Secure Trust Bank Plc

Pillar 3 disclosures for the period ended 30 September 2017

Contents

1. Overview

1.1 Background

This document sets out the Pillar 3 disclosures for Secure Trust Bank Plc and its subsidiaries (the Group) as at 30 September 2017. These disclosures provide information on the 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 its regulated subsidiaries. The PRA 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 subsequent years.

Part 8 of the Capital Requirements Regulations (CRR) initially set out disclosure requirements for banks operating under the regime. This has been further revised in January 2015 by the Basel Committee on Banking Supervision. The revised disclosure requirements took effect from the year ended December 2016.

The disclosure requirements (Pillar 3) aim to describe 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 Risk Management" section within the 2017 Interim Report for the six months ended 30 June 2017, which can be found in the investor section of Secure Trust Bank's website (www.securetrustbank.com/investor-information).

1.2 Basis of disclosures

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

Historically Secure Trust Bank PLC has reported Pillar 3 capital disclosures on a solo-consolidated basis, with the full consolidated position reflected in the group return of its former parent, Arbuthnot Banking Group PLC (ABG). Following the sale of ABG's controlling interest, Secure Trust Bank PLC now reports its Pillar 3 disclosures on a consolidated group basis.

1.3 Content of Report

The Pillar 3 report is issued annually in conjunction with the Annual Report and Accounts. Pillar 3 disclosures are also required to be issued at the half year and at the March and September quarter ends; these incorporate a reduced level of disclosure.

1.4 Media and location

The Pillar 3 disclosures will be published on the Secure Trust Bank PLC corporate website (www.securetrustbank.com/investor-information).

1.5 Verification

The Pillar 3 disclosure report is prepared in accordance with an approved policy describing internal controls and processes around preparation of this document.

The Pillar 3 disclosures have been prepared 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. Capital Base

	30/09/2017 £'m	31/12/2016 £'m
CET1 capital	215.0	227.4
Tier 2 capital	5.3	5.3
Total capital	220.3	232.7
Total risk exposure	**1,423.4**	**1,264.0**
CET 1 capital ratio	15.1%	18.0%
Leverage ratio	11.2%	14.2%

The table below summarises the composition of regulatory capital for the Group as at 30 September 2017:

	30/09/17 £’m	31/12/16 £’m
Tier 1		
Share capital	7.4	7.4
Share premium	81.2	81.2
Retained earnings	134.9	149.0
Other reserves and adjustments	(8.5)	(10.2)
Common Equity Tier 1 capital	**215.0**	**227.4**
Tier 2		
Collective allowance for impairment of loans and advances	5.3	5.3
Total Tier 2 capital	**5.3**	**5.3**
Total Tier 1 & Tier 2 capital	**220.3**	**232.7**

Retained earnings within CET 1 capital are reported on a certified basis and therefore do not include uncertified earnings of £17.3m before tax for the period 1 January 2017 to 30 September 2017.

3. Overview of Risk Weighted Assets

		a	b	c	c
		Risk Weighted Assets		Minimum Capital Requirement	
		30/09/17 £'m	31/12/16 £'m	**30/09/17 £'m**	31/12/16 £'m
1	Credit Risk (excluding counterparty credit risk) CCR	**1,255.9**	1,137.0	**100.5**	91.0
2	Of which standardised approach (SA)	**1,255.9**	1,137.0	**100.5**	91.0
3	Of which internal rating-based approach (IRB)	**-**	-	**-**	-
4	Counterparty credit risk	**-**	-	**-**	-
5	Of which standardised approach for counterparty credit risk (SA-CCR)			**-**	-
6	Of which internal model method (IMM)	**-**	-	**-**	-
7	Equity positions in banking book under market based approach	**-**	-	**-**	-
8	Equity investments in funds - look through approach	**-**	-	**-**	-
9	Equity investments in funds - mandate-based approach	**-**	-	**-**	-
10	Equity investments in funds - fall-back approach	**-**	-	**-**	-
11	Settlement risk	**-**	-	**-**	-
12	Securitisation exposures in banking book	**-**	-	**-**	-
13	Of which IRB ratings-based approach (RBA)	**-**	-	**-**	-
14	Of which IRB supervisory formula approach (SFA)	**-**	-	**-**	-
15	Of which SA/simplified supervisory formula approach (SSFA)	**-**	-	**-**	-
16	Market risk	**-**	-	**-**	-
17	Of which standardised approach (SA)	**-**	-	**-**	-
18	Of which internal model approaches (IMM)	**-**	-	**-**	-
19	Operational risk	**167.5**	127.0	**13.4**	10.2
20	Of which Basic Indicator Approach	**167.5**	127.0	**13.4**	10.2
21	Of which Standardised Approach	**-**	-	**-**	-
22	Of which Advanced Measurement Approach	**-**	-	**-**	-
23	Amounts below the threshold for deduction (subject to 250% risk weight)	**-**	-	**-**	-
24	Floor adjustment	**-**	-	**-**	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	**1,423.4**	1,264.0	**113.9**	101.1

The credit risk capital requirement has increased by 10% in the period, from £91.0m to £100.5m. This is lower than the 23% increase in total assets, from £1,510m to £1,855m, because 11% of the overall increase is due to higher levels of sovereign assets which are risk weighted at 0%.

The operational risk capital requirement has increased by 31% in the period, from £10.2m to £13.4m, due to the annual recalculation under the standardised approach, following approval of the annual accounts for the previous year. The 2017 calculation is based on a weighted average of income in the years 2014 to 2016 inclusive, whereas the 2016 calculation was based on 2013 to 2015 inclusive. The increase in capital requirement is therefore indicative of the rate of growth of the business in recent years.