tolerance levels and ILAA metrics

The Group relies on deposits from customers During the current year the Company issued over £84 8million of fixed rate deposit bonds to customers over terms ranging from 2 to 6 years These were issued to broadly match the term lending by the Company

The new Liquidity regime came into force on the 1 October 2010 The FSA requires a firm to maintain at all times liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due There is also a requirement that a firm ensures its liquidity resources contain an adequate buffer of high quality, unencumbered assets (i e Government Securities in the liquidity asset buffer), and it maintains a prudent funding profile The liquid assets buffer is a pool of highly liquid assets that can be called upon to create sufficient liquidity to meet liabilities on demand, particularly in a period of liquidity stress The liquidity resources outside the buffer must either be marketable assets with a demonstrable secondary market that the firm can access, or a credit facility that can be activated in times of stress

The Group has a Board approved Individual Liquidity Adequacy Assessment (ILAA) The liquidity buffer required by the ILAA has been put in place and maintained since Liquidity resources outside of the buffer are made up of deposits placed via Arbuthnot Latham & Co , Limited at the Bank of England

The Group is exposed to daily calls on its available cash resources from current accounts, maturing deposits and loan draw-downs The Group maintains significant cash resources to meet all of these needs as they fall due

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types An unmatched position potentially enhances profitability, but also increases the risk of losses

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers For this purpose net liquid assets are considered to be loans and advances to banks At the year end this ratio was 38 9% (2011 51 3%)

The table below analyses the contractual undiscounted cash flows for the Group and Company's non-derivative financial liabilities into relevant maturity groupings at 31 December 2012

At 31 December 2012	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Non-derivative liabilities						
Deposits from customers	398,891	(419 396)	(66,068)	(205 391)	(145 527)	(2 410)
	398.891	**(419.396)**	**(66 068)**	**(205.391)**	**(145.527)**	**(2.410)**

The table below analyses the contractual undiscounted cash flows for the Group and Company's non-derivative financial liabilities into relevant maturity groupings at 31 December 2011

At 31 December 2011	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Non-derivative liabilities						
Deposits from customers	272 063	(283,672)	(70 002)	(132,968)	(80 702)	-
Debt securities in issue	3 000	(3 825)	-	-	-	(3 825)
	275,063	**(287,497)**	**(70,002)**	**(132,968)**	**(80,702)**	**(3,825)**

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates

(d) Financial assets and liabilities

The tables below sets out the Group's financial assets and financial liabilities into the respective classifications

At 31 December 2012	Fair value through other comprehensive income £000	Loans and receivables £000	Other liabilities at amortised cost £000	Total carrying amount £000	Fair value £000
Loans and advances to banks		155 301	-	155 301	155,301
Loans and advances to customers	-	297,631	-	297 631	297,631
Derivative financial instruments	25	-	-	25	25
	25	**452,932**	**-**	**452,957**	**452,957**
Deposits from customers		-	398 891	398 891	398,891
	-	**-**	**398,891**	**398,891**	**398,891**

At 31 December 2011	Fair value through other comprehensive income £000	Loans and receivables £000	Other liabilities at amortised cost £000	Total carrying amount £000	Fair value £000
Loans and advances to banks	-	139 498	-	139 498	139 498
Loans and advances to customers	-	154,585	-	154,585	154,585
Derivative financial instruments	58	-	-	58	58
	58	**294,083**	**-**	**294,141**	**294,141**
Deposits from customers	-	-	272,063	272,063	272 063
Debt securities in issue	-	-	3 000	3 000	3 000
	-	**-**	**275 063**	**275,063**	**275,063**

The tables below sets out the Company's financial assets and financial liabilities into the respective classifications

At 31 December 2012	Fair value through other comprehensive income	Loans and receivables	Other liabilities at amortised cost	Total carrying amount	Fair value
	£000	£000	£000	£000	£000
Loans and advances to banks	-	153 634	-	153 634	153,634
Loans and advances to customers	-	197 519	-	197 519	197,519
Derivative financial instruments	25	-	-	25	25
	25	**351,153**	-	**351,178**	**351,178**
Deposits from customers	-	-	398 891	398 891	398,891
	-	-	**398,891**	**398,891**	**398 891**

At 31 December 2011	Fair value through other comprehensive income	Loans and receivables	Other liabilities at amortised cost	Total carrying amount	Fair value
	£000	£000	£000	£000	£000
Loans and advances to banks	-	139 498	-	139 498	139 498
Loans and advances to customers	-	137 613	-	137 613	137,613
Derivative financial instruments	58	-	-	58	58
	58	**277,111**	-	**277,169**	**277,169**
Deposits from customers	-	-	272 063	272 063	272 063
Debt securities in issue	-	-	3 000	3 000	3 000
	-	-	**275,063**	**275,063**	**275,063**

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than the risks identified above Operational risks arise from all of the Group's operations

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation In all cases, the Group s policy requires compliance with all applicable legal and regulatory requirements The Corporate Governance Statement on pages 22 and 23 describes the Group s system of internal controls which are used to mitigate against operational risk

5. Capital management

The Group s capital management policy is focused on optimising shareholder value, in a safe and sustainable manner There is a clear focus on delivering organic growth and ensuring capital resources are sufficient to support planned levels of growth The Board regularly reviews the capital position

In accordance with the EU's Capital Requirements Directive (CRD) and the required parameters set out in the FSA Handbook (BIPRU 2 2), the Arbuthnot Banking Group s Individual Capital Adequacy Assessment Process (ICAAP), of which the Group is a major component, is embedded in the risk management framework of the Group and is subject to ongoing updates and revisions when necessary However, at a minimum, the ICAAP is updated annually as part of the business planning process The ICAAP is a process that brings together management framework (i e the policies, procedures, strategies, and systems that the Group has implemented to identify, manage and mitigate its risks) and the financial disciplines of business planning and capital management

Not all material risks can be mitigated by capital, but where capital is appropriate the Board has adopted a Pillar 1 plus" approach to determine the level of capital the Group needs to hold This method takes the Pillar 1 capital formula calculations (standardised approach for credit, market and operational risk) as a starting point, and then considers whether each of the calculations delivers a sufficient capital sum adequately to cover managements' anticipated risks Where it is considered that the Pillar 1 calculations do not reflect the risk, an additional capital add-on in Pillar 2 should be applied, as per the Individual Capital Guidance (ICG) issued by the FSA

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) Its aim is to encourage market discipline by developing a set of disclosure requirements which would allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes Pillar 3 disclosures for the year ended 31 December 2012 are published as a separate document on the Arbuthnot Banking Group website

The Group's regulatory capital is divided into two tiers

- Tier 1 comprises mainly shareholders' funds, non-controlling interests, after deducting goodwill and other intangible assets
- Tier 2 comprises qualifying subordinated loan capital and revaluation reserves Lower Tier 2 capital cannot exceed 50% of Tier 1 capital

The following table shows the regulatory capital resources as managed by the Group

	2012 £000	2011 £000
Tier 1		
Share capital	6,259	5 667
Share premium	28 206	9 547
Retained earnings	21,679	8 790
Cash flow hedging reserve	(363)	(329)
Goodwill	(309)	(309)
Other deductions	(3 905)	(377)
Total Tier 1 capital	**51,567**	**22,989**
Tier 2		
Revaluation reserve	140	140
Debt securities in issue	-	3 000
Total Tier 2 capital	**140**	**3,140**
Total Tier 1 & Tier 2 capital	**51,707**	**26,129**
Reconciliation to total equity		
Goodwill	309	309
Other deductions	3,905	377
Debt securities in issue	-	(3 000)
	55,921	**23,815**

The following table shows the regulatory capital resources as managed by the Company

	2012 £000	2011 £000
Tier 1		
Share capital	6 259	5 667
Share premium	28,206	9 547
Retained earnings	9 629	6,697
Cash flow hedging reserve	(363)	(329)
Goodwill	(309)	(309)
Other deductions	(486)	(478)
Total Tier 1 capital	**42,936**	**20,795**
Tier 2		
Debt securities in issue	-	3 000
Total Tier 2 capital	-	**3,000**
Total Tier 1 & Tier 2 capital	**42,936**	**23,795**
Reconciliation to total equity		
Goodwill	309	309
Other deductions	486	478
Deb securities in issue	-	(3 000)
	43,731	**21,582**

The Group forms part of the Arbuthnot Banking Group's ICAAP which includes a summary of the capital required to mitigate the identified risks in its regulated entities and the amount of capital that the Group has available The FSA sets ICG for each UK bank calibrated by references to its Capital Resources Requirement, broadly equivalent to 8 percent of risk weighted assets and thus representing the capital required under Pillar 1 of the Basel II framework The ICAAP is a key input into the FSA's ICG setting process which addresses the requirements of Pillar 2 of the Basel II framework The FSA's approach is to monitor the available capital resources in relation to the ICG requirement The Group maintains an extra internal buffer and capital ratios are reviewed on a monthly basis to ensure that external and internal requirements are adhered to

6. Net interest income

Total interest income and expense calculated using the effective interest method reported that relates to financial assets or liabilities not carried at fair value through profit or loss are £44,577,000 (2011 £22,454,000) and £10,467 000 (2011 £5,605 000) respectively Included in interest income is income on loans and advances to banks of £316,000 (2011 £382,000)

7. Operating expenses

Operating expenses comprise	2012 £000	2011 £000
Staff costs including Directors		
Wages and salaries	13 999	6,705
Social security costs	1 398	669
Pension costs	374	213
Share based payment transactions	1 610	70
Amortisation of intangible assets (Note 15)	876	139
Depreciation (Note 17)	596	467
Profit on disposals of property, plant and equipment	-	(3)
Operating lease rentals	687	282
Other administrative expenses	9,827	7 537
Total operating expenses	**29,367**	**16,079**

Remuneration of the auditor and its associates excluding VAT, was as follows	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	108	75
Fees payable to the Company's auditor for other services		
The audit of the Company's subsidiaries, pursuant to legislation	82	5
Audit related assurance services	105	-
Tax advisory services	105	16
Corporate finance services	250	500
All other non-audit services	5	147
	655	**743**

Remuneration for corporate finance services in 2012 comprise £250,000 in relation to the acquisition of Everyday Loans Holdings Limited (2011 £250,000 for providing services in respect of the issue of new shares and £250,000 for providing services in respect of the share listing)

The cost of the advice on the share issue has been charged against the share premium account, all other costs have been expensed

8. Average number of employees

	2012	2011
Directors	6	9
Management	33	20
Administration	360	200
Total	**399**	**229**

9. Income tax expense

Current taxation	2012 £000	2011 £000
United Kingdom corporation tax at 24 5% (2011 26 5%)		
Corporation tax charge - current year	2,107	2 326
Corporation tax charge - adjustments in respect of prior years	18	(49)
	2,125	**2,277**
Deferred taxation		
Deferred tax credit - current year	(457)	(63)
Deferred tax credit - adjustments in respect of prior years	(40)	2
	(497)	**(61)**
Income tax expense	**1,628**	**2,216**
Tax reconciliation		
Profit before tax	17,165	7 280
Tax at 24 5% (2011 26 5%)	4 205	1,929
Marginal relief	(3)	-
Permanent differences	(2 730)	337
Tax rate change	178	(3)
Prior period adjustments	(22)	(47)
Corporation tax charge for the year	**1,628**	**2,216**

Of the £2,730,000 permanent differences £2,408,000 relates to the non-taxable gain from a bargain purchase

During the year the Government substantively enacted a reduction in UK corporation tax rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013 Furthermore on 5 December 2012 the Government announced its intention to

further reduce the UK corporation tax rate to 21% by April 2014 This will reduce the Company's future current tax charge accordingly

10. Earnings per ordinary share

Basic and diluted
Earnings per ordinary share are calculated by dividing the profit attributable to equity shareholders of the Group of £15,537,000 (2011 £5,064,000) by the weighted average number of ordinary shares 14,267 861 (2011 12,773,973) in issue during the year

11. Loans and advances to banks

Group	2012 £000	2011 £000
Placements with banks included in cash and cash equivalents (Note 27)	94 015	119,545
Other loans and advances to banks	61 286	19 953
	155,301	**139,498**

Included within loans and advances to banks are amounts placed with Arbuthnot Latham & Co , Limited, a related company, of £24,859,000 (31 December 2011 £81,601 000)

Moody's long term ratings Group	2012 £000	2011 £000
Aaa	68 783	52 936
Aa3	-	4 961
A2	23 076	-
No rating	63 442	81 601
	155,301	**139,498**

Company	2012 £000	2011 £000
Placements with banks included in cash and cash equivalents (Note 27)	92 348	119,545
Other loans and advances to banks	61 286	19 953
	153,634	**139,498**

Moody's long term ratings Company	2012 £000	2011 £000
Aaa	68 783	52,936
Aa3	-	4 961
A2	21,409	-
No rating	63 442	81 601
	153,634	**139,498**

None of the loans and advances to banks is either past due or impaired

12. Loans and advances to customers

Group	2012 £000	2011 £000
Gross loans and advances	313 856	163 449
Less allowances for impairment on loans and advances (Note 13)	(16 225)	(8 864)
	297,631	**154,585**

The fair value of loans and advances to customers is considered to be in excess of their book value due to the interest rates being priced including credit risk

For a maturity profile of loans and advances to customers refer to Note 3

Loans and advances to customers include finance lease receivables as follows

Group	2012 £000	2011 £000
Gross investment in finance lease receivables		
- No later than 1 year	22,157	12,804
- Later than 1 year and no later than 5 years	13,047	10 663
	35,204	23 467
Unearned future finance income on finance leases	(8 897)	(6 495)
Net investment in finance leases	**26,307**	**16,972**
The net investment in finance leases may be analysed as follows		
- No later than 1 year	10 495	8 365
- Later than 1 year and no later than 5 years	15,812	8 607
	26,307	**16,972**

Loans and advances to customers can be further summarised as follows

Group	2012 £000	2011 £000
Neither past due nor impaired	282 408	144 299
Past due but not impaired	608	364
Past due up to 90 days and impaired	19 866	10 989
Past due after 90 days and impaired	10,974	7,797
Gross	313 856	163 449
Less allowance for impairment	(16,225)	(8,864)
Net	**297,631**	**154,585**

Gross amounts of loans and advances to customers that were past due up to 90 days were as follows

Group	2012 £000	2011 £000
Past due up to 30 days	11 207	8,550
Past due 30 - 60 days	7 135	1 861
Past due 60 - 90 days	2 082	942
Total	**20,424**	**11,353**

Interest income on loans classified as impaired totalled £1,534,000 (2011 £716,000)

Company	2012 £000	2011 £000
Gross loans and advances	211,090	146 477
Less allowances for impairment on loans and advances (Note 13)	(13 571)	(8 864)
	197,519	**137,613**

For a maturity profile of loans and advances to customers, refer to Note 3

Loans and advances to customers can be further summarised as follows

Company	2012 £000	2011 £000
Neither past due nor impaired	186 116	127,694
Past due up to 90 days and impaired	16,008	10 989
Past due after 90 days and impaired	8 966	7,794
Gross	211,090	146 477
Less allowance for impairment	(13,571)	(8 864)
Net	**197,519**	**137,613**

Gross amounts of loans and advances to customers that were past up to 90 days were as follows

Company	2012 £000	2011 £000
Past due up to 30 days	9,042	8 292
Past due 30 - 60 days	5 916	1 796
Past due 60 - 90 days	1 050	901
Total	**16,008**	**10,989**

The majority of the loans are unsecured personal loans with an average size at inception of £5,000, therefore the portfolio does not have a significant concentration to any individuals, sectors or geographic locations

£188,000 (2011 £204,000) of the loans are secured upon residential property and these are neither past due nor impaired The residential property over which the mortgage is secured has a fair value of £245,000 based on other recent property sales, giving a loan to value ratio of 77% (2011 83%)

£89,620,000 (2011 £63,376,000) of the loans are secured against motor vehicles where the security is discharged when the buyer exercises an option to buy the goods at a predetermined price at the end of the loan term During June 2012 a third party provided a fair value of the motor vehicles of £54 3 million, at a time when the net motor lending balances were £78 0 million

13. Allowances for impairment of loans and advances

A reconciliation of the allowance accounts for losses on loans and advances is as follows

Group	2012	2011
Specific allowances for impairment	£000	£000
At 1 January	8 864	7,814
Provision for impairment losses	9,210	5 280
Amounts recovered previously written off	(634)	(679)
Release of provision on debt sale	-	(2 439)
Loans written off during the year as uncollectible	(1 585)	(1 112)
At 31 December	**15,855**	**8,864**
Collective allowances for impairment		
At 1 January	-	-
Provision for impairment losses	370	-
At 31 December	**370**	-
Total allowances for impairment	**16,225**	**8,864**

Company	2012	2011
Specific allowances for impairment	£000	£000
At 1 January	8 864	7 797
Provision for impairment losses	6,189	5 295
Amounts recovered previously written off	(334)	(679)
Release of provision on debt sale	-	(2 439)
Loans written off during the year as uncollectible	(1 518)	(1,110)
At 31 December	**13,201**	**8,864**
Collective allowances for impairment		
At 1 January	-	-
Provision for impairment losses	370	-
At 31 December	**370**	-
Total allowances for impairment	**13,571**	**8,864**

14 Debt securities held-to-maturity

Debt securities represent certificates of deposit The Group's intention is to hold them to maturity and, therefore they are stated in the statement of financial position at amortised cost All of the debt securities had maturities, when placed, of 3 months or less and are therefore included in cash and cash equivalents (Note 27)

The movement in debt securities held to maturity may be summarised as follows

Group and Company	2012 £000	2011 £000
At 1 January	-	25 627
Additions	-	9 507
Redemptions	-	(35 134)
At 31 December	-	-

15. Intangible assets

Group	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost or valuation				
At 1 January 2011	309	1 932	-	2 241
Additions	-	42	-	42
At 31 December 2011	**309**	**1,974**	**-**	**2,283**
Additions	-	256	-	256
On acquisition of subsidiary undertaking (Note 30)	-	50	5 115	5 165
At 31 December 2012	**309**	**2,280**	**5,115**	**7,704**
Accumulated amortisation				
At 1 January 2011	-	(1,458)	-	(1,458)
Amortisation charge	-	(139)	-	(139)
At 31 December 2011	**-**	**(1,597)**	**-**	**(1 597)**
Amortisation charge	-	(181)	(695)	(876)
At 31 December 2012	**-**	**(1,778)**	**(695)**	**(2,473)**
Net book amount				
At 31 December 2011	**309**	**377**	**-**	**686**
At 31 December 2012	**309**	**502**	**4 420**	**5 231**

Company	Goodwill £000	Computer software £000	Total £000
Cost or valuation			
At 1 January 2011	309	1,932	2,241
Additions	-	42	42
At 31 December 2011	**309**	**1,974**	**2,283**
Additions	-	256	256
At 31 December 2012	**309**	**2,230**	**2,539**
Accumulated amortisation			
At 1 January 2011	-	(1,458)	(1,458)
Amortisation charge	-	(139)	(139)
At 31 December 2011	**-**	**(1,597)**	**(1 597)**
Amortisation charge	-	(147)	(147)
At 31 December 2012	-	**(1,744)**	**(1,744)**
Net book amount			
At 31 December 2011	**309**	**377**	**686**
At 31 December 2012	**309**	**486**	**795**

Goodwill is monitored throughout the period This enables management to complete goodwill impairment testing if indicators arise

16. Shares in subsidiary undertakings

Company	Shares at cost £000	Impairment provisions £000	Net £000
At 1 January 2011	1 513	(1,512)	1
Write back of impairment	-	100	100
At 31 December 2011	1,513	(1 412)	101
Acquisition of Everyday Loans Holdings Limited (Note 30)	-	-	-
On liquidation of subsidiaries	(101)	-	(101)
At 31 December 2012	**1,412**	**(1,412)**	**-**

The principal subsidiary undertakings of Secure Trust Bank PLC at 31 December 2012 were

	Country of incorporation	Interest %	Principal activity
Everyday Loans Holdings Limited	UK	100	Holding Company
Everyday Loans Limited *	UK	100	Sourcing and Servicing of Unsecured and Secured Loans
Everyday Leasing Limited *	UK	100	Provider of Unsecured and Secured Loans
Secure Homes Services Limited	UK	100	Property Rental
STB Leasing Limited	UK	100	Leasing

Shares in subsidiary undertakings are stated at cost less any provision for impairment All subsidiary undertakings are unlisted None of the subsidiary undertakings are banking institutions

All the above subsidiary undertakings are included in the consolidated financial statements and have an accounting reference date of 31 December

All the above interests relate wholly to ordinary shares

** These companies are owned indirectly by Secure Trust Bank PLC Their immediate parent is Everyday Loans Holdings Limited*

17. Property, plant and equipment

Group	Freehold land and buildings £000	Leasehold improvements £000	Computer and other equipment £000	Total £000
Cost or valuation				
At 1 January 2011	4,400	-	8 138	12 538
Additions	-	-	98	98
Disposals	-	-	(12)	(12)
At 31 December 2011	**4,400**	**-**	**8,224**	**12,624**
Additions	-	5	598	603
On acquisition of subsidiary undertaking	-	340	151	491
Disposals	-	(32)	-	(32)
At 31 December 2012	**4,400**	**313**	**8,973**	**13,686**
Accumulated depreciation				
At 1 January 2011	(156)	-	(7,087)	(7 243)
Depreciation charge	(78)	-	(389)	(467)
Disposals	-	-	12	12
At 31 December 2011	**(234)**	**-**	**(7,464)**	**(7,698)**
Depreciation charge	(78)	(101)	(417)	(596)
Disposals	-	22	-	22
At 31 December 2012	**(312)**	**(79)**	**(7,881)**	**(8,272)**
Net book amount				
At 31 December 2011	**4,166**	**-**	**760**	**4,926**
At 31 December 2012	**4,088**	**234**	**1,092**	**5,414**

Company	Computer and other equipment £000
Cost or valuation	
At 1 January 2011	8 138
Additions	98
Disposals	(12)
At 31 December 2011	8,224
Additions	555
At 31 December 2012	8,779
Accumulated depreciation	
At 1 January 2011	(7,087)
Depreciation charge	(389)
Disposals	12
At 31 December 2011	(7,464)
Depreciation charge	(367)
At 31 December 2012	(7,831)
Net book amount	
At 31 December 2011	760
At 31 December 2012	948

The Group's freehold property was valued on 17 December 2008 by an Independent external valuer, who is a Fellow of the Royal Institute of Chartered Surveyors The Valuation was in accordance with the requirements of the RICS Valuation Standards 6th Edition and the International Valuation Standards The Valuation of the property was on the basis and assumption it is an Owner/Occupied property, valued to Market Value assuming that the property will be sold as part of the continuing business The Valuer's opinion of Market Value was primarily derived using comparable recent market transactions on arms-length terms The Directors have assessed the value at year end through comparison to current rental yields on similar properties in the year and do not believe that the fair value of freehold property is materially different from the carrying value The carrying value of freehold land not depreciated is £0 5 million (2011 £0 5 million)

The property is fully utilised for the Group's own purposes

The historical cost of freehold property included at valuation is as follows

	2012 £000	2011 £000
Cost	3,778	3 778
Accumulated depreciation	(981)	(903)
Net book amount	2,797	2,875

18. Derivative financial instruments

In order to protect its floating rate deposit book from increases in Bank of England base rates above 1 5%, the Group entered into an interest rate cap on 30 June 2011, with a notional amount of £20 million and a maturity date of 30 June 2015 This hedge meets the condition for qualifying for hedge accounting during the year and also was an effective hedge and as such the loss on the hedging instrument was recognised in other comprehensive income

	2012			2011		
Group and Company	Contract/ notional amount £000	Fair value assets £000	Fair value liabilities £000	Contract/ notional amount £000	Fair value assets £000	Fair value liabilities £000
Interest rate caps held in qualifying hedge relationships	20 000	25	-	40,000	58	-
	20 000	**25**	**-**	**40,000**	**58**	**-**

Moody's long term ratings

Contract amount	2012 £000	2011 £000
A2	20 000	-
A1	-	40,000
	20,000	**40,000**

19 Other assets

Group	2012 £000	2011 £000
Trade receivables	143	1 559
Amounts due from related companies	2 002	4 795
Prepayments and accrued income	3 821	1 170
	5,966	**7,524**

Company	2012 £000	2011 £000
Trade receivables	129	1 485
Amounts due from related companies	96 938	21,332
Prepayments and accrued income	1 024	577
	98,091	**23 394**

20. Deposits from customers

Group and Company	2012 £000	2011 £000
Current/demand accounts	32 158	31,197
Term deposits	366 733	240,866
	398,891	**272,063**

For a maturity profile of deposits from customers, refer to Note 3

21. Other liabilities

Group	2012 £000	2011 £000
Trade payables	5,903	6 047
Amounts due to related companies	640	1 305
Accruals and deferred income	11 759	1,501
	18,302	**8,853**

Company	2012 £000	2011 £000
Trade payables	998	3 117
Amounts due to related companies	640	1 410
Accruals and deferred income	7,034	1 501
	8,672	**6,028**

Within Group trade payables at 31 December 2012 there is £4,459,000 (2011 £2,929,000) collateral held from RentSmart The Group buys assets which are then leased to customers of RentSmart and the Group pays RentSmart a commission, which is recognised within operating income In return RentSmart will continue to operate the agreement, retain the credit risk and provide the Group with a collateral amount that is based upon the balance of customer receivables and expected new agreements during the following month

Within Group accruals and deferred income there is £1,075,000 relating to case fees payable to the Financial Ombudsman Service (FOS) and a further £667,000 relating to potential compensation if PPI mis-selling allegations are proven

Within Group and Company accruals and deferred income there is £2,662,000 relating to accrued interest payable At the previous year-end all interest was paid

FSCS Levy
In common with all regulated UK deposit takers, the Company pays levies to the Financial Services Compensation Scheme ('FSCS) to enable the FSCS to meet claims against it The FSCS levy consists of two parts a management expenses levy and a compensation levy The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays net of any recoveries it makes using the rights that have been assigned to it During 2008 and 2009 claims were triggered against the FSCS in relation to Bradford & Bingley plc Kaupthing Singer and Friedlander, Heritable Bank plc, Landsbanki Islands hf, London Scottish Bank plc and Dunfermline Building Society

The FSCS meets these current claims by way of loans received from HM Treasury The terms of these loans were interest only for the first three years, and the FSCS seeks to recover the interest cost, together with ongoing management expenses, by way of annual management levies on members over this period

The Company s FSCS provision reflects market participation up to the reporting date £189,422 of the provision relates to the estimated management expense levy for the scheme years 2012/13 and 2013/14 This amount was calculated on the basis of the Company's current share of protected deposits taking into account the FSA's estimate of total management expense levies for each scheme year

The management expenses levy for scheme year 2011/12, which formed part of the provision at 31 December 2011, was calculated using the agreed funding rate of 12 month LIBOR + 30bps Following the expiry of the initial three year fixed interest term, extensive negotiations between HMT and FSCS resulted in an agreed funding rate of 12 month LIBOR + 100bps which is the rate that will be charged for the HMT loans for the period from 1 April 2012, on which the management expenses levy for scheme year 2012/13 and 2013/14 has been based

In addition to the management levies, from scheme year 2013/14, triggered by participation in the market at 31 December 2012, the FSCS is to levy over three years the current estimated shortfall on capital loans outstanding of £802m In common with the management expenses levy, the capital loan repayment was calculated on the basis of the Company's current share of UK protected deposits The Company has therefore recognised a provision of £65,213 related to the compensation levy

22. Debt securities in issue

Group and Company	2012 £000	2011 £000
Subordinated loan	-	3,000

As a consequence of the revised regulatory framework being introduced under Basel II, the Company raised £1 million by way of a subordinated loan from the parent Arbuthnot Banking Group PLC in December 2007 This was due to be repaid in 2016 and attracted interest at the rate of LIBOR plus 1 5%

The loan was increased by £1 4 million in 2009 under the same terms as above In June 2011 the loan was increased by a further £0 6 million and the interest rate changed to LIBOR plus 4% The repayment date of the loan was also extended to 2017

The loan was increased by a further £2 0 million in June 2012 On the share issue in December 2012 £5 0 million was fully repaid

23. Deferred taxation

Group	2012 £000	2011 £000
Deferred tax liability		
Unrealised surplus on revaluation of freehold property	(71)	(97)
Other short term timing differences	(1 074)	-
Deferred tax liability	**(1,145)**	**(97)**
Deferred tax asset		
Accelerated capital allowances and other short-term timing differences	-	102
Cash flow hedges	-	110
Carried forward losses	5 031	-
Deferred tax asset	**5,031**	**212**
Deferred tax liability		
At 1 January	(97)	(126)
Arising on acquisition of Everyday Loans Holdings Limited (Note 30)	(3 039)	-
Profit and loss account	1 991	29
At 31 December	**(1,145)**	**(97)**
Deferred tax asset		
At 1 January	212	70
Arising on acquisition of Everyday Loans Holdings Limited (Note 30)	6 313	-
Profit and loss account	(1 494)	32
Cash flow hedges	-	110
At 31 December	**5,031**	**212**

Company	2012 £000	2011 £000
Accelerated capital allowances and other short-term timing differences	506	102
Cash flow hedges	110	110
Deferred tax asset	**616**	**212**
At 1 January	212	70
Profit and loss account - accelerated capital allowances and other short-term timing differences	404	32
Cash flow hedges	-	110
Deferred tax asset at 31 December	**616**	**212**

During the year the Government substantively enacted a reduction in UK corporation tax rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013 This will reduce the Group's future current tax charge accordingly Deferred tax has been calculated based on a rate of 23% to the extent that the related temporary or timing differences are expected to reverse

On 5 December 2012 the Government announced its intention to further reduce the UK corporation tax rate to 21% by April 2014 It has not yet been possible to quantify the full anticipated effect of the announced further 2% reduction although this will further reduce the Group's future tax charge and reduce the Group's deferred tax assets and liabilities accordingly

24. Contingent liabilities and commitments

Capital commitments
At 31 December 2012 the Group and Company had no capital commitments (2011 £nil)

Credit commitments
At 31 December 2012, the Group had commitments of £1 218,000 and the Company had commitments of £943,000 (2011 £924,000 and £787,000 respectively) to extend credit to customers

The future aggregate lease payments under non-cancellable operating leases are as follows

	2012		2011	
Group	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire				
Within 1 year	19	212	14	104
Between 1 year and 5 years	492	118	-	130
Over 5 years	29	-	-	-
	540	**330**	**14**	**234**

	2012		2011	
Company	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire				
Within 1 year	-	212	14	104
Between 1 year and 5 years	-	118	-	130
Over 5 years	360	-	-	-
	360	**330**	**14**	**234**

There are 31 leases under Land and Buildings in 2012 (2011 1 branch) Other leases include motor vehicles and computer hardware

Other commitments
At 31 December 2012 a commitment exists to make further payments with regard to the Financial Compensation Scheme Levy for 2013 and thereafter Due to uncertainties regarding the calculation of the levy and the Group's share thereof, the Directors consider this cost to be unquantifiable

25 Share capital

	Number of shares	Ordinary shares
		£000
At 1 January 2011	5 000 000	5,000
Consolidation of ordinary shares	(2 500,000)	-
Sub-division of ordinary shares	10 000 000	-
Shares issued during year	1 666 667	667
At 31 December 2011	14 166 667	5,667
Shares issued during year	1 481,482	592
At 31 December 2012	**15,648,149**	**6,259**

On 27 October 2011 an ordinary resolution of the Company was passed such that each of the existing 5,000,000 ordinary shares of £1 per share be consolidated into 2,500,000 ordinary shares of £2 per share and then subsequently each of the 2,500,000 ordinary shares of £2 per share be sub-divided by 5 into 12,500,000 ordinary shares of 40 pence each

On 2 November 2011, an additional 1,666,667 40 pence ordinary shares were allotted and the gross proceeds on the issue of these shares were £12,000,000 Transaction costs of £1,786,000 were incurred as part of the share issue and have been net against the share premium account, whilst £536,000 was incurred as part of the consequent share listing and have been expensed

On 20 November 2012 an ordinary resolution of the Company proposing the placing of 1,481 482 new ordinary shares at 1350 pence each was passed

On 7 December 2012, an additional 1,481,482 ordinary shares were placed and admitted to trading on the Alternative Investment Market (AIM), raising £20 million Following the admission of the new shares, the Company had 15,648,149 ordinary shares of 40 pence each in issue

26. Share based payments

On 17 October 2011, the Group established the Share Option Scheme entitling key management personnel and senior employees to purchase shares in the Company

The performance conditions of the Scheme are that for the duration of the vesting period, the dividends paid by the Company must have increased in percentage terms when compared to an assumed dividend of £8 million in respect of the financial year ending 31 December 2012, by a minimum of the higher of

a) the increase in the Retail Prices Index during that period, or
b) 5% per annum during that period

All dividends paid by the Company each year during the vesting period must be paid from the Company's earnings referable to that year Also from the grant date to the date the Option is exercised, there must be no public criticism by any regulatory authority on the operation of the Company or any of its subsidiaries which has a material impact on the business of the Company

Options are forfeited if they remain unexercised after a period of more than 10 years from the date of grant If the participant ceases to be employed by the Group by reason of injury disability, ill-health or redundancy, or because his employing company ceases to be a shareholder of the Group, or because his employing business is being transferred out of the Group, his option may be exercised within 6 months after such cessation In the event of the death of a participant, the personal representatives of a participant may exercise an option, to the extent exercisable at the date of death, within 6 months after the death of the participant

On cessation of employment for any other reason (or when a participant serves, or has been served with, notice of termination of such employment), the option will lapse although the Remuneration Committee has discretion to allow the exercise of the option for a period not exceeding 6 months from the date of such cessation

In such circumstances, the performance conditions may be modified or waived as the Remuneration Committee, acting fairly and reasonably and taking due consideration of the circumstances, thinks fit The number of Ordinary Shares which can be acquired on exercise will be pro-rated on a time elapsed basis, unless the Remuneration Committee, acting fairly and reasonably and taking due consideration of the circumstances, decides otherwise In determining whether to exercise its discretion in these respects, the Remuneration Committee must satisfy itself that the early exercise of an option does not constitute a reward for failure

On 2 November 2011 934,998 share options were granted at an exercise price of £7 20 per share Half of the share options are exercisable on 2 November 2014 with the remainder exercisable on 2 November 2016

During 2011 the Share Option Scheme was established as a share settled scheme with an expense recognised in the Statement of Comprehensive Income and a corresponding movement within reserves during the year of £70,000 In 2012 the Scheme was changed to a cash settled Long Term Incentive Plan (LTIP) An expense has been recognised in the Statement of Comprehensive Income of £1 610,000 The prior year's reserves movement has been reversed

		2012		
	No	LTIP1	LTIP2	Total
Key management personnel	3	318,750	318 749	637,499
Senior management	5	141 666	141 666	283 332
Share Options in issue	8	460 416	460 415	920 831
Exercise price (£)		7 20	7 20	
Current share price (£)		15 70	15 70	
Market consensus share price (£)		15 61	15 56	
Expected volatility		10%	10%	
Risk free 5 year UK gilt rate		0 86%	0 86%	
Liability at 31 December (£'000)		1,108	572	1 680

27. Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents comprises of the following balances with less than three months maturity from the date of acquisition

Group	2012 £000	2011 £000
Loans and advances to banks (Note 11)	94 015	119 545
	94,015	**119,545**

Company	2012 £000	2011 £000
Loans and advances to banks (Note 11)	92,348	119 545
	92,348	**119,545**

28. Related-party transactions

Related parties of the Company and Group include subsidiaries, Key Management Personnel close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held by Key Management Personnel or their close family members

A number of banking transactions are entered into with related parties in the normal course of business on normal commercial terms These include loans and deposits Except for the directors' disclosures, there were no other Key Management Personnel disclosures, therefore the tables below relate to directors

	Directors 2012 £000	Directors 2011 £000
Loans		
Loans outstanding at 1 January	-	229
Interest capitalised	-	3
Loan repayments during the year	-	(232)
Loans outstanding at 31 December	-	-
Interest income earned	-	3
Deposits		
Deposits outstanding at 1 January	158	312
Interest applied	6	8
Additional deposits made during the year	135	-
Deposit reclassification	-	(162)
Deposits outstanding at 31 December	299	158
Interest expense on deposits	6	8

The deposit reclassification in 2011 relates to directors who resigned during the year

The above transactions arose during the normal course of business and are on substantially the same terms as for comparable transactions with third parties

Deposits held with Group Companies	2012 £000	2011 £000
Deposits made during the year	-	3,000
Deposit repayments during the year	-	(3 000)
Balance at 31 December	-	-
Interest income earned	-	5

The Company undertook the following transactions with other companies in the Arbuthnot Banking Group

	2012 £000	2011 £000
Arbuthnot Latham & Co Ltd - recharge income of shared services	(212)	(136)
Arbuthnot Latham & Co Ltd - interest income on call account	(121)	(77)
Arbuthnot Banking Group PLC - group recharges	300	1 781
Everyday Lending Limited - interest income on loan receivable	(1,597)	-
Secure Homes Services Limited - building rental paid	360	360
	(1,270)	**1,928**

For convenience the loans and advances with, and amounts receivable and payable to, related companies are noted below

Group	2012 £000	2011 £000
Loans and advances to related companies	24 859	81 601
Amounts receivable from ultimate parent undertaking	1 994	4,745
Amounts receivable from related companies	8	50
Amounts payable to related companies	(640)	(1 305)
Subordinated loan from ultimate parent undertaking	-	(3 000)
	26,221	**82,091**

Company	2012 £000	2011 £000
Loans and advances to related companies	24,859	81 601
Amounts receivable from ultimate parent undertaking	1 994	4,745
Amounts receivable from related companies	8	50
Amounts receivable from subsidiary undertakings	94 936	16 537
Amounts payable to subsidiary undertakings	-	(101)
Amounts payable to related companies	(640)	(1,309)
Subordinated loan from ultimate parent undertaking	-	(3 000)
	121,157	**98,523**

Directors' remuneration

The directors' emoluments (including pension contributions and benefits in kind) for the year were as follows

	2012	2011
	£000	£000
Other emoluments	1,252	1 079
Pension contributions	60	104
	1,312	**1,183**

The emoluments of Mr Angest and Mr Salmon are paid by Arbuthnot Banking Group PLC and disclosed in the Arbuthnot Banking Group PLC consolidated financial statements

The aggregate emoluments of the highest paid director were £870 000 for the period ended 31 December 2012 (2011 £685,728), including £35,000 (2011 £35 000) of contributions made to a money purchase scheme on their behalf

No share options were exercised or were exercisable as at 31 December 2012 (2011 none)

On 2 November 2011, Mr Lynam and Mr Salmon were both granted an option to subscribe between 2 November 2014 and 1 November 2021 for 141,666 ordinary 40p shares in the Company at 720 pence a share, as well as an option to subscribe between 2 November 2016 and 1 November 2021 for 141 667 ordinary 40p shares in the Company at 720 pence a share

On 2 November 2011, Mr Kapur was granted an option to subscribe between 2 November 2014 and 1 November 2021 for 35,416 ordinary 40p shares in the Company at 720 pence a share, as well as an option to subscribe between 2 November 2016 and 1 November 2021 for 35,417 ordinary 40p shares in the Company at 720 pence a share

During 2012 the Share Option Scheme was modified to become cash-settled rather than equity settled

The interests of any directors whom hold shares in the ultimate parent company are shown in the Directors Report of the ultimate parent company

At the year end the ordinary shares held by the directors (including non-executive directors) were

	At 1 January 2012	Acquired during the year	At 31 December 2012 and 20 March 2013
N Kapur	-	1 000	**1,000**
P A Lynam	6 600	2 200	**8,800**
P Marlow	-	5 440	**5,440**
A A Salmon	-	7 500	**7,500**
C F Sergeant	6 600	-	**6,600**

29. Operating segments

The Group is organised into five main operating segments, which consist of the different products available, disclosed below

1) Personal lending – Unsecured consumer loans sold to existing customers via brokers and affinity partners
2) Everyday Loans – An acquired entity during the period A provider of unsecured loans
3) Motor finance – Hire purchase agreements secured against the vehicle being financed
4) Retail finance – Point of sale unsecured finance for in-store and online retailers
5) One Bill – An account designed to aid customers with their household budgeting and payments process

The only transaction between the operating segments was loan interest paid by Everyday Loans to the Company Management review these segments by looking at the income size and growth rate of the loan books, impairments and customer numbers Except for these items no costs or balance sheet items are allocated to the segments

Year ended 31 December 2012	Personal Lending £000	Everyday Loans £000	Motor Finance £000	Retail Finance £000	One Bill £000	Other £000	Group Total £000
Interest revenue	8 683	12 751	16,889	5 790	-	780	44 893
Fee and commission income	-	2 717	-	-	8 947	4 124	15 788
Revenue from external customers	**8,683**	**15,468**	**16,889**	**5,790**	**8,947**	**4,904**	**60,681**
Impairment losses	2,634	2,722	2 701	721	(90)	258	8 946
Lending balances	68 175	73,806	89 620	64 189	384	1,457	297 631

Year ended 31 December 2011	Personal Lending £000	Everyday Loans £000	Motor Finance £000	Retail Finance £000	One Bill £000	Other £000	Group Total £000
Interest revenue	5 993	-	9,941	3 554	-	3,348	22 836
Fee and commission income	-	-	-	-	9 644	3 018	12 662
Revenue from external customers	**5,993**	**-**	**9,941**	**3,554**	**9,644**	**6,366**	**35,498**
Impairment losses	2,089	-	2 253	260	(87)	86	4 601
Lending balances	43 601	-	63 376	42 608	2 316	2 684	154 585

The "Other" segment above includes segments below the quantitative threshold for separate disclosure and fulfils the requirement of IFRS8 28 by reconciling operating segments to the amounts reported in the financial statements

As interest and operating expenses are not aligned to operating segments for day-to-day management of the business and cannot be allocated on a reliable basis, profit by operating segment has not been disclosed

All the Group s operations are conducted wholly within the United Kingdom and geographical information is therefore not presented

30. Acquisition of Everyday Loans

On 8 June 2012 Secure Trust Bank Plc (STB) acquired 100% of the shares in Everyday Loans Holdings Limited and its wholly owned subsidiaries Everyday Loans Limited and Everyday Lending Limited (together 'EDL") EDL was previously controlled by its management team and Alchemy Partners Nominees Limited The acquisition of Everyday Loans represents a significant strategic development for STB and will enable the Company to broaden its distribution channels to a wider market

The acquisition resulted in a gain from a bargain purchase as STB acquired EDL for consideration of £1 This was because upon acquisition STB provided funding so that EDL could redeem the remaining £34 million of subordinated debt principally held by Alchemy and also provided a loan facility of £37 million to refinance EDL's existing bank debt and to fund future loans A payment of £1 5 million will be made to the management team of EDL, and has been included in accruals in 2012, if the team met certain performance targets in 2012

The revenue included in the consolidated statement of comprehensive income since 8 June 2012 contributed by EDL was £15 5 million and EDL also contributed profit of £1 8 million during the same period Had EDL been consolidated from 1 January 2012, the consolidated statement of comprehensive income would have included revenue of £28 8 million and profit of £4 3 million

The costs of the acquisition, which are included in operating expenses totalled £0 8 million

	Acquired assets / liabilities £000	Fair value adjustments £'000	Recognised values on acquisition £'000
Intangible assets	50	5 115	5 165
Property, plant and equipment	491	-	491
Loans and advances to customers	63 720	7 545	71 265
Cash at bank	991	-	991
Other assets	24	-	24
Prepayments and accrued income	2 939	-	2,939
Deferred tax asset *	-	6 313	6 313
Total assets	**68,215**	**18,973**	**87,188**
Loans and debt securities	71 618	-	71,618
Other liabilities	960	-	960
Accruals and deferred income	1,741	-	1 741
Deferred tax liabilities	-	3 039	3 039
Total liabilities	**74,319**	**3,039**	**77,358**
Net identifiable (liabilities)/assets	**(6,104)**	**15,934**	**9,830**
Consideration £1			-
Gain from a bargain purchase			**9,830**

* The deferred tax asset has increased by £913,000 when compared to the interim accounts for the period ending 30 June 2012 This is due to a revision to the amount of losses acquired

31. Immediate and ultimate parent company

The Directors regard Arbuthnot Banking Group PLC, a Company registered in England and Wales, as the immediate and ultimate parent Company Henry Angest, the Group Chairman and Chief Executive has a beneficial interest in 53 6% of the issued share capital of Arbuthnot Banking Group PLC and is regarded by the directors as the ultimate controlling party A copy of the consolidated financial statements of Arbuthnot Banking Group PLC may be obtained from the Secretary, Arbuthnot Banking Group PLC, One Arleston Way, Solihull, B90 4LH

32. Events after the balance sheet date

On 2 January 2013 the Company acquired 100% of the ordinary share capital of V12 Finance Group Limited who along with its wholly owned subsidiaries, V12 Retail Finance Limited and V12 Personal Finance Limited provide retail point of sale loans, typically for 12 months on an unsecured basis to consumers who are predominantly classified as prime borrowers The acquisition is complementary to the Group's existing retail finance proposition and the V12 management team will continue in the business

The cash consideration of £3 5 million was paid on completion and the Group provided funding such that the V12 Group could redeem £7 million of subordinated debt and also could repay existing bank finance amounting to £28 5 million

The acquisition of V12 Finance Group Limited is accounted for in accordance with IFRS 3 'Business Combinations', which requires the recognition of the identifiable assets acquired and liabilities assumed at their acquisition date fair values As part of this process, it is also necessary to identify and recognise certain assets and liabilities which are not included on the acquiree's balance sheet, for example intangible assets The exercise to fair value the balance sheet is inherently subjective and required management to make a number of assumptions and estimates

The unaudited net assets being acquired are expected to be fair valued at £3 4 million and the associated costs incurred by STB to complete the transaction are expected to be £0 7 million

On 15 January 2013 the Company acquired the businesses of Debt Managers Holdings Ltd Debt Managers (AB) Limited and Debt Managers Limited (together 'Debt Managers') Debt Managers collects delinquent debt on behalf of a range of clients including banks and utility companies Key benefits of this acquisition to STB include

- Broadening the income base of STB without the requirement for large amounts of capital,
- The acquisition of a scalable collections platform through which STB intends to channel its delinquent debt, and
- The acquisition of the latest call centre and collections technology including market leading dialler capability, IVR technology and payment websites

STB acquired Debt Managers for an initial cash payment of £0 4 million paid on completion of the transaction which includes payment for the estimated book value of the net assets of £14,000 In addition deferred consideration of up to £0 4 million in cash is payable by STB one year after completion subject in part to the Business achieving certain income criteria The assets acquired are expected to be fair valued at circa £0 8 million after completion

Debt Managers generated an unaudited loss before tax of £0 1 million under UK GAAP for the year ended 31 August 2012 No material differences are anticipated under IFRS The acquisition is initially expected to be earnings neutral

The initial cash consideration was funded from STB's existing cash resources and the additional regulatory capital requirements arising as a result of this acquisition are expected to be minimal No regulatory approvals were required in relation to the transaction STB also funded the repayment of Debt Managers' outstanding overdraft of £1 7 million

Five year summary (unaudited)

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Profit for the year					
Interest and similar income	44 893	22 836	15 891	9 935	3 420
Interest expense and similar charges	(10,467)	(5 609)	(3,419)	(1 345)	(830)
Net interest income	**34,426**	**17,227**	**12 472**	**8,590**	**2 590**
Net fee and commission income	12 582	11,233	11 750	13 119	15 423
Operating income	**47,008**	**28,460**	**24,222**	**21,709**	**18,013**
Impairment losses on loans and advances	(8 946)	(4 601)	(2 168)	(1,173)	(533)
Gain from a bargain purchase	9 830	-	-	-	-
Other income	37	36	982	41	121
Exceptional costs	(1 397)	(536)	-	(693)	-
Arbuthnot Banking Group recharges	(91)	(1 781)	(960)	(320)	-
Operating expenses	(29 276)	(14 298)	(13 390)	(11 468)	(12,567)
Profit before income tax	**17,165**	**7,280**	**8,686**	**8 096**	**5,034**
Earnings per share for profit attributable to the equity holders of the Group during the year					
(expressed in pence per share)					
- basic and diluted	108 9	39 6	50 0	46 4	28 0
Financial position					
Loans and advances to banks	155 301	139,498	42 577	39 334	12 882
Loans and advances to customers	297 631	154 585	89,482	51 440	12,551
Debt securities	-	-	25 627	11,000	14 293
Other assets	21 667	13 757	23 013	14 021	13,473
Total assets	**474,599**	**307,840**	**180,699**	**115,795**	**53,199**
Deposits from customers	398,891	272 063	153,778	93 342	35 828
Other liabilities	19 787	11,962	11 125	10,405	8 624
Total shareholders' equity	55,921	23 815	15,796	12 048	8,747
Total liabilities and shareholders' equity	**474,599**	**307,840**	**180,699**	**115,795**	**53,199**

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