Pillar 3 disclosures for the year ended 31 December 2015

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1. Overview

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1.1 Background

This document sets out the Pillar 3 disclosures for Secure Trust Bank Plc and its subsidiaries (the Group) as at 31 December 2015. These disclosures provide information on the basis of calculating capital requirements and on the management of key risks faced by the Group.

The Group's lead regulator, the Prudential Regulatory Authority ('PRA'), sets and monitors capital requirements for the Group as a whole and for its regulated subsidiaries. The lead regulator adopted the Basel III capital requirements with effect from 1 January 2014. As a result, the Group's regulatory capital requirements were based on Basel III in 2014 and in following years. The Capital Requirements Directive (CRD IV) sets out disclosure requirements for banks operating under the regime. The disclosure requirements (Pillar 3) aim to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) and aim to encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the Group.

Further details on risks are included in the "Principal Risks and Uncertainties" section within the Annual Report and Accounts.

1.2 Basis of disclosures

The disclosures have been prepared for Secure Trust Bank PLC. These disclosures cover the Pillar 3 qualitative and quantitative disclosure requirements.

1.3 Frequency

This report will be made on an annual basis. The disclosures will be as at the Accounting Reference Date (ARD), i.e. as at 31 December.

1.4 Media and location

The report will be published on the Secure Trust Bank PLC corporate website (www.securetrustbank.com).

1.5 Verification

The Pillar 3 disclosures are subject to internal review procedures broadly consistent with those undertaken for unaudited information published in the Annual Report. The information contained in this document has not been audited by the Group's external auditors, except to the extent it is deemed to be equivalent to that made under accounting or listing requirements.

The Pillar 3 disclosures have been prepared purely for explaining the basis on which the Group has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement on the Group.

2. Risk Management

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2.1 Principal governing bodies

The Group is led and controlled by an effective Board which comprises as at 31 December 2015, executive directors and two non-executive directors. The Board, including its non-executive members takes a strong interest in risk management.

The Board endorses the principles of openness, integrity and accountability which underlie good corporate governance and takes into account the provisions of The Code in so far as they are appropriate to the Group's size and circumstances. Moreover, the Group contains subsidiaries authorised to undertake regulated business under the Financial Services and Markets Act 2000 and regulated by the Prudential Regulatory Authority and Financial Conduct Authority. The Group is also an authorised deposit taking business. Accordingly, the Group operates to the high standards of corporate accountability and regulatory compliance appropriate for such businesses.

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 Board has adopted a Group Risk Appetite Statement 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 and are also reviewed by the Risk Committee at its meetings. Key business risks are also identified, evaluated and managed by operating management on an ongoing basis. The Board and the Risk Committee also receive regular reports on any risk matters. Significant risks identified in connection with the development of new activities are considered by the Board and the Risk Committee in conjunction with the approval of any such new activity.

2.2 Principal risks

The Group regards the monitoring and controlling of risks as a fundamental part of the management process. Consequently, senior management is involved in the development of risk management policies and in monitoring their application. The principal risks inherent in the Group's business are operational, credit, liquidity, market, capital, conduct and regulatory risks.

2.3 Operational risk

Operational risk is the risk that the Group may be exposed to financial losses from inadequate or failed internal processes, people and systems or from external events.

The Group has a defined set of Operational Risk Appetite measures covering such matters as operational losses, IT resilience, information security, complaints and more generally the level of operational risks the Group is prepared to accept. These appetite measures are cascaded to individual business units which monitor and track their level of risks within their local governance forums.

In 2015, the Group invested in resource, expertise and systems to support the development of its operational risk capabilities. A formal Operational Risk System is being introduced along with an enhanced Operational Risk Framework covering all the key principles for the Sound Management of Operational Risk as defined by the Basel Committee.

In 2016 the Group will continue to monitor the effectiveness of our controls and respond to new and emerging threats to the business.

The Group has adopted the Basic Indicator Approach for calculating the Pillar 1 capital requirements for operational risk.

2.4 Credit risk: overview

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their financial obligations to the Group as and when they fall due. Of the risks to which the Group is exposed, credit risk generates the largest regulatory capital requirement.

The Group has adopted the Standardised Approach to credit risk under Basel III, and has nominated Moody's Investor Services as its external credit assessment institution (ECAI) to provide ratings for financial institutions.

Credit risk is managed through the Group's internal controls and credit risk policies. The risk is monitored by the Credit Risk Committee, with oversight provided by the Board Risk Committee.
Across the different product markets in which the Group operates, senior management within the Credit Risk function oversee the application of the Group's risk related policies and consider the impact of market changes and business opportunities

2.5 Credit risk: Consumer overview

Credit Quality within Consumer Finance is managed through the existing scorecard and rule set. The performance of all the consumer portfolios continue to be monitored closely through monthly Credit Committee governance meetings which review scorecard and rule performance and new application quality and delinquency trends.

Credit scoring may be used to support the retail customer account management process in the following ways:

- To set customer maximum lending value.
- To determine account specific recommended limits and product types.

2.6 Credit risk: Commercial overview

Lending to the SME sector has been built around strong risk management practices. The Group has employed experienced bankers who have operated through both positive and challenging economic cycles, and have brought their experience to bear alongside the application of robust risk governance, credit appetite and lending policies.

For Real Estate Finance and Commercial Finance, lending decisions are made on an individual transaction basis, using expert judgement and assessment against criteria set out in the lending policies. Asset Finance lending is outsourced to Haydock Finance, who operate in line with the Group's credit policies and risk appetite.

2.7 Credit risk: credit management

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

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 lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral for fund advances, which is common practice. The principal collateral types for loans and advances include, but are not limited to:

- Charges over residential and commercial properties;
- Charges over business assets such as cash, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Personal guarantees; and
- Charges over other chattels.

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In order to minimise any potential credit loss the Group will seek to recover collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Repossessed collateral, not readily convertible into cash, is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. Where excess funds are available after the debt has been repaid, they are returned to the customer.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

2.8 Credit risk: treasury assets

The Group can have exposures to a range of banks and the Bank of England in its treasury portfolio of bank deposits and from time to time, Certificates of Deposit, money market instruments and Government securities. These exposures arise due to the placement in the market of surplus client cash which is held under a banking relationship. These exposures are held purely for liquidity purposes, and all have a minimum rating of credit step quality 2 or higher (as per PRA guidance).

Policy limits and approved counterparties are recorded in the Treasury Policy and provided to the PRA, together with a copy of the policy on an annual basis. Counterparty exposures are monitored against limits by the Treasury department on a daily basis and limits are formally approved by Assets & Liabilities Committee (ALCO) on a monthly basis.

2.9 Concentration risk

The Group is well diversified in the UK, being exposed to retail banking and retail and commercial finance. Management assesses the potential concentration risk from a number of areas including:

- product concentration
- geographical concentration; and
- borrowers single name.

Due to the well diversified nature of the Group and collateral held against a large proportion of the loan book, the Directors do not consider there to be a potential material exposure arising from concentration risk.

2.10 Market risk

Market risk is the risk that the value of, or revenue generated from, the Group's assets and liabilities is impacted as a result of market movements. For Secure Trust Bank Group this is primarily limited to interest rate risk.

2.11 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 savings and borrowing 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.

This is managed by the Group treasury function and overseen by the Board Assets and Liabilities Committee (ALCO). The policy is not to take significant unmatched own account positions in any market. The key measure used to monitor the risk is the Interest Rate Risk Sensitivity Gap.

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:

- Fixed rate loans; and
- Fixed rate savings accounts.

There is interest rate mismatch which is monitored on a monthly basis in conjunction with liquidity and capital. The interest rate mismatch is monitored throughout the maturity bandings of the book on a parallel shift scenario of 100 and 200 basis points movement. The risk appetite that the Group is prepared to accept for a 200bps parallel shift in interest rates are losses of £1m.

The principle currency in which the bank operates is Sterling, although a small number of transactions are completed in US Dollars and Euros. These exposures are fully hedged using short term swaps of no more than 30 days in length, which ensures that the Group has no exposures to currency fluctuations.

2.12 Securitisation risk

The Group currently has no securitised assets. Securitisation risk is not therefore applicable to the Group.

2.13 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its 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 withdrawing funds from its Bank of England Reserve Account to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The Group has formal governance structures in place to manage and mitigate liquidity risk on a day to day basis. The Board sets and approves the liquidity risk management strategy. The Assets and Liabilities Committee ("ALCO"), comprising senior executives, 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 Individual Liquidity Adequacy Assessment Process ("ILAAP") metrics.

The PRA 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 liquidity 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 Board reviews and approves the Group ILAAP on an annual basis. The liquidity buffer required by the ILAAP has been put in place and maintained since that time. Liquidity resources outside of the buffer are made up of deposits placed at the Bank of England.

The Liquidity Coverage Ratio ("LCR") regime has applied to the Group from 1 October 2015, requiring management of net 30 day cash outflows as a proportion of high quality liquid assets. The actual LCR has significantly exceeded the regulatory minimum throughout the year.

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.

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.

2.14 Capital risk

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 the Group's Internal Capital Adequacy Assessment Process (ICAAP), which is then aggregated into the Arbuthnot Banking Group's ICAAP. Stringent stress tests are performed to ensure that capital resources are adequate over a future three year horizon.

2.15 Conduct risk

Conduct risk reflects the potential for customers (and the business) to suffer financial loss or other detriment through the actions and decisions made by the business and its staff.

We define conduct risk as the risk that the Groups' products / services, and the way they are delivered, result in poor outcomes for customers or markets in which we operate, or harm to the Group. This could be as a direct result of poor or inappropriate execution of our business activities or behaviour from our staff.

The Group takes a principles based approach and includes retail and commercial customers in its definition of 'customer', which covers all business units and both regulated and unregulated activities.

Management has embedded a Conduct Risk Management Framework in the business. This is a set of activities establishing the governance and oversight protocols, providing training and awareness on the Conduct Risk Policy, and enhancing and developing relevant key risk indicators (KRIs). Conduct risk exposure is managed via monthly review and challenge of KRIs at the Customer Focus Commitee.

2.16 Regulatory risk

Regulatory risk is the risk that the Group fails to be compliant with all relevant regulatory requirements. This could occur if the Group failed to interpret, implement and embed processes and systems to address regulatory requirements, emerging risks, key focus areas and initiatives or deal properly with new laws and regulations.

The Group seeks to manage regulatory risks through the following elements of the Group wide risk management framework:

- Governance and control processes for new products and services;
- Advice and guidance on the application and interpretation of laws and regulations applicable to the Group's products, new initiatives and projects;
- Investment in the infrastructure and ongoing enhancement of the regulatory training programme.

3. Scope of application of Directive requirements

The Pillar 3 disclosures provide information on the capital adequacy and risk management of the Group.

The principal operating subsidiary undertakings of Secure Trust Banking Group PLC at 31 December 2015 are listed below. These subsidiary undertakings, which all have 31 December year ends, are incorporated and all operate in Great Britain.

Subsidiary	**Nature of business**
Debt Managers (Services) Limited	Debt Collection
Everyday Loans Holdings Limited	Personal Finance
Secure Homes Services Limited	Property Rental
STB Leasing Limited	Leasing
V12 Finance Group Limited	Retail Finance

All subsidiary undertakings are limited by ordinary shares. The Company holds a 100% interest in the ordinary share capital and voting rights of all the above principal operating subsidiaries. On 13 April 2016, Secure Trust Bank PLC concluded the sale of Everyday Loans Holdings Limited and its subsidiaries to Non Standard Finance Plc.

The results and information about all regulated subsidiary undertakings have been included in the consolidated Pillar 3 disclosures.

Other than the need to maintain regulatory capital requirements at a solo-consolidated group level, there are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities when due between Secure Trust Bank PLC and its regulated subsidiaries. V12 Finance Group Limited and Debt Managers (Services) Limited are not part of the solo-consolidated group for capital requirement purposes.

During the year ended 31 December 2015, the Group complied with all of the externally imposed capital requirements to which it was subjected.

4. Capital Resources

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The table below summarises the composition of regulatory capital for the Group on a solo consolidated basis as at 31 December 2015.

	2015 £million	2014 £million
Tier 1		
Share capital	7.3	7.3
Share premium	79.3	79.3
Retained earnings	53.1	38.7
Revaluation reserve	0.2	0.2
Goodwill	(0.3)	(0.3)
Intangible assets net of attributable deferred tax	(3.8)	(2.8)
Deferred tax assets due to losses	-	(1.0)
Common Equity Tier 1 capital	**135.8**	**121.4**
Tier 2		
Collective allowance for impairment of loans and advances (1)	3.1	2.0
Total Tier 2 capital	**3.1**	**2.0**
Total Tier 1 & Tier 2	**138.9**	**123.4**

(1) Includes assets held for sale as at 31 December 2015.

5. Capital Adequacy

In order to protect the capital adequacy of the Group, internal capital is held to provide a cushion for unexpected losses. In assessing the adequacy of its capital, the Group considers its risk appetite, the material risks to which the Group is exposed and the appropriate management strategies for each of the Group's material risks, including whether or not capital provides an appropriate mitigant.

The Internal Capital Adequacy Assessment Process (ICAAP) is a key element of the Group's implementation of the EU Capital Requirements Directive (CRD). It is a process that brings together the risk management framework of the Group and the financial discipline of budgeting and business planning.

The intention is that the ICAAP will be reviewed and updated each year in conjunction with the annual budget process, unless there are any changes in the control environment or other events that warrant a more immediate update. When performing the annual update the Board will review the continued appropriateness of the stated risk appetite and compare it against actual performance. It will also request the performance of stress testing, to assess the Group's capital adequacy in a range of scenarios.

The Group's capital management policy is focused on optimising shareholder value over the long-term. Processes exist to ensure that capital is allocated to achieve targeted risk adjusted returns whilst ensuring appropriate surpluses are held above the minimum regulatory requirements. The Board reviews the capital position at every Board meeting

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 that needs to be held. This method takes the Pillar 1 capital formula calculations (for credit, market and operational risk) as a starting point and then considers whether each of these calculations delivers an adequate capital sum to cover management's anticipated risks. Where the PRA and Board considers that the Pillar 1 calculations do not adequately reflect the risks, additional capital buffers have been added on in Pillar 2.

The following table shows the Group's Pillar 1 capital requirements by asset class (credit risk requirements represent gross exposures and exposures after credit risk mitigants):

Pillar 1 Requirement (solo consolidated)	2015 £million	2014 £million
Credit Risk requirements arising from exposures to:		
Institutions	0.2	0.6
Corporates	5.3	0.6
Retail	35.1	27.1
Secured on immoveable property	25.3	12.5
Exposures in default	0.3	0.2
Other	2.8	2.3
Market risk capital requirement	-	-
Operational risk capital requirement	10.9	8.3
Total Pillar 1 Capital Requirement	**79.9**	**51.6**

6.1 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;
- Initiation of bankruptcy proceedings;
- Deterioration in the value of collateral; and
- Deterioration of the borrower's competitive position.

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 a provision 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. When a loan is uncollectible, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairments in the Statement of Comprehensive Income.

Loans subject to collective impairment assessment and whose terms have been renegotiated are no longer considered to be past due or impaired but are treated as new loans after the minimum required number of payments under the new arrangements have been received. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or are considered to be past due.

6.2 Impairment of financial assets: assets classified as available-for-sale

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. The Group regards a decline of more than 20 percent in fair value as “significant” and a decline in the quoted market price that persists for nine months or longer as “prolonged”. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income, but are recognised in equity as an available-for-sale reserve.

The following tables provide an analysis of impaired and past due loans for the Group (as disclosed in the Group's Annual Report):

Group	2015 £million	2014 £million
Neither past due nor impaired	939.1	581.9
Past due but not impaired	-	0.3
Past due up to 90 days and impaired	24.8	30.3
Past due after 90 days and impaired	31.0	44.1
Gross	994.9	656.6
Less: allowance for impairment	(34.3)	(34.1)
Net Exposures	**960.6**	**622.5**

Of the above net exposures £114.2m (2014: £93.7m) relates to Everyday Loans.

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

Group	2015 £million	2014 £million
Past due up to 30 days	16.5	22.6
Past due 30 - 60 days	5.5	5.3
Past due 60 - 90 days	2.8	2.7
Total	**24.8**	**30.6**

6.3 Impairment losses

A reconciliation of the allowance account for losses on loans and advances by class is as follows (as disclosed in the Group's Annual Report):

Specific allowances for impairment	2015 £million	2014 £million
At 1 January	32.1	25.5
Provision for impairment losses	24.3	15.1
Loans written off during the year as uncollectible	(19.4)	(8.5)
Transfer to assets held for sale	(4.7)	-
At 31 December	**32.3**	**32.1**
Collective allowances for impairment		
At 1 January	2.0	1.6
Provision for impairment losses	1.1	0.4
Transfer to assets held for sale	(1.1)	-
At 31 December	**2.0**	**2.0**
Total allowances for impairment	**34.3**	**34.1**

The Group's provisioning policy is that loans and advances are not written off until all potential avenues of recovery have been exhausted.

6.4 Analysis of credit risk exposures

The following table analyses the Group's regulatory risk exposures as at 31 December by asset class:

Analysis of Credit Risk Exposure	2015 £million	2014 £million
Central governments or central banks	135.6	97.5
Institutions	11.5	39.8
Corporates	111.9	9.3
Retail	619.4	477.1
Secured on immoveable property	477.2	228.2
Exposures in default	8.1	5.9
Other	17.8	14.3
Total credit risk exposure as at 31 December	**1,381.5**	**872.1**

Note
The credit risk exposures above are disclosed on a regulatory basis and include loan commitments, and are therefore different to financial asset classifications as reported in the Group's Statutory Annual Report.

6.5 Analysis of loans and advances

The table below presents an analysis of loans and advances to banks by rating agency designation as at 31 December, based on Moody's long term ratings (as disclosed in the Group's Annual Report):

Moody's long-term ratings: Group	2015 £million	2014 £million
A1	0.1	-
A2	(1.4)	19.8
A3	5.8	-
No rating	5.3	20.0
	9.8	**39.8**

Included within loans and advances to banks with no rating are amounts placed with Arbuthnot Latham & Co., Limited, a related company, of £5.3 million (31 December 2014: £20.0 million). Assets available for sale as at 31 December 2015 are not included in the above analysis of loans and advances. The £1.4m negative balance above represents an overdraft to continuing operations. When advances to banks attributable to continuing operations of £1.7m are taken into account, the overall balance is in credit.

7. Maturity Analysis

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The tables below analyse the contractual undiscounted cash flows for the Group into relevant maturity groupings at 31 December (as disclosed in the Group's Annual Report):

At 31 December 2015	Carrying amount £million	Gross nominal inflow/ (outflow) £million	Not more than 3 months £million	More than 3 months but less than 1 year £million	More than 1 year but less than 5 years £million	More than 5 years £million
Non-derivative financial liabilities						
Due to banks	(36.4)	(36.4)	(36.4)	-	-	-
Deposits from customers	(1,033.1)	(1,078.0)	(442.9)	(142.7)	(449.5)	(42.9)
Other financial liabilities	(8.3)	(8.3)	(8.3)	-	-	-
	(1,077.8)	**(1,122.7)**	**(487.6)**	**(142.7)**	**(449.5)**	**(42.9)**
Non-derivative financial assets						
Cash and balances at central banks	131.8	131.8	131.8	-	-	-
Loans and advances to banks	9.2	9.2	9.2	-	-	-
Debt securities held to maturity	3.8	3.8	3.8	-	-	-
Loans and advances to customers	932.7	1,160.9	127.1	321.7	712.1	-
Other assets	1.4	1.4	1.4	-	-	-
	1,078.9	**1,307.1**	**273.3**	**321.7**	**712.1**	**-**

At 31 December 2014	Carrying amount £million	Gross nominal inflow/ (outflow) £million	Not more than 3 months £million	More than 3 months but less than 1 year £million	More than 1 year but less than 5 years £million	More than 5 years £million
Non-derivative financial liabilities						
Due to banks	(15.9)	(15.9)	(15.9)	-	-	-
Deposits from customers	(608.4)	(635.2)	(87.3)	(257.6)	(255.0)	(35.3)
Other financial liabilities	(15.5)	(15.5)	(15.5)	-	-	-
	(639.8)	**(666.6)**	**(118.7)**	**(257.6)**	**(255.0)**	**(35.3)**
Non-derivative financial assets						
Cash and balances at central banks	81.2	81.2	81.2	-	-	-
Loans and advances to banks	37.9	37.9	22.9	15.0	-	-
Loans and advances to customers	500.1	622.5	68.2	172.5	381.8	-
Debt securities held to maturity	16.3	16.3	11.3	5.0	-	-
	635.5	**757.9**	**183.6**	**192.5**	**381.8**	**-**

8. Asset Encumbrance

Asset Encumbrance is the process by which the assets of STB are pledged in order to secure, collateralize or credit-enhance a financial transaction from which STB cannot be freely withdrawn.

The group maintains a scope of encumbrance that is at a scalable level to the size of its lending operations and within the context of its current of funding capabilities and requirements. Inappropriate levels of asset encumbrance may pose a risk to the stability of STB's funding profile as the assets will not be available to obtain emergency liquidity in the case of an unforeseen stress event.

STB's encumbered assets are only those which have been pledged with the Bank of England in order to secure funding under the FLS scheme.

STB's unencumbered assets include cash on hand, fixed assets, intangible assets including goodwill, deferred tax assets and all commercial SME lending.

The Bank limits asset encumbrance to 30% of Total Assets on loans that the bank can encumber and to limit asset encumbrance to that required to support drawings from the BoE facilities.

The BoE operate a non-cyclical approach to assets encumbrance haircuts. This approach ensures that the Bank can rely on a level of liquidity being available in stress conditions.

The Directors consider the asset encumbrance strategy and levels to be appropriate.

At 31 December 2015 the ratio of encumbered assets to total assets was 4.6%. There is no material difference in the level of encumbrance of STB on a Group or Solo basis.

Assets	Carrying amount of encumbered assets £million	Fair value of encumbered assets £million	Carrying amount of unencumbered assets £million	Fair value of unencumbered assets £million
Assets of the reporting institution	55.4	n/a	1,191.7	n/a
Loans on demand	-	n/a	143.3	n/a
Debt securities	-	-	3.8	3.8
Loans and advances other than loans on demand	55.4	n/a	1,020.7	n/a
Other Assets	-	n/a	23.9	n/a

Encumbered Assets/Collateral Received and associated Liabilities	Matching liabilities, contingent liabilities or securities lent £million	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £million
Carrying amount of selected financial liabilities	-	-
Other sources of encumbrance	-	55.4

9. Remuneration

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In addition to the disclosures made in the Report and Accounts the Group is required to make disclosures regarding remuneration awards made by the Group to twenty Code Staff in respect of the 2015 performance year.

9.1 Code Staff

The following have been identified as Code Staff across the Group:

1. All Directors and Non-Executive Directors of Secure Trust Bank Plc ("STB") & Everyday Loans Limited ("ELL").
2. Members of the Executive Committee of STB.
3. CEOs of V12 and Debt Managers (Services) Limited ("DMS").
4. Significant influence FCA approved persons not caught by 1-3.

During the performance year 2015, there were no other staff identified who are both highly remunerated and could have an impact on the Group's risk profile.

9.2 Aggregate Remuneration Expenditure (Code Staff)

Total	STB Directors	ELL Directors	Others
£6,381,975	£2,107,412	£1,284,666	£2,989,897

9.3 Breakdown of remuneration between Fixed and Variable amounts

Dec 2015	Total	Directors*	Others
Number of Code Staff	20	8	12
Fixed	£4,030,682	£2,383,881	£2,032,225
Variable	£2,351,292	£1,498,620	£957,672

* Directors of ELL and STB excluding Sir Henry Angest, Andrew Salmon, Ruth Lea, Robert Wickham and Sir Christopher Meyer whose emoluments are included in the Pillar 3 disclosures of Arbuthnot Banking Group PLC.

9.4 Decision making process used to determine the remuneration policy

The Remuneration Committee has responsibility for oversight of the Remuneration policy and the implementation of it.

Whilst it is the established practice for all pay rises and bonuses to be reviewed at Group level, any bonuses in excess of 33% of total remuneration to Code Staff and/or any remuneration package in excess of £500,000 need to be specifically approved by the Remuneration Committee in advance.

Where the committee believe it is appropriate, significant bonuses will be subject to a deferred payment structure.

No independent services were used to determine and verify the appropriateness of remuneration.

9.5 Composition of the Remuneration Committee

Membership of the Remuneration Committee is limited to non-executive directors.

9. Remuneration

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The present members of the Remuneration Committee are Sir Henry Angest, Paul Marrow, Andrew Salmon and Lord Forsyth.

The Committee has responsibility for producing recommendations on the overall remuneration policy for Code staff across the Group and for reviewing remuneration of individual Code Staff.

9.6 Link between performance and pay

The Group believes in the importance of attracting, retaining and motivating staff of the appropriate calibre without paying more than is necessary for this purpose.

The general principle for the Group is that staff will be paid a salary, plus benefits and they will be eligible for an annual discretionary bonus.

Both salary increases and the payment of a discretionary bonus are subject to good performance, company profitability and compliance with risk policies and risk appetite limits.