Secure Trust Bank

INTERIM REPORT

For the six months ended 30 June 2014

A **pioneering** approach to simple, straightforward banking

ARBUTHNOT BANKING GROUP PLC

Directors & Secretary

Directors

Henry Angest LLL, Hon. F. UHI
Non – Executive Chairman

Paul Lynam ACIB, AMCT, Fifs
Chief Executive Officer

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

Andrew Salmon ACA
Non – Executive Director

Paul Marrow ACIB
Independent Non – Executive Director

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

The Rt Hon Lord Forsyth of Drumlean PC, Kt
Independent Non – Executive Director

Secretary

Jeremy Kaye FCIS

Achieving our ambitions

Secure Trust Bank PLC ("the Bank") is a longstanding established UK bank, having been incorporated in 1954 and has been a subsidiary of the Arbuthnot Banking Group since 1985. The Bank successfully listed on the Alternative Investment Market (AIM) in 2011. The Bank has increased its portfolio in recent years, acquiring the Everyday Loans Group and the V12 Finance Group in 2012 and 2013 respectively as well as the trade and certain assets of Debt Managers Holdings Limited in 2013.

Trusted products

The core business of the Bank is to provide banking services including a range of lending solutions and savings products. The Bank also provides current accounts to UK customers who may not be adequately served by other banks.

Investors in people

The Bank operates from its head office in Solihull, West Midlands and had 589 full time equivalent employees at 30 June 2014. The Bank has achieved the Investors in People Silver Accreditation during 2014, less than a year after achieving the Bronze standard.

Innovative products for consumers

A number of Premier League football clubs have agreed to use us to provide their season ticket funding for next season and commuter season ticket finance propositions have been developed with railway franchises.

Partner for businesses

The Bank has further developed lending solutions for the small and medium-sized enterprises (SME) market during 2014. Secure Trust Bank Real Estate Finance is now operational with some customer loans drawn and a significant pipeline of potential new business being developed. New Invoice Finance and Asset Finance businesses are also being developed with proven high quality teams recruited.

Stable funding profile

The Bank's lending is entirely funded by customer deposits, with no exposure to wholesale funding. From July 2013 the Bank was permitted to draw down facilities under the Funding for Lending Scheme (FLS). FLS monies are maintained as a liquidity buffer, above that required to support lending, reflecting the Bank's cautious approach to risk.

Chairman's statement

Secure Trust Bank has maintained its positive momentum with a strong overall business performance in the first half of 2014. Underlying profit before tax was 48% higher at £15.2 million and reported profit before tax for the period is £11.4 million, which is 84% higher than the prior year's £6.2 million.

We continue to manage the bank's balance sheet on a prudent basis. Our funding and capital positions remain strong and our gross leverage ratio is very modest compared to the larger banks. Given the existing capital ratios are strong, the new capital raised following the recent placing is available to support accelerated growth in the bank's lending activities.

Banks with clean balance sheets, strong capital and funding positions, and free of legacy or emerging conduct risk issues, are well positioned to benefit from a sustained UK economic recovery. Our Board is of the view that demands for consumer and SME finance will continue to grow as the UK economy increases in size. Therefore our business strategy is to foster the growth and extension of our existing consumer finance lending activities whilst developing SME business lines initially focused in Invoice Finance, Asset Finance and Real Estate Finance activities.

The growth of GDP, continuing low inflation and record numbers of people in employment bode well for the UK economy. However, there are risks posed from an expected rise in interest rates, the recent US growth downgrade, rising Middle East tensions and the political uncertainty in the UK ahead of the 2015 general election. Overall we are, on balance, optimistic about the future and expect to see continued growth in the business in the second half of 2014. We will, as ever, continue to exercise due caution.

As a result of the strong first half performance the Board proposes to pay an interim dividend of 16p per share in respect of the six months ended 30 June 2014, representing a 7% increase on last year's interim dividend (2013: 15p). This will be paid on 19 September 2014 to shareholders on the register at 22 August 2014.

Henry Angest
Chairman

21 July 2014

Chief Executive's statement

I am delighted to be able to report further good progress across Secure Trust Bank during the first half of 2014.

We have achieved record levels of underlying profitability without compromising our risk principles. We have recruited additional high quality senior management to support the controlled growth of the bank and the continuing development of our new SME lending businesses. The ongoing demand for our existing lines of business and the nascent SME activities means that we expect to see further growth in the business in the second half of 2014.

Disciplined management of the balance sheet and cost base

The bank's capital and funding positions remain healthy.

The very strong capital generation arising from our profitability enables us to support robust levels of new lending growth and pay progressive dividends, whilst increasing our Common Equity Tier one ratio to 17.3% as at 30 June 2014 compared to the 17.0% for the same period last year on a like-for-like analysis taking out the new capital raised by the recent placing. Once this new capital is factored in, the bank's Common Equity Tier one ratio rises to 31%, making us one of the most strongly capitalised banks in the UK and providing capacity for further growth.

Consistent with the Basel III directive, in 2015 the Prudential Regulation Authority is introducing a minimum 3% leverage ratio disclosure requirement. As at 30 June 2014 Secure Trust Bank's leverage ratio was 10.4% (excluding new capital raised at the recent placing), or over 3x the minimum requirement. In recent months there has been speculation that the Bank of England and European Banking Authority would follow the Swiss example and increase this minimum leverage to 4% and on 11 July 2014 the UK's Financial Policy Committee published a consultation paper reviewing the leverage ratio, the outcome of which is due in November 2014. Any moves by the regulator to increase capital requirements may give rise to further opportunities for the Company.

Secure Trust Bank has continued to fund its lending activities wholly from customers' deposits. Our loan to deposit ratio stood at 94% as at 30 June 2014 which compares to 90% as at 31 December 2013. The bank has made minimal usage of the Funding for Lending Scheme and has no reliance on wholesale or interbank markets. The bank has continued broadly to match fund its customer lending with customer deposits. This strategy seeks to mitigate maturity transformation and interest basis risks. Customer demand for our deposit products remains strong and we are very pleased with the high level of customer loyalty and the reinvestment levels seen from customers with maturing medium term savings bonds.

We have exercised firm control over the bank's operational costs, whilst continuing to invest for the future. On a like-for-like basis costs are up 19% over the same period in 2013, whilst total income is 21% ahead.

Lending activities

Our lending activities continue to see significant demand from a wide variety of customers. The volume of new loans written in H1 2014 was £201.3m representing a 33% increase on the £151.2m for the same period last year.

The portfolio continues to be robustly controlled and we have not compromised our acceptance criteria or lending standards to achieve net growth. This approach has, in part, contributed to impairments being at levels below our expectations when we originated the loans. As the overall portfolio matures we expect to see, and have priced for, higher impairment levels than we are currently experiencing.

Total lending balances, net of provisions, have increased to £447.8 million as at 30 June 2014. This represents growth of 22% since 30 June 2013 (£365.8 million) and 15% growth from the 31 December 2013 position of £391.0 million.

Motor Finance balances have grown to £127.8 million from £104.8 million a year ago and £114.7 million as at 31 December 2013 representing 22% and 11% growth respectively.

Personal unsecured lending balances, excluding Everyday Loans, have grown to £84.1 million from £72.7 million a year ago and £77.8 million as at 31 December 2013 representing 16% and 8% growth respectively.

Everyday Loans lending balances have grown to £85.3 million from £79.4 million a year ago and £81.4 million as at 31 December 2013 representing 7% and 5% growth respectively.

This time last year I flagged the investment we intended to make into our Retail Finance business. I am pleased to report that this has borne fruit as evidenced by a number of successes which have helped to fuel 24% growth year-on-year in lending balances. Total new lending volumes for H1 2014 are 39% higher than the same period in 2013. The diversification into new markets has gone well with a dozen top football clubs now using V12 to provide their season ticket finance. A number of rugby clubs and the Welsh Rugby Union have also signed up. We continue to enjoy excellent commercial relationships with the Association of Cycle Traders and Creative United (formerly the Arts Council England). The Association of Cycle Traders has recently renewed their term contract with us.

Retail Point of Sale balances have grown to £134.3 million from £107.9 million a year ago and £114.4 million as at 31 December 2013 representing 24% and 17% growth respectively.

We began the recruitment of specialist Real Estate Finance bankers in the first quarter of 2014, and this process continues as we target specific individuals to augment the team. The demand for lending has been much stronger than we expected. The team have already built a very substantial work in progress pipeline in only four months and over £70 million of customer limits have been conditionally extended. The portfolio is biased towards short term development finance, typically for house building. As such we expect to see the lending balances in this area grow steadily as the underlying building developments progress. As at 30 June 2014 Real Estate Finance lending balances have grown to £12.5 million from £nil a year ago and £1.8 million as at 31 December 2013.

Chief Executive's statement *Continued*

Fee based services

The OneBill service remains closed for new business. Customer numbers continue to reduce in line with management expectations and ended the period at 23,386.

In 2013 HM Treasury announced the creation of a new Payments Regulator with effect from 1 April 2015. It is unclear whether this change will improve the economics of providing a current account product. We have therefore continued to focus management attention elsewhere pending clarification of the new regulator's intentions. The current account product does not make any meaningful contribution to Secure Trust Bank's profits. Notwithstanding the moderation of new business development activity, customer numbers are 21,840, only 2% lower than the same period in 2013.

Strong customer relationships and ethics

Our ongoing focus on providing simple, straightforward banking solutions remains very popular with customers. Customer satisfaction levels, as measured by the independent FEEFO customer feedback forum, are constantly in the 90-100% satisfaction levels. Customer numbers continue to grow and are over 20% higher than this time last year at 391,610 (2013: 325,052).

We are carrying out increasing amounts of repeat business with borrowers who have satisfactorily repaid us in the past and the level of 'stickiness' within our deposit customers is very high. We make a very deliberate effort to ensure that the design of our products ensures that customers get a positive outcome and are treated fairly. For example, over 40% of our customer deposits are in the form of fixed term fixed rate bonds. Prior to these maturing we write to customers offering an exclusive rollover rate, which is in the top quartile of the market rates. We believe our approach underpins the high customer satisfaction levels we achieve and is conducive to building long term relationships, differentiating us positively.

Our customer-friendly principles are informing the design of the products we will use to meet the needs of SME customers, and we believe this, coupled with the quality of our service delivered through the quality of our staff will give us an edge in the SME markets.

Investing for the future

Our motor finance, retail finance and personal unsecured lending activities have driven the growth in profits in recent years. We see considerable ongoing potential in these markets, in addition to significant opportunities in SME markets. In order to ensure that our growth continues to be professionally and prudently managed we have maintained our investment in the senior management and infrastructure capabilities of the bank.

In the first half of 2014, we hired a highly experienced Chief Technology Officer with experience of larger banking businesses to ensure that our operational platform is developed in an appropriate and secure manner. We also recognised that as the Company grows in scale and broadens its range of products, our Treasury activities will become increasingly important. We have therefore recruited a proven, and suitably qualified, Corporate Treasurer who joined us in June.

In order to take our Motor Finance proposition to the next level, in Q2 2014 we appointed a Managing Director with a proven track record in the motor industry who is currently developing a new strategic plan for this important lending area within Secure Trust Bank.

I am delighted to note that in the first quarter of 2014 Secure Trust Bank received the 'Investors in People Silver' status accreditation. This ranks us in the top 6.5% of all UK businesses covered by Investors in People. I believe this is a great reflection on the ongoing investment the bank is making in its people who do such an excellent job looking after all of our customers.

SME update

Considerable progress has been made with our plans to build a de novo Invoice Finance division. The key to success in this market is centred on the quality of the staff, the quality of the customer proposition, the capabilities of the operating platform and the risk control and monitoring procedures of the business. We previously announced that an ex Managing Director of Barclays Invoice Finance division has been recruited to run Secure Trust Bank Commercial Services. We have also recruited an excellent team of executives and regional sales directors. The operating platform is largely built and is currently in its test phase. We expect this to be operational later in July and the sales and relationship/risk staff are scheduled to join us from August.

I am also pleased to announce that we have recruited Paul Marston to run our SME and Asset Finance activities. Paul holds Banking and Treasury qualifications, and joins us from RBS where he was latterly a Managing Director, Commercial Banking. Paul was responsible for the UK SME leasing and asset finance activities of Lombard North Central PLC for a number of years before re-entering the core RBS banking business in 2009.

Outlook

We were very pleased to complete the recent share placing in a difficult market at only a 3.8% discount to the pre-issue closing price. The placing has significantly boosted our capital resources and, consistent with their undertaking at the IPO, Arbuthnot Banking Group has continued to reduce its ownership stake. The increase in the free float to 47% and the ongoing growth strategy of the Company positions us well to seek promotion from AIM to the main market in due course. The net proceeds raised in the recent placing of £48.8 million will be used to support the growth of the Company.

In June the British Bankers Association (BBA) held their annual conference with this year's theme being 'Competition in UK Banking'. I am pleased to note that this industry body has adopted as its stance the call for the three changes the Chairman called for in his statement in the 2013 annual accounts. At the BBA conference the City minister, Andrea Leadsom and her shadow minister, Cathy Jamieson, both acknowledged the absence of a level playing field and the need for government action to address the capital, funding and access to payments infrastructure that disadvantages the small banks and means they suffer relative to the dominant incumbents. I expect that we will hear a lot more on these subjects in the run up to the 2015 UK general election.

If action is taken on some of the current regulatory bias against smaller banks then so much the better. We are not, however, reliant on this to enable us to progress our strategic plans. The steps we have taken and continue to take to broaden our distribution channels and products, coupled with strong organic demand from a wide variety of customers, are all encouraging factors. The nascent SME business is showing considerable promise albeit investors will appreciate that the growth of this business will require an initial period of investment until it can achieve critical mass. In addition we continue to explore a wide range of external opportunities which could allow us to accelerate our growth plans. With the economic recovery looking increasingly entrenched we believe that the manner and timing of our entry into new markets is appropriate and we look forward to the future with confidence.

Paul Lynam
Chief Executive Officer

21 July 2014

Consolidated statement of comprehensive income

	Note	Six months ended 30 June 2014 £million	Six months ended 30 June 2013 £million
Interest receivable and similar income		41.6	34.1
Interest expense and similar charges		(7.2)	(6.6)
Net interest income		**34.4**	**27.5**
Fee and commission income		11.2	11.1
Fee and commission expense		(1.8)	(2.3)
Net fee and commission income		**9.4**	**8.8**
Operating income		**43.8**	**36.3**
Net impairment losses on loans and advances to customers		(6.4)	(7.6)
Operating expenses		(26.0)	(22.5)
Profit before income tax	2	**11.4**	**6.2**
Income tax expense		(3.0)	(1.4)
Profit for the period		**8.4**	**4.8**
Other comprehensive income, net of income tax:			
Revaluation reserve			
– Net amount transferred to profit or loss		–	(0.1)
Cash flow hedging reserve			
– Net amount transferred to profit or loss		0.4	–
Other comprehensive income for the period, net of income tax		**0.4**	**(0.1)**
Total comprehensive income for the period		**8.8**	**4.7**
Profit attributable to:			
Equity holders of the parent		8.4	4.8
Total comprehensive income attributable to:			
Equity holders of the parent		8.8	4.7
Earnings per share for profit attributable to the equity holders of the parent during the period (expressed in pence per share):			
Basic earnings per share	3	53.6	30.5
Diluted earnings per share	3	51.4	30.5

The notes on pages 10 and 11 are an integral part of these consolidated financial statements

Consolidated statement of financial position

	Note	At 30 June 2014 £million	At 30 June 2013 £million
ASSETS			
Loans and advances to banks	4	102.4	69.1
Loans and advances to customers		447.8	365.8
Property, plant and equipment		4.9	5.3
Intangible assets		9.2	10.6
Deferred tax assets		0.6	4.7
Other assets		4.5	8.9
Total assets		**569.4**	**464.4**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks		–	0.1
Deposits from customers		476.8	386.7
Current tax liabilities		1.4	0.6
Deferred tax liabilities		0.6	1.9
Other liabilities		27.3	21.1
Total liabilities		**506.1**	**410.4**
Equity attributable to owners of the parent			
Share capital		6.3	6.3
Share premium		28.2	28.2
Retained earnings		28.6	19.7
Cash flow hedging reserve		–	(0.4)
Revaluation reserve		0.2	0.2
Total equity		**63.3**	**54.0**
Total liabilities and equity		**569.4**	**464.4**

The notes on pages 10 and 11 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

	Share capital £million	Share premium £million	Revaluation reserve £million	Cash flow hedging reserve £million	Retained earnings £million	Total £million
Balance at 1 January 2014	**6.3**	**28.2**	**0.2**	**(0.4)**	**27.3**	**61.6**
Total comprehensive income for the period						
Profit for the six months ended 30 June 2014	–	–	–	–	8.4	8.4
Other comprehensive income, net of income tax						
Cash flow hedging reserve						
– Net amount transferred to profit or loss	–	–	–	0.4	–	0.4
Total other comprehensive income	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Total comprehensive income for the period	**–**	**–**	**–**	**0.4**	**8.4**	**8.8**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Final dividend relating to 2013	–	–	–	–	(7.4)	(7.4)
Equity settled shared based payment transactions	–	–	–	–	0.3	0.3
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**(7.1)**	**(7.1)**
Balance at 30 June 2014	**6.3**	**28.2**	**0.2**	**–**	**28.6**	**63.3**

	Share capital £million	Share premium £million	Revaluation reserve £million	Cash flow hedging reserve £million	Retained earnings £million	Total £million
Balance at 1 January 2013	**6.3**	**28.2**	**0.1**	**(0.4)**	**21.7**	**55.9**
Total comprehensive income for the period						
Profit for the six months ended 30 June 2013	–	–	–	–	4.8	4.8
Other comprehensive income, net of income tax						
Revaluation reserve						
– Net amount transferred to profit or loss	–	–	0.1	–	(0.1)	–
Total other comprehensive income	**–**	**–**	**0.1**	**–**	**(0.1)**	**–**
Total comprehensive income for the period	**–**	**–**	**0.1**	**–**	**4.7**	**4.8**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Final dividend relating to 2012	–	–	–	–	(6.7)	(6.7)
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**(6.7)**	**(6.7)**
Balance at 30 June 2013	**6.3**	**28.2**	**0.2**	**(0.4)**	**19.7**	**54.0**

The notes on pages 10 and 11 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

	Six months ended 30 June 2014 £million	Six months ended 30 June 2013 £million
Cash flows from operating activities		
Profit for the six months	8.4	4.8
Adjustments for:		
Income tax expense	3.0	1.4
Depreciation of property, plant and equipment	0.2	0.3
Amortisation of intangible assets	1.2	1.2
Loss on sale of property, plant and equipment	0.1	–
Impairment losses on loans and advances	6.4	7.6
Cash flow hedging reserve transferred to profit or loss	0.4	–
Equity settled share based payment transactions	0.3	–
Cash flows from operating profits before changes in operating assets and liabilities	20.0	15.3
Changes in operating assets and liabilities:		
– net decrease in loans and advances to banks	7.8	51.3
– net increase in loans and advances to customers	(63.2)	(43.1)
– net decrease/(increase) in other assets	3.6	(1.3)
– net (decrease)/increase in amounts due to banks	(0.1)	0.1
– net increase/(decrease) in amounts due to customers	40.2	(12.2)
– net increase in other liabilities	1.5	0.4
Income tax paid	(1.5)	(1.2)
Net cash inflow from operating activities	**8.3**	**9.3**
Cash flows from investing activities		
Borrowings repaid on acquisition of subsidiary undertakings	–	(36.9)
Cash acquired on purchase of subsidiary undertakings	–	1.6
Purchase of subsidiary undertakings	–	(3.9)
Purchase of property, plant and equipment	(0.2)	(0.1)
Purchase of computer software	(0.5)	(0.2)
Proceeds from sale of computer software	–	2.0
Net cash outflow from investing activities	**(0.7)**	**(37.5)**
Cash flows from financing activities		
Dividends paid	(7.4)	(6.7)
Net cash used in financing activities	**(7.4)**	**(6.7)**
Net increase/(decrease) in cash and cash equivalents	**0.2**	**(34.9)**
Cash and cash equivalents at 1 January	90.0	94.0
Cash and cash equivalents at 30 June	**90.2**	**59.1**

The notes on pages 10 and 11 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. Operating segments

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

1) Personal lending – Unsecured consumer loans sold to customers via brokers and affinity partners.
2) Motor finance – Hire purchase agreements secured against the vehicle being financed.
3) Retail finance – Point of sale unsecured finance for in-store and online retailers.
4) Current account and OneBill – The current account comes with a prepaid card to enable effective control of personal finances, whilst OneBill is an account designed to aid customers with their household budgeting and payments process.

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 2014	Personal Lending £million	Motor Finance £million	Retail Finance £million	Current Account and OneBill £million	Other £million	Group Total £million
Interest receivable and similar income	20.7	12.6	7.9	–	0.4	41.6
Fee and commission income	2.9	–	0.3	6.0	2.0	11.2
Revenue from external customers	**23.6**	**12.6**	**8.2**	**6.0**	**2.4**	**52.8**
Net impairment losses on loans and advances to customers	4.7	1.3	0.4	–	–	6.4
Loans and advances to customers	169.5	127.8	134.3	0.3	15.9	447.8

Six months ended 30 June 2013	Personal Lending £million	Motor Finance £million	Retail Finance £million	Current Account and OneBill £million	Other £million	Group Total £million
Interest receivable and similar income	17.4	10.0	6.6	–	0.1	34.1
Fee and commission income	2.5	–	–	6.3	2.3	11.1
Revenue from external customers	**19.9**	**10.0**	**6.6**	**6.3**	**2.4**	**45.2**
Net impairment losses on loans and advances to customers	4.9	1.9	0.8	–	–	7.6
Loans and advances to customers	152.1	104.8	107.9	0.3	0.7	365.8

The “Other” segment above includes other segments which are individually below the quantitative threshold for separate disclosure and fulfils the requirement of IFRS 8.28 by reconciling operating segments to the amounts reported in the financial statements.

As interest, fee and commission 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 of the Group’s operations are conducted wholly within the United Kingdom and geographical information is therefore not presented.

2. Underlying profit reconciliation

The profit before tax as reported in the Consolidated Statement of Comprehensive Income can be reconciled to the underlying profit for the year as follows:

	Six months ended 30 June 2014 £million	2013 £million	Variance £million
Profit before tax	**11.4**	**6.2**	**5.2**
Acquisition costs	0.2	0.3	
Acquisition fair value amortisation	2.7	2.7	
Share based incentive scheme	0.8	1.0	
Net ABG management recharges	0.1	0.1	
Underlying profit before tax	**15.2**	**10.3**	**4.9**
Underlying tax	(3.6)	(2.4)	(1.2)
Underlying profit after tax	**11.6**	**7.9**	**3.7**
Underlying basic earnings per share (pence)	73.8	50.4	23.4

3. Earnings per ordinary share

Basic

Basic earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent of £8.39 million (2013: £4.78 million) by the weighted average number of Ordinary Shares in issue during the period 15,648,149 (2013: 15,648,149).

Diluted

Diluted earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent of £8.39 million (2013: £4.78 million) by the weighted average number of Ordinary Shares in issue during the period, as noted above, as well as the number of dilutive share options in issue during the period.

The number of dilutive shares in issue at the period-end was 673,328, being based on the number of options granted of 920,831, the exercise price of £7.20 per option and the average share price during the period from 1 January to 30 June 2014 of £26.79. There were no dilutive share options in issue during the period ended 30 June 2013.

4. Loans and advances to banks

Included within loans and advances to banks are amounts placed with Arbuthnot Latham & Co., Limited, a related company, of £36.2 million (31 December 2013: £31.6 million; 30 June 2013: £4.4 million).

5. Basis of reporting

The interim financial statements have been prepared on the basis of accounting policies set out in the Group's 2013 Annual Report and Accounts as amended by standards and interpretations effective during 2014 and in accordance with IAS34 'Interim Financial Reporting'. The Directors of the Company do not consider the fair values of the assets and liabilities presented in these interim financial statements to be materially different from their carrying values.

The statements were approved by the Board of Directors on 21 July 2014 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, West Midlands, B90 4LH.

6. Events after the balance sheet date

On 19 June 2014 the Company announced a proposed placing to institutional investors of 3,125,000 Ordinary Shares in aggregate, comprising 2,083,333 new Ordinary Shares to be issued by Secure Trust Bank PLC and 1,041,667 existing Ordinary Shares to be sold by the Company's parent company.

On 9 July 2014 the new and existing shares were placed at a price of £24.00 per share following approval of the Resolutions for the issue and allotment of the new Ordinary Shares at a General Meeting. The placing of the new shares raised £48.8 million, net of expenses, for Secure Trust Bank PLC, whilst the shareholding of Ordinary Shares by the parent company post-placing reduced from 67.0% to 53.3% of the new enlarged issued share capital.

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