Thursday 26 July 2012
For Immediate Release

SECURE TRUST BANK PLC

Results for the six months to 30 June 2012

Flotation commitments being delivered

Secure Trust Bank PLC ("STB" or the "Company") has traded strongly during H1 2012, with both the lending and deposit-gathering businesses demonstrating strong, controlled growth. In the first six months of 2012 it has reported a profit before tax of £12.4m, including a fair value gain on the acquisition of Everyday Loans. This is an increase of 239% on the 2011 statutory figure.

FINANCIAL HIGHLIGHTS

- Operating income **£16.9m** (2011:£13.6m)
- Reported profit before tax **£12.4m** (2011:£3.7m)
- Underlying* profit before tax **£7.5m** (2011: £5.0m) representing growth of 50%
- Capital ratios, liquidity and funding positions remain strong
- Return on average equity **39.8%**
- Earnings Per share **82.5p** (Underlying* earnings per share 42.1p)
- Interim dividend per share of **14p**

OPERATIONAL HIGHLIGHTS

- Overall loan book increased to £260.3m; 110% higher than H1 2011:£123.9m (FY 2011:£154.6m)
- Customer deposits increased to £297.9m; 37% higher than H1 2011:£217m (FY 2011:£272.1m)
- Total customer numbers increased to 198,767; 58% higher than H1 2011: 125,500 (FY 2011:139,693)
- Acquisition of Everyday Loans contributed £71m of loans
- The costs avoided through lower than expected impairments of £3.1m have enabled the business to bring forward planned investment in risk, finance and anti fraud teams without impacting anticipated profitability

Henry Angest, Chairman, said:

"Secure Trust Bank is successfully delivering the commitments made at the time of the flotation as evidenced by the significant progress in the first half of the year, with underlying pre-tax profits up by 50%. We have remained true to our philosophy of managing the bank's balance sheet on a prudent basis. This is reflected in robust capital, modest gross leverage and very strong funding positions. Provided there is no material deterioration in the economy, we expect to see growth in the underlying profitability of the business in the second half."

Paul Lynam, Chief Executive Officer, said:

"Despite a challenging economic environment, we have been able to deliver a strong underlying performance and an excellent set of results. These highlight the positive progress we are making with our plans to grow a sustainable alternative to the current high street banking models. Our strong funding, liquidity and capital positions enable us to take full advantage of opportunities in our chosen markets.

We are continuing to see strong demand for our products from a wide variety of customers and the recent acquisition of Everyday Loans has helped us establish a more prominent presence in our chosen markets. We have an ongoing pipeline of organic and external business opportunities and, subject to there being no material deterioration in the economic environment, we are confident about the future potential of Secure Trust Bank."

*****This is after excluding the fair value gain, costs relating to the acquisition of Everyday Loans, the effects of acquired portfolios the accrued costs for the share options granted at the IPO, the costs of surplus deposits held in anticipation of the acquisition and group recharges.

This announcement together with the associated investors' presentation are available on www.securetrustbank.com.

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Chairman's Statement

Secure Trust Bank PLC is successfully delivering the commitments made at the time of the flotation as evidenced by the significant progress in the first six months of 2012. The profit before tax for the period is £12.4 million. This includes a fair value gain of £8.9 million which arose from the acquisition accounting required for the purchase of Everyday Loans. We expect most of this to amortise over the next 3 years. The underlying profit before tax increased to £7.5 million, an increase of 50% over the same period last year. We have remained true to our philosophy of managing the bank's balance sheet on a prudent basis. This is reflected in robust capital, modest gross leverage and very strong funding positions.

Previously we have made reference to a significant pipeline of organic and external business opportunities. We were therefore delighted to conclude the acquisition of Everyday Loans Holdings Limited and its subsidiaries on 8 June as it continues to broaden and diversify our business.

Provided there is no further material deterioration in the economy, we expect to see an increase in the underlying profitability of the business in the second half of 2012 due to a combination of organic business growth, an improved net interest margin reflecting the removal of the excess liquidity and the earnings contributed from the Everyday Loans acquisition.

As a result of the first half performance the Board proposes to pay an interim dividend of 14p per share for the six months ending 30 June 2012. This will be paid on 21 September 2012 to shareholders on the register as at 24 August 2012.

Chief Executive's Statement

In the first six months of 2012 Secure Trust Bank has built on the position created by the flotation of the Company in November 2011. As a result, and notwithstanding a challenging economic environment, we have been able to deliver a strong underlying performance for the period and progress our plans to grow a sustainable alternative to the current high street banking models.

Excluding the fair value gain, costs relating to the acquisition of Everyday Loans, the effects of acquired portfolios, the accrued costs for the share options granted at the IPO, the costs of surplus deposits held in anticipation of the acquisition and group recharges, the underlying profit before tax shows 50% growth over the prior period.

Disciplined management of the balance sheet

The acquisition of Everyday Loans significantly reduced the Company's excess liquidity. We have returned to our normal deposit raising activities and are opening a range of new fixed term deposit products which have seen very strong demand from customers.

The additional deposits being raised enable us to increase the match funding of fixed term lending against fixed term deposits. The majority of the medium term lending book is now match funded by fixed term deposits.

As a result of the IPO, our core Tier one capital increased from 14% as at 30 June 2011 to 21% as at 31 December 2011, with total capital rising from 15% to 23% in the same period. Organic growth and the Everyday Loans acquisition have allowed us successfully to deploy capital resulting in our Tier one ratio being 15% and total capital 17% as at 30 June 2012. The gross leverage remains a modest 7.6x (6.7x as at 31 December 2011).

Lending activities

Given the uncertain economic picture, we took the precaution of tightening our lending criteria at the beginning of the year. As a result we have been able to enhance the credit quality of the new business without reducing overall volumes. This approach has, in part, contributed to impairments being at levels below our expectations. The continued economic uncertainty warrants ongoing prudence and as the portfolio matures we expect to see, and have priced for, higher impairment levels than we are experiencing.

During the first half of 2012 we have continued to grow the overall lending portfolio on a controlled and balanced basis. Our routes to market have been further enhanced with new distribution agreements reached with large national businesses including DFS, Shop Direct (Littlewoods), Vospers and Ridgeway garages.

Total lending balances, net of provisions and excluding Everyday Loans, have increased to £189.4 million as at 30 June 2012. This represents growth of 53% over the same period in 2011 (£123.9 million) and 23% growth over the 2011 year end position of £154.6 million. Inclusive of Everyday Loans the overall lending balances are £260.3 million representing 110% growth on prior period and 68.4% on the year end balances.

Motor Finance balances have grown to £78.0 million from £48.4 million a year ago and £63.4 million as at 31 December 2011 representing 61% and 23% growth respectively.

Personal unsecured lending balances have grown to £55.3 million from £34.6 million a year ago and £43.6 million as at 31 December 2011 representing 59.8% and 26.8% growth respectively.

Retail Point of Sale balances have grown to £52.3 million from £32.1 million a year ago and £42.6 million as at 31 December 2011 representing 63.3% and 22.8% growth respectively.

The acquired portfolio balances have continued to repay as expected and show £0.7 million outstanding at 30 June 2012. This compares to £5.8 million a year ago and £2.5 million as at 31 December 2011.

The OneBill customers' loans have grown to £3 million from £2.3 million as at 31 December 2011.

A positive development in the second quarter of 2012 was the successful implementation of our improved internet lending portal. This is initially supporting our partnership with Shop Direct. The functionality gives us a variety of opportunities which range from more strategic relationships such as Shop Direct through to developing a direct to Bank lending channel.

Fee based services

For some time OneBill accounts have not been open to new customers and therefore we are encouraged that the number of OneBill customers reduced more slowly than expected, to end the period at 27,209. This represents a reduction of 5.2% on the 28,698 customer base as at 31 December 2011. Total revenue amounted to £4.2 million for the first half which compares to £9.3 million for the whole of 2011.

The biggest development so far this year for our current account was the launch of our new internet banking platform in April. This will enhance our customer's experience whilst improving operational efficiencies. Customer feedback has been positive and whilst we have held back growth in this part of the business during the process of upgrading our own systems, we are pleased to report total income in the first half of the year of £1.1 million which compares to £1.9 million for the whole of 2011. We look forward to enhanced growth in the second half of 2012.

Acquisitions improve distribution and market presence

The acquisition of Everyday Loans and its subsidiaries represents a significant strategic development for Secure Trust Bank. We have had a relationship with Everyday Loans since its formation in 2006 and have been impressed with the profitable development of the business and in particular the quality of the management. Like many non bank financial institutions, Everyday Loans has been constrained due to a lack of wholesale funding. This presented an opportunity for us to acquire the business at a modest valuation having concluded extensive due diligence.

Everyday Loans is a provider of unsecured loans to a customer base predominantly in lower income groups. Everyday Loans originates applications through the internet and brokers. Loans are advanced, serviced and collected through a national network of 26 offices. New lending is approved in a thorough and robust manner which includes a detailed face to face interview and full income and expenditure review. Whilst some would regard this as an 'old fashioned' way to do business, it reduces fraud and bad debt risks and ensures the customers get a fair outcome by only allowing them to borrow what they can afford to repay. This part of the business will continue to trade using the "Everyday Loans" brand.

Going forward we see considerable opportunity to grow this business organically and will be developing a wider range of products, including a new budget account, which we intend to market through the national office network. Since acquiring the business we have agreed to open a new office in Middlesbrough.

At 30 June 2012 lending balances were £70.9 million.

Investing ahead of growth

As we said at the time of the flotation we will continue to invest in the management controls across the business in order to control growth. The costs avoided due to the lower than expected impairments has enabled us to accelerate our plans to augment our Risk, Finance and Anti Fraud teams without impacting our profitability.

We place a huge emphasis on professionalism and are especially keen to support staff to develop their skills to enhance their potential and by association our customers' experience of dealing with them. With this in mind we have over 50 staff currently undertaking government sponsored apprenticeships.

We intend to recruit at least 10 A-level school leavers in the second half of 2012 on a scheme which will, subject to performance, allow them to develop a progressive career with us whilst simultaneously studying for a BSc (Hons) in Banking Practice and Management via the IFS School of Finance. We anticipate that this will prove very popular.

Outlook

Our strong funding, liquidity and capital positions allow us to be competitive relative to many other banks and lenders. We note the comments in the White Paper released on 14 June 2012 signalling that the Government recognises the competitive challenges faced by smaller banks. We also note the OFT announcement on 13 July 2012 of an investigation into the UK Personal Current Account market, and the speech made by Lord Turner, Chairman of the FSA, on 24 July 2012 in which he expressed his views about some of the barriers to more effective competition in the UK Banking industry. We welcome any initiative to level the competitive playing field and will seek to provide input to these should the opportunity present itself.

We continue to see strong organic demand for our products from a wide variety of customers. Our distribution channels are being continually improved and diversified and we are focused on establishing a more prominent presence in our chosen markets. The acquisition of Everyday Loans will help with this objective and should make a material contribution to the second half profits of 2012. With an ongoing pipeline of organic and external business opportunities, and none of the significant issues impacting on many of the larger banks, subject to there being no further material deterioration in the economic environment, we are confident about the future potential of Secure Trust Bank.

Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Interest and similar income	15,711	9,896
Interest expense and similar charges	(4,203)	(1,898)
Net interest income	**11,508**	**7,998**
Fee and commission income	6,397	5,572
Fee and commission expense	(1,025)	-
Net fee and commission income	**5,372**	**5,572**
Operating income	**16,880**	**13,570**
Impairment losses on loans and advances	(3,051)	(1,812)
Gain from a bargain purchase	8,917	-
Operating expenses	(10,337)	(8,094)
Profit before income tax	**12,409**	**3,664**
Income tax expense	(717)	(990)
Profit for the period	**11,692**	**2,674**
Other comprehensive income		
Revaluation reserve		
- Amount transferred to profit and loss	(1)	(1)
Hedging reserve		
- Effective portion of changes in fair value	13	-
Other comprehensive income for the period, net of income tax	**12**	**(1)**
Total comprehensive income for the period	**11,704**	**2,673**
Profit attributable to:		
Equity holders of the Group	**11,692**	**2,674**
Total comprehensive income attributable to:		
Equity holders of the Group	**11,704**	**2,673**
Earnings per share for profit attributable to the equity holders of the Group during the period (expressed in pence per share):		
- basic and diluted earnings per share	82.5	21.4

Consolidated Statement of Financial Position

	At 30 June 2012	2011
	£000	£000
ASSETS		
Cash	-	10
Derivative financial instruments	71	501
Loans and advances to banks	69,326	96,560
Loans and advances to customers	260,306	123,857
Debt securities held-to-maturity	-	5,555
Current tax asset	4	-
Other assets	6,560	14,635
Intangible assets	5,691	729
Property, plant and equipment	5,608	5,110
Deferred tax asset	5,612	-
Total assets	**353,178**	**246,957**
LIABILITIES AND EQUITY		
Liabilities		
Deposits from customers	297,895	217,001
Current tax liability	174	1,637
Other liabilities	12,146	8,794
Deferred tax liability	3,039	56
Debt securities in issue	5,000	3,000
Total liabilities	**318,254**	**230,488**
Equity attributable to owners of the parent		
Share capital	5,667	5,000
Share premium	9,547	-
Retained earnings	19,887	11,328
Cash flow hedging reserve	(316)	-
Revaluation reserve	139	141
Total equity	**34,924**	**16,469**
Total liabilities and equity	**353,178**	**246,957**

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 the six months ended 30 June 2012	-		-		11,692	11,692
Other comprehensive income, net of income tax						
Revaluation reserve						
- Amount transferred to profit and loss	-	-	(1)	-	-	(1)
Cash flow hedging reserve						
- Effective portion of changes in fair value	-	-	-	13	-	13
Total other comprehensive income	**-**	**-**	**(1)**	**13**	**-**	**12**
Total comprehensive income for the period	**-**	**-**	**(1)**	**13**	**11,692**	**11,704**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends	-	-	-	-	(595)	(595)
Total contributions by and distributions to owners	**-**		**-**		**(595)**	**(595)**
Balance at 30 June 2012	**5,667**	**9,547**	**139**	**(316)**	**19,887**	**34,924**

	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 the six months ended 30 June 2011	-	-	-	-	2,674	2,674
Other comprehensive income, net of income tax						
Revaluation reserve						
- Amount transferred to profit and loss	-	-	(1)	-	-	(1)
Total other comprehensive income	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Total comprehensive income for the period	**-**	**-**	**(1)**	**-**	**2,674**	**2,673**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends	-	-	-	-	(2,000)	(2,000)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(2,000)**	**(2,000)**
Balance at 30 June 2011	**5,000**	**-**	**141**	**-**	**11,328**	**16,469**

Consolidated Statement of Cash Flows

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Cash flows from operating activities		
Profit for the six months	11,692	2,674
Income tax expense	717	990
Depreciation	115	227
Amortisation	289	77
Gain from a bargain purchase	(8,917)	-
Provisions against amounts due from customers	3,051	1,812
Cash flows from operating profits before changes in operating assets and liabilities	6,947	5,780
Changes in operating assets and liabilities:		
- net increase in loans and advances to customers	(37,507)	(36,187)
- net decrease in other assets	3,926	2,217
- net increase in loans and advances to banks	(11,976)	-
- net increase in amounts due to customers	25,832	63,223
- net increase in other liabilities	495	1,759
- income tax paid	(208)	(819)
Net cash (outflow)/inflow from operating activities	**(12,491)**	**35,973**
Cash flows from investing activities		
Borrowings repaid on acquisition of subsidiary undertaking	(71,618)	-
Cash acquired on purchase of subsidiary undertaking	991	-
Purchase of computer software	(129)	(23)
Purchase of property, plant and equipment	(306)	(42)
Net cash outflow from investing activities	**(71,062)**	**(65)**
Cash flows from financing activities		
Increase in subordinated loan	2,000	-
Dividends paid	(595)	(2,000)
Net cash used in financing activities	**1,405**	**(2,000)**
Net (decrease)/increase in cash and cash equivalents	(82,148)	33,908
Cash and cash equivalents at 1 January	119,545	68,217
Cash and cash equivalents at 30 June	**37,397**	**102,125**

Notes to the Consolidated Financial Statements

1. Operating segments

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

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

There were no transactions between the operating segments. 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.

Six months ended 30 June 2012	Personal Lending £000	Motor Finance £000	Retail Finance £000	Everyday Loans £000	Acquired Portfolios £000	One Bill £000	Other £000	Group Total £000
Interest revenue	3,965	7,610	2,562	1,160	240	-	174	15,711
Fee and commission income	-	-	-		-	4,225	2,172	6,397
Revenue from external customers	**3,965**	**7,610**	**2,562**	**1,160**	**240**	**4,225**	**2,346**	**22,108**
Impairment losses	883	1,064	264	378	104	(46)	404	3,051
Lending balances	55,319	77,980	52,343	70,900	729	1,832	1,203	260,306

Six months ended 30 June 2011	Personal Lending £000	Motor Finance £000	Retail Finance £000	Everyday Loans £000	Acquired Portfolios £000	One Bill £000	Other £000	Group Total £000
Interest revenue	2,621	4,120	1,603	-	1,383	-	169	9,896
Fee and commission income	-	-	-	-	-	4,769	803	5,572
Revenue from external customers	**2,621**	**4,120**	**1,603**	**-**	**1,383**	**4,769**	**972**	**15,468**
Impairment losses	702	784	113	-	-	(67)	280	1,812
Lending balances	34,552	48,386	32,053	-	5,807	2,637	422	123,857

The "Other" segment above includes segments below the quantitative threshold for separate disclosure and fulfils the requirement of IFRS8.28. All the Group’s operations are conducted wholly within the United Kingdom and geographical information is therefore not presented.

2. Earnings per ordinary share

Basic and diluted

Earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the Group of £11,692,000 (2011: £2,673,000) by the weighted average number of ordinary shares 14,166,667 (2011: 12,500,000) in issue during the year. As a result of the share consolidation and division during the second half of 2011, the 2011 weighted average number of ordinary shares has been restated on a comparable basis.

The share options granted through the share option scheme do not meet the definition of dilutive shares since they are currently to be cash settled contingently based on the Group achieving specified future targets.

3. Loans and advances to banks

Included within loans and advances to banks are amounts placed with Arbuthnot Latham & Co., Limited, a related company, of £26,447,000 (31 December 2011:£81,601,000; 30 June 2011:£32,557,000).

4. 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 controlled by its management team and Alchemy Partners Nominees Limited.

STB acquired EDL for consideration of £1. 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 up to a maximum of £1.5 million will be made to the management team of EDL in March 2013, subject to achieving certain performance targets in 2012.

	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	-	5,400	5,400
Total assets	**68,215**	**18,060**	**86,275**
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)**	**15,021**	**8,917**
Consideration £1			-
Gain from a bargain purchase			**8,917**

5. Basis of reporting

The interim financial statements have been prepared on the basis of accounting policies set out in the Group's 2011 annual report and accounts as amended by standards and interpretations effective during 2012. The statements were approved by the Board of Directors on 25 July 2012 and are unaudited. The interim financial statements will be posted to shareholders and copies may be obtained from The Company Secretary, Secure Trust Bank Plc, One Arleston Way, Solihull, B90 4LH.